standard chartered

Annual Report 2022

Connecting the world's most dynamic markets

here for good™

We are a leading international cross-border bank

Standard Chartered is a bank like no other. Our unique footprint, diverse experience, capabilities and culture set us apart. They enable us to capitalise on opportunities for our business, our customers, and the communities we serve.

Guided by our Purpose – to drive commerce and prosperity through our unique diversity – we connect more than 59 of the world's most dynamic markets, backing the people and businesses who are the engines of global growth.

Together, we are developing new economies that can deliver sustained prosperity in the decades ahead. As our brand promise makes clear, we are here for good.

Financial KPIs[1]

Return on tangible equity

8.0% ↑120bps
Underlying basis

6.8% ↑200bps
Statutory basis

Common Equity Tier 1 ratio

14.0% ↓19bps
At the top of 13-14% target range

Total shareholder return

41% ↑43ppt

Non-financial KPIs[2]

Diversity and inclusion: women in senior roles[4]

32.1% ↑1.4ppt

Sustainability Aspirations met or on track

85.7% ↑2.8ppt

Other financial measures[1,3]

Operating income

$16,255m ↑15%
Underlying basis

$16,318m ↑16%
Statutory basis

Profit before tax

$4,762m ↑15%
Underlying basis

$4,286m ↑30%
Statutory basis

Earnings per share

101.1cents ↑15.3 cents
Underlying basis

85.9cents ↑24.6 cents
Statutory basis

Stakeholders

Throughout this report, we use these icons to represent the different stakeholder groups for whom we create value.

Clients

Regulators and governments

Investors

Suppliers

Society

Employees

1 Reconciliations from underlying to statutory and definitions of alternative performance measures can be found on pages 126 to 130
2 For more information on our culture of inclusion see page 64, and for more on our Sustainability Aspirations see page 64
3 Year-on-Year growth on Operating Income and Profit before tax is on constant currency basis
4 Senior leadership is defined as Managing Directors and Band 4 roles (including Management Team)

In this report

Client segment reviews

Regional reviews

Our strategy

Stakeholders and Sustainability

Group Chief Executive's review

About this report

Sustainability reporting

We adopt an integrated approach to corporate reporting, embedding non-financial information throughout our annual report. While not complying in full, in preparing this report, we have given consideration to the principles of the voluntary Global Reporting Initiative, SASB Standards and the World Economic Forum Stakeholder Capitalism Metrics framework.

Read more in our ESG report **sc.com/ESGreport**

For more information on Standard Chartered please visit **sc.com**

Alternative performance measures

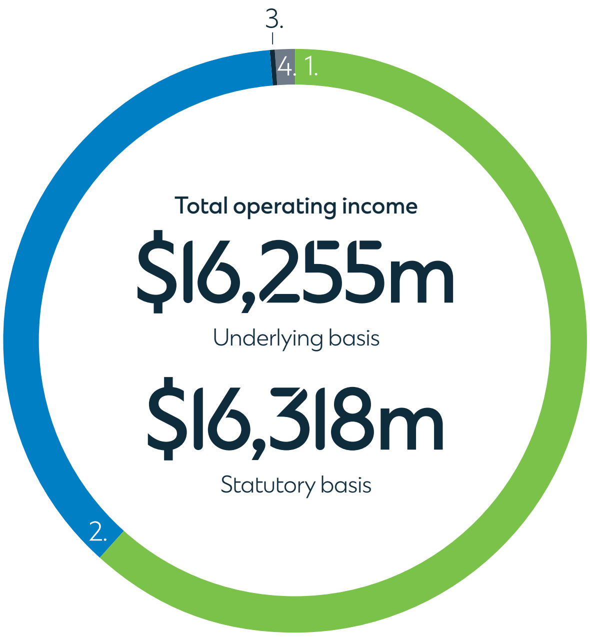
The Group uses a number of alternative performance measures in the discussion of its performance. These measures exclude certain items which management believes are not representative of the underlying performance of the business and which distort period-on-period comparison. They provide the reader with insight into how management measures the performance of the business.

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, Risk review and Capital review and Supplementary information are unaudited unless otherwise stated. Unless context requires within the 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. Asia includes Australia, Bangladesh, Brunei, Cambodia, India, Indonesia, Laos, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Thailand, Vietnam, Mainland China, Hong Kong, Japan, Korea, Macau, Taiwan; Africa and Middle East (AME) includes Angola, Bahrain, Botswana, Cameroon, Côte d'Ivoire, Egypt, The Gambia, Ghana, Iraq, Jordan, Kenya, Lebanon, Mauritius, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Sierra Leone, South Africa, Tanzania, UAE, Uganda, Zambia, Zimbabwe; and Europe and Americas (EA) include Argentina, Brazil, Colombia, Falkland Islands, France, Germany, Ireland, Jersey, Poland, Sweden, Türkiye, the UK, and the US. Within the tables in this report, blank spaces indicate that the number is not disclosed, dashes indicate that the number is zero and nm stands for not meaningful. Standard Chartered PLC is incorporated in England and Wales with limited liability, and is headquartered in London. The Group's head office provides guidance on governance and regulatory standards. Standard Chartered PLC. Stock codes are: LSE STAN.LN and HKSE 02888.

Who we are and what we do

Our Purpose is to drive commerce and prosperity through our unique diversity. We serve three client segments in three regions, supported by eight global functions.

Our client segments



	Operating income
1. Corporate, Commercial and Institutional Banking Supporting clients with their transaction banking, financial markets, corporate finance and borrowing needs, Corporate, Commercial and Institutional Banking provides solutions to more than 20,000 clients in the world's fastest-growing economies and most active trade corridors.	$10,045m Underlying basis $10,086m Statutory basis
2. Consumer, Private and Business Banking Serving more than 10 million individuals and small businesses, Consumer, Private and Business Banking focuses on the affluent and emerging affluent in many of the world's fastest-growing cities.	$6,016m Underlying basis $6,016m Statutory basis
3. Ventures Ventures promotes innovation, invests in disruptive financial technology and explores alternative business models. Its pipeline of over 30 ventures includes two cloud-native digital banks.	$29m Underlying basis $29m Statutory basis
4. Central and other items	$165m Underlying basis $187m Statutory basis

Enabling and supporting our businesses

Global functions

Our client-facing businesses are supported by our global functions, which work together to ensure the Group's operations run smoothly and consistently.

Conduct, Financial Crime and Compliance
Partners internally and externally to achieve the highest standards in conduct and compliance to enable a sustainable business and fight financial crime.

Corporate Affairs, Brand and Marketing
Manages the Group's marketing and communications and engagement with stakeholders to protect and promote the Group's reputation, brand and services.

Group Chief Financial Officer
Comprises seven support functions: Finance, Treasury, Strategy, Investor Relations, Corporate Development, Supply Chain Management and Property. The leaders of these functions report directly to the Group Chief Financial Officer.

Group Internal Audit
An independent function whose primary role is to help the Board and Management Team protect the assets, reputation and sustainability of the Group.

Human Resources
Maximises the value of investment in people through recruitment, development and employee engagement.

Legal
Provides legal advice and support to the Group to manage legal risks and issues.

Risk
Responsible for the overall second-line-of-defence responsibilities related to risk management, which involves oversight and challenge of risk management actions of the first line.

Transformation, Technology & Operations
Responsible for leading bank-wide transformation and for reshaping the Group's systems and technology platforms to ensure we provide robust, responsive, and innovative technology digital solutions. Also manages all client operations, seeking to provide an optimal client service and experience across the board.

Our regions

	Operating income
1. **Asia** We are present in 21 markets including some of the world's fastest-growing economies. Hong Kong and Singapore are the highest income contributors.	$11,213m Underlying basis $11,256m Statutory basis
2. **Africa and Middle East** We have a presence in 25 markets of which the most sizeable by income are UAE, Pakistan, Kenya, Nigeria, South Africa and Ghana.	$2,606m Underlying basis $2,608m Statutory basis
3. **Europe and the Americas** Centred in London, with a growing presence across continental Europe, and New York, we operate in both North America and several markets in Latin America.	$2,353m Underlying basis $2,352m Statutory basis
4. **Central and other items**	$83m Underlying basis $102m Statutory basis

Valued behaviours

We're developing a future-ready workforce built on good conduct and our valued behaviours

Never settle

- Continuously improve and innovate
- Simplify
- Learn from your successes and failures

Better together

- See more in others
- "How can I help?"
- Build for the long term

Do the right thing

- Live with integrity
- Think client
- Be brave, be the change

Where we operate

We operate in the world's most dynamic markets which set the pace for global growth. Our unique footprint connects high-growth and emerging markets in Asia, Africa and the Middle East with more established economies in Europe and the Americas, allowing us to channel capital where it's needed most.

For over 160 years we have used the power of our network to maximise opportunities for people and businesses who trade, operate, or invest in these regions.

Our diverse experience, capabilities and culture sets us apart.

We are present in 59 markets and serve clients in a further 64

Asia

We have a long-standing and deep franchise across some of the world's fastest-growing economies. Our Asia region generates **two-thirds** of our income. The two markets contributing the highest income are **Hong Kong and Singapore**.

Australia	Japan	Nepal
Bangladesh	Korea	Philippines
Brunei	Laos	Singapore
Cambodia	Macau	Sri Lanka
Hong Kong	Mainland China	Thailand
India	Malaysia	Vietnam
Indonesia	Myanmar	Taiwan

Read more on **page 29**

Africa and the Middle East

We have a **deep-rooted heritage in Africa and the Middle East** and have been in the region for 160 years. The United Arab Emirates, Pakistan, Kenya, Nigeria, South Africa, and Ghana are our largest markets by income.

Angola	Jordan	Saudi Arabia
Bahrain	Kenya	Sierra Leone
Botswana	Lebanon	South Africa
Cameroon	Mauritius	Tanzania
Côte d'Ivoire	Nigeria	UAE
Egypt	Oman	Uganda
The Gambia	Pakistan	Zambia
Ghana	Qatar	Zimbabwe
Iraq		

Read more on **page 30**

Europe and the Americas

We support clients in Europe and the Americas through **hubs in London and New York** and have **a strong presence** in several European and Latin American markets.

Argentina	Germany	Sweden
Brazil	Ireland	Türkiye
Colombia	Jersey	UK
Falkland Islands	Poland	US
France		

Read more on **page 31**

Group Chairman's statement

Delivering growth opportunities in our dynamic markets

Dr José Viñals
Group Chairman

In 2022, Standard Chartered continued to make good progress executing its strategy and delivered a strong financial performance. The external environment we faced was mixed. The war in Ukraine created significant uncertainty in Europe and other key markets. However, the global economy remained resilient, with the recent relaxation of COVID-19 restrictions in China providing more grounds for optimism in 2023.

As these events unfold, it is clear that Standard Chartered's role – connecting high-growth and emerging markets in Asia, Africa and the Middle East with each other, and with Europe and the Americas – is more vital than ever. Our financial performance, and the resiliency of our unique geographic footprint, mean that we are well-positioned to capitalise on opportunities for growth in the years ahead.

Our performance in 2022 is due in large part to the incredible work of our over 83,000 people across the world, supported by the Management Team, and led by Group Chief Executive Bill Winters. Every day, Standard Chartered colleagues deliver first-rate results for our clients, providing tailored products and services to help them grasp the opportunities ahead.

Anchored in our Purpose, we continue to drive commerce and prosperity in markets across the world through our unique diversity. I am extremely proud of what we have achieved together in 2022, and I look forward to the opportunities that 2023 will bring.

Continued financial momentum

We continue to deliver an improving financial performance. Bill Winters, and Andy Halford, our Group Chief Financial Officer, will provide more detail on our financial results in the following pages.

Last year, our income grew by 15 per cent to $16.3 billion, our highest since 2014, and underlying profit before tax increased by 15 per cent to $4.8 billion. It is clear that our strategy to drive improved levels of return on tangible equity (RoTE) is working. RoTE for the year increased to 8 per cent, 120 basis points higher year-on-year. We have revised our target RoTE for 2024 from 10 per cent to exceed 11 per cent, with further growth thereafter.

The Group maintained a robust liquidity position and our capital levels remain strong, with a Common Equity Tier 1 (CET1) ratio of 14 per cent at year end, at the top of our target range of 13-14 per cent. Our asset quality and earnings trajectories are strong, which gives us confidence that we can deliver substantial shareholder returns of at least $5 billion by the end of 2024, as set out last year.

The Board is very clear that any capital not required for growth will be distributed to shareholders. We have increased the total dividend by 50 per cent to 18 cents per share and have announced a new share buy-back of $1 billion, starting imminently. This will take total capital, including dividends, announced since the start of 2022, to $2.8 billion, which is well over halfway towards our target.

Ambition and progress on our strategic priorities

Our strategy, outlined in 2021, aligns us with the major engines of global growth and we see strong progress across our four strategic priorities: Network, Affluent, Mass Retail and Sustainability.

Our Network business continues to facilitate investment, trade and capital flows across our geographic footprint, where we are one of the leading international wholesale banks. Our Affluent business is setting the standard for wealth management across Asia, Africa and the Middle East. We are providing new digital solutions, strategic partnerships and advanced analytics to our Mass Retail clients, lifting participation and generating Affluent clients of the future. And we continue to focus on our Sustainability agenda that supports a just transition ensuring that we are making a difference where it matters most. The additional strategic actions we are targeting to accelerate our performance are outlined in Bill's report and I am pleased to say that we are executing against these at pace.

Our strategy is underpinned by our Stands, the areas where we have set long-term ambitions for impact in the markets we call home: Accelerating Zero, Resetting Globalisation and Lifting Participation.

Through Accelerating Zero, we are progressing on our commitment to be net zero in our financed emissions by 2050, supporting a just transition – one where climate objectives are met without depriving emerging markets of their opportunity to grow and prosper – which will underpin future social and economic prosperity. Our 2050 Net Zero roadmap was endorsed by our shareholders at our 2022 Annual General Meeting, following extensive engagement with shareholders, clients and NGOs. During 2022 we facilitated $23.4 billion of sustainable finance, as we make progress towards our 2030 target of mobilising $300 billion in sustainable finance.

Through Resetting Globalisation we are leveraging our network and role as one of the world's largest trade banks, to create a fairer and more inclusive model of global growth, and building more resiliency in global supply chains through international diversification and digital technologies. We are also helping to address funding gaps for businesses across Asia, Africa and the Middle East, particularly for small and micro enterprises.

Through Lifting Participation, we continue to broaden access to financial services and create specialised programmes to support disadvantaged communities across our footprint. We remain hugely proud of our Futuremakers programme, which was set up in 2019 to improve economic inclusion in our markets, with a focus on women and girls, and in 2022 worked with over 335,000 young people. In India and Kenya, we have set up Solv, an e-commerce marketplace for small and medium-sized enterprises, which served over 230,000 customers in 2022.

Elsewhere, we worked in partnership with FairPrice Group to successfully launch the fully digital Trust Bank in Singapore, gaining 450,000 customers in our first five months.

SC Ventures continues to invest in potentially transformational business models and ecosystems, connecting more and more clients with economic opportunity. This is just one example of our collaborative approach to innovation and financial inclusion.

Enhancing governance and culture

During the year, we continued to drive diversity in our Board, recognising the benefits of a diverse mix of gender, social and ethnic backgrounds, skills, knowledge, experience and adequate reflection of our key markets to support our strategy.

The Board was heartened by the results of the externally facilitated effectiveness review of the Board and its committees. It assessed the Board's progress since the last external review in 2019 and concluded that the Board continues to operate effectively while also identifying some areas for improvement. More detail on process, outcomes and actions can be found on page 156.

Group Chairman's statement
continued

Financial KPIs

Underlying return on tangible equity (RoTE) %

+120bps

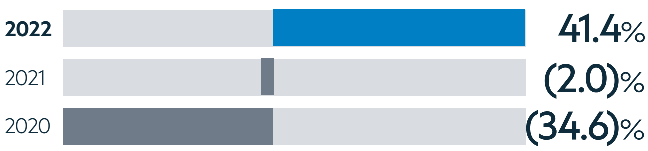
Aim Deliver sustainable improvement in the Group's profitability as a percentage of the value of shareholders' tangible equity.

Analysis Underlying RoTE of 8.0 per cent in 2022 was a 120bps improvement on 6.8 per cent in 2021.

The underlying profit attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' tangible equity

Total shareholder return (TSR) %

+43.4%



Aim Deliver a positive return on shareholders' investment through share price appreciation and dividends paid.

Analysis Our TSR in the full year 2022 was positive 41.4 per cent, compared with negative 2.0 per cent in 2021.

Combines simple share price appreciation with dividends paid to show the total return to the shareholder and is expressed as a percentage total return to shareholders

Common Equity Tier 1 ratio %

-19bps

Aim Maintain a strong capital base and Common Equity Tier 1 (CET1) ratio.

Analysis Our CET1 ratio was 14.0 per cent, at the top end of our 13-14 per cent target range.

The components of the Group's capital are summarised on page 288

In 2022, we welcomed four new independent non-executive directors to the Board. Shirish Apte was appointed in May 2022 and joins the Remuneration, Audit and Board Risk Committees. Robin Lawther was appointed in July 2022 and joins the Remuneration and Board Risk Committees. Jackie Hunt was appointed in October 2022 and joins the Audit and Culture and Sustainability Committees. Dr. Linda Yueh was appointed in January 2023 and joins the Remuneration and Culture and Sustainability Committees. I am delighted to welcome them and I am sure that we will greatly benefit from their broad experience and contributions.

Last year also saw the retirement of several long-standing and valued directors from our Board. I would like to thank Naguib Kheraj, former Deputy Chairman and Chair of the Board Risk Committee who retired from the Board in April for his unwavering dedication and most significant and impactful contributions to the Board and Committee discussions. My thanks also go to Byron Grote who retired from the Board in November for his many contributions to the Board and its Committees. In addition, I would like to thank Christine Hodgson, former Senior Independent Director and Chair of the Remuneration Committee, for her many insightful contributions and great dedication as well as for agreeing to remain on the Board until January 2023 to ensure a smooth transition to a new Remuneration Committee Chair.

We also announced that Jasmine Whitbread, Chair of the Culture and Sustainability Committee, and a long-standing and much valued board member, would not be seeking re-election at the 2023 AGM and will retire from the Board at that time.

Looking ahead

We are well positioned to take advantage of considerable growth opportunities in our footprint as we navigate an uncertain external environment in 2023. Global growth, while slower, should remain resilient. But, with central banks focusing on controlling inflation against a backdrop of trade and geopolitical tensions, significant uncertainties remain.

Our markets are some of the world's most dynamic places, with a growth potential that significantly outstrips more established economies. Asia is likely to be the fastest-growing region in the world, and the significant re-opening of the Chinese economy from COVID-19 restrictions is likely to materially boost demand and growth. This, together with India and ASEAN's high rates of economic expansion and continued dynamism in commodity-exporting countries in our footprint, gives us plenty of reasons for optimism as we continue to help customers build growth, prosperity and a stronger future.

The Board will continue to ensure an appropriate balance of opportunity and risk, acting in your interests as shareholders. We are grateful to you for the trust you place in us and for your ongoing support of the Group. I am confident that we will continue to create long-term, sustainable value for all stakeholders in 2023 and beyond.

Dr José Viñals
Group Chairman

16 February 2023

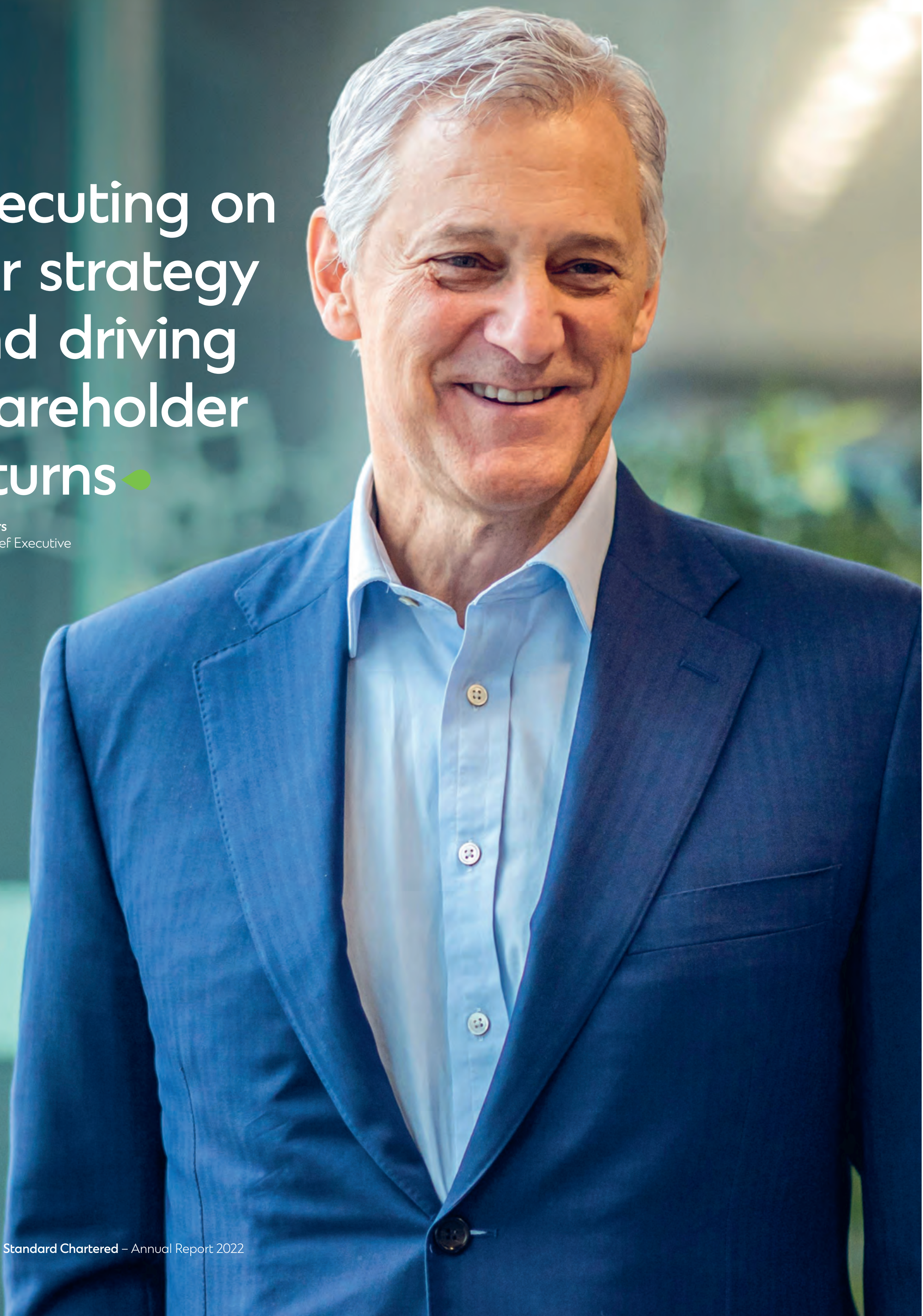
Helping female entrepreneurs thrive

Throughout 2022, thousands of women were able to grow their businesses by using our collateral-free subsidised loans for female micro-entrepreneurs. Geeta Shrestha, who runs an iron metal works in Nepal, expanded her small workshop to include a hardware shop, allowing her to create more income for her family and send her children to school.

Meanwhile, Sita Timalsina was able to turn her small grocery store into a profitable cosmetics shop, which she runs while looking after her family. The success of her store led to the opening of a second location and allowed her husband has been able to leave his job in the Middle East to run both stores with her.

Read more online at **sc.com/investingcommunities**

Group Chief Executive's review



Executing on our strategy and driving shareholder returns

Bill Winters
Group Chief Executive

The Group delivered a strong performance in 2022, executing well against our strategy and the five strategic actions we set out this time last year, whilst continuing to invest for the future. 2022 income was over $16 billion, our highest since 2014 and up 15 per cent, with about half coming from underlying business growth and the remainder from the normalisation in interest rates. This is particularly impressive given the material headwinds in our Wealth Management business. We have been disciplined with expenses, generating savings which allow for continued investment and significantly positive income-to-cost jaws. Loan impairment rose, mainly due to the challenges of the China commercial real estate sector and sovereign risk. The broader portfolio remains resilient and we continue to be vigilant in the face of volatile global markets. All this has helped us increase underlying profit before tax for the year to $4.8 billion, an improvement of 15 per cent year-on-year.

Our strategy is working and delivering improved performance and returns to shareholders. Return on Tangible Equity (RoTE) at 8 per cent is now above the levels it was before the pandemic. We intend to build on our momentum to approach 10 per cent RoTE in 2023, to over 11 per cent in 2024, and continue to grow thereafter. Our equity generation and discipline on RWA this year has meant our year end Common Equity Tier 1 (CET1) ratio is at the top of our target range, allowing us to increase our full year ordinary dividend to 18 cents per share, a 50 per cent increase. We have also announced a further share buy-back of $1 billion, starting imminently, which will bring our total shareholder returns since the start of 2022 to $2.8 billion, well on our way to our 2024 target of at least $5 billion.

Good progress on our strategic actions

We are proud to connect the world's most dynamic markets. Our Purpose is to drive commerce and prosperity through our unique diversity and this guides our strategy and everything we do. The businesses we serve, and with which we connect and partner, are the engines of trade and innovation, and central to the transition to a fair, sustainable future.

In support of our Purpose, we continue to focus on three 'Stands', areas where we have long-term ambitions for positive business and societal impact – Accelerating Zero, Resetting Globalisation and Lifting Participation. These stands are fully consistent with our strategy, stretching our thinking, our action and our leadership to accelerate our growth.

We set out our strategy in early 2021, built on the four pillars of Network, Affluent, Mass Retail and Sustainability. Two years on, these themes and areas of focus are even more relevant; our strategy is working, and will continue to drive future growth. In 2022 we also set out five strategic actions that we would take to accelerate delivery of double-digit RoTE, including:

- Driving improved returns in Corporate, Commercial & Institutional Banking (CCIB)
- Transforming profitability through productivity in Consumer Private & Business Banking (CPBB)
- Seizing the opportunity in China with the ambition to double onshore and offshore profit before tax
- Creating operational leverage and delivering gross cost savings of $1.3 billion
- Delivering over $5 billion of capital returns to our shareholders

We have made good progress across all five areas.

In CCIB we are targeting around a 160 basis point improvement in income return on risk weighted assets (IRORWA) to 650 basis points with RWA capped at full year 2021 levels. We have already delivered on this IRORWA improvement target in 2022 and RWA levels are $20 billion below 2021 levels. The recently announced strategic review of our Aviation Finance business will create further capacity for CCIB to grow higher return business.

In CPBB the team has already achieved gross savings of $233 million against their 2024 target of $500 million. These savings have come from rationalising the branch network, process re-engineering, headcount efficiencies and further automation. Despite a challenging Wealth Management performance in 2022 the CPBB cost-to-income ratio improved 5 percentage points to 69 per cent and should show further improvement in 2023.

China has faced COVID-19 and economic headwinds. Despite those difficulties, our onshore China business increased its income by 10 per cent in 2022, and offshore-related income is up 21 per cent. However, impairments on China commercial real estate related risk have pushed our offshore and onshore China operating profit down in 2022. We are confident in the long-term opportunity in China and committed to achieving our 2024 targets for China-related growth.

The Group's positive income-to-cost jaws of 6 per cent in 2022 were driven by strong income growth and discipline on expenses. We have delivered about a third of the $1.3 billion expense save target we set out earlier this year. Inflationary pressures are now evident in many of our footprint markets and these expense saves help us manage those pressures, whilst creating capacity to invest. We will now target positive income-to-cost jaws of around 3 per cent in 2023 and 2024.

Cash investments

$2.0bn

↑5%

Network income

$5.7bn

↑24%

Number of active Affluent Clients

2.1million

↑7%

Group Chief Executive's review
continued

Further opportunities emerging

In 2022 we continued to transform and innovate within our business to drive sustainable growth, including developing our digital and sustainability capabilities. Our colleagues bring unrivalled financial expertise to help identify opportunities across growing markets, sectors and in sustainable finance. We continue to prove ourselves as a trusted partner, working with start-ups, multinationals, fintechs and governments to create new ideas, technology and innovation.

In our Ventures segment, we were delighted to announce the launch of our second wholly digital bank, Trust Bank, in Singapore. Partnering with FairPrice Group, the largest supermarket chain in Singapore, and building on our successful experience of creating the Mox virtual bank in Hong Kong, we were able to bring Trust Bank to the market quickly and efficiently. The early success of Trust Bank, onboarding over 450,000 customers so far, or 9 per cent of the addressable market, has exceeded our most ambitious expectations. In 2023, Trust Bank will build on this momentum to roll out additional products to better serve our customers. Together with Mox, we now have fully developed virtual and traditional bank offerings in two of our most significant markets.

The sustainability agenda continues to gather pace as the world faces significant climate and environmental challenges, with the imperative to invest, find solutions and support a just transition to net zero having never been greater. In 2022 we reshaped our organisation to better address the challenges and opportunities, creating a Chief Sustainability Officer role as we continue to invest in the capabilities and expertise that our business and clients need.

At the 2022 Annual General Meeting, our 2050 Net Zero pathway was endorsed by our shareholders, and we are on track to deliver on our plans to reach net zero in our operations by 2025 and in our financed emissions by 2050. We have made good progress during the year and we have accelerated progress in some areas where more market data on emissions has become available.

We have a deep understanding of how climate change affects our footprint markets, clients and communities and we continue to play a leading role in addressing these challenges. The estimates of the financing needed to deliver net zero continues to grow and we mobilised $48 billion of sustainable finance in the last 21 months as we support our clients on their transition plans. Our ambition is to mobilise $300 billion in sustainable finance by 2030 and we have developed a Green and Sustainable Product Framework and Transition Finance Framework to guide us.

Optimistic outlook for the markets in our footprint

Looking forward into 2023, whilst there is recession risk in the US and Europe, ongoing geopolitical issues and the war in Ukraine, we also see reasons for increased optimism for the areas of the world in which we operate.

The impact of the COVID-19 pandemic is now finally abating in the last few markets in our footprint. China's new approach to dealing with COVID-19 will drive economic growth and this in turn will help further improve GDP growth in the economies of Asia.

This will also act as a catalyst for our Wealth Management business which was subdued in 2022. Clients remained on the side-lines as market volatility undermined confidence. This together with the last remaining pandemic restrictions led to a year-on-year fall in income. As we go into 2023, we are optimistic that as these factors recede the Wealth Management business can rebound from a difficult year.

Rising interest rates will inevitably feed through further into loan impairment at some stage. However, reflecting the work we have done over a number of years to reshape our loan portfolios, there are only relatively small pockets of stress in our books. Our loan loss rate remains well below the historic range. Whilst China commercial real estate exposures remain a challenge for the banking sector generally, it remains a small part of our portfolio, against which we feel appropriately provided. We remain watchful on sovereign risk where continued USD strength will remain problematic for some of our markets though we have the capital strength to navigate these challenges.

Finally, reflecting our increased optimism, we are lifting our earnings targets. We had said that we will deliver double digit RoTE in 2024, if not earlier. As we start the new year we think we will be approaching 10 per cent RoTE in 2023 and have raised our 2024 RoTE target to be at least 11 per cent and to continue to grow thereafter.

In conclusion

The Group has delivered a strong performance in 2022. The revenue outlook into 2023 is positive, with our core business momentum supported by the tailwind of rising interest rates.

We are optimistic for the markets in our footprint as they finally emerge from the challenges brought by the pandemic and as economic activity rebounds. Our strategy is clear, we continue to make good progress on our five targeted strategic actions and remain committed to delivering over $5 billion of shareholder returns by 2024.

Finally, echoing José, I would like to highlight the remarkable efforts of our more than 83,000 colleagues. Their deep expertise combined with resilience in some challenging circumstances in certain markets has delivered seamless service to our customers and communities that we serve, bringing to life our brand promise to be here for good.

Bill Winters
Group Chief Executive

16 February 2023

Management Team

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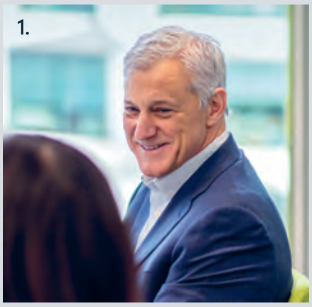

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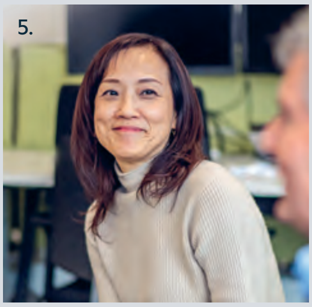

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1. **Bill Winters**
   Group Chief Executive
2. **Andy Halford**
   Group Chief Financial Officer
3. **Simon Cooper**
   CEO, Corporate, Commercial & Institutional Banking and Europe & Americas
4. **Claire Dixon**
   Group Head, Corporate Affairs, Brand and Marketing
5. **Judy Hsu**
   CEO, Consumer, Private and Business Banking
6. **Benjamin Hung**
   CEO, Asia
7. **Tanuj Kapilashrami**
   Group Head, Human Resources
8. **Sunil Kaushal**
   CEO, Africa & Middle East
9. **Roel Louwhoff**
   Chief Technology, Operations and Transformation Officer
10. **Tracey McDermott, CBE**
    Group Head, Conduct, Financial Crime and Compliance
11. **Sandie Okoro**
    Group General Counsel
12. **Sadia Ricke**
    Group Chief Risk Officer
13. **Paul Day***
    Group Head, Internal Audit
14. **Mary Huen**
    CEO, Hong Kong and Cluster CEO for Hong Kong, Taiwan and Macau

* Paul represents Group Internal Audit as an invitee at Management Team meetings

Market environment

Macroeconomic factors affecting the global landscape

Global macro trends

Trends in 2022

- Global GDP growth slowed sharply in 2022, likely to 3.4 per cent, following the 6.0 per cent expansion in 2021, as inflation soared and central banks were forced to tighten policy aggressively.
- MENAP was the best-performing region, recording growth of 6.2 per cent, supported by elevated commodity prices; Asia recorded growth of 4.2 per cent, down from 7.1 per cent in 2021, primarily driven by the slowdown in China, with growth falling to 3.0 per cent in 2022 from 8.4 per cent in 2021.
- Among the majors, despite a technical recession in the first half of the year, the United States recorded annual growth of 2.1 per cent on the back of resilient domestic demand, while the UK likely grew by 4.0 per cent.
- The euro-area economy likely grew by 3.5 per cent in 2022 following 5.3 per cent growth in 2021; while the recovery was strong in H1 due to COVID-19 reopening effects, H2 was held back by rising energy costs related to the Russia-Ukraine conflict.
- In most majors, labour markets showed signs of further tightening, despite slowing growth.
- Central banks began to unwind support, at first gradually and then more rapidly as the year progressed and inflationary pressures built. Fiscal support continued in the euro area as governments sought to shield households and businesses from elevated energy costs, but provided less of a tailwind in the United States as COVID-19 support measures were unwound.

Outlook for 2023

- Global growth is expected to weaken to 2.5 per cent in 2023, as central banks focus on bringing inflation back under control.
- Asia will likely be the fastest-growing region and will continue to drive global growth, expanding by 5.3 per cent. Among the majors, the United States is expected to witness a mild contraction of 0.2 per cent in 2023, the UK a larger contraction of 0.5 per cent, while the euro area is likely to see an overall modest expansion of 0.4 per cent.
- 2023 will be a tale of two halves, with global growth likely to pick up in H2 2023 as the United States and euro area recover from mild recessions, and a reopening of the China economy from COVID-19 restrictions helps boost demand and growth.
- Tight global liquidity conditions are likely to make it difficult for some emerging markets to access international financing, forcing them to seek multilateral support.
- Downside risks to this outlook include sustained inflationary pressures, COVID-19 mutations following China's quick reopening, and another flare-up of geopolitical tensions, including the Russia-Ukraine war.

Medium- and long-term view

Stagflation risks

- Tight labour markets and the broadening of inflationary pressures to the services sector are likely to keep stagflation a key concern for central banks over the coming quarters.
- The need to meet ESG targets could also prove inflationary in the medium term as the cost of using fossil fuels during the transition period rises due to a combination of taxes, carbon pricing and external tariffs.
- As companies aim to reduce concentration risks and move towards onshore/nearshore production, the risk is a lowering of efficiency gains that might push up consumer prices.
- However, easing of supply-chain bottlenecks is likely to help dampen some of these pressures.
- Fiscal policy might also turn from a tailwind to a headwind for growth. High public debt and government deficits also mean that most economies are looking to tighten fiscal policy over the medium term.

Broader global trends

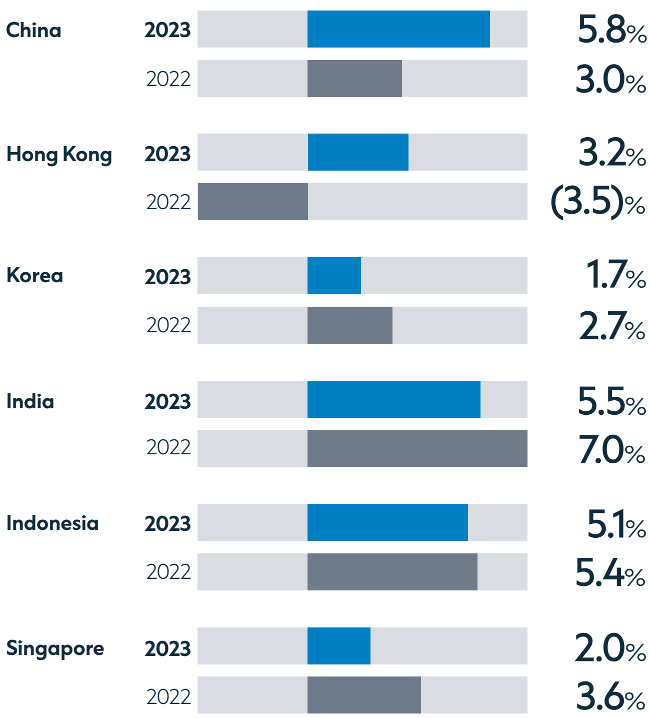
- The world economy could see a permanent loss of economic output or 'scarring' due to the recession that followed the pandemic. This would make it harder for emerging markets to catch up with developed markets.
- Long-term growth in the developed world is constrained by ageing populations and high levels of debt, exacerbated by the policy response to COVID-19.
- Rising nationalism, anti-globalisation and protectionism are threats to long-term growth prospects in emerging markets.
- However, there are potential offsets. Higher capex to meet sustainability targets, and moves towards digitalisation could boost productivity growth, proving an antidote to economic scarring concerns. Within emerging markets, countries in Asia are best placed to take advantage of digitalisation.
- Relatively younger populations, as well as the adoption of digital technology, will allow emerging markets to become increasingly important to global growth.

Regional outlook

Asia

- China's GDP growth slowed to 3.0 per cent in 2022 from 8.4 per cent in 2021, falling short of the 5.5 per cent target. Weak consumption and property investment were the main drag on the economy, due to the stringent zero-COVID-19 policy and ongoing housing market correction. We forecast 2023 growth at 5.8 per cent, as the government appears more determined after the conclusion of the Party Congress in October to address the two headwinds. China scrapped the COVID-19 zero policy sooner than expected. Recent measures aimed at supporting property financing will likely stabilise home sales and investment in H2 2023. In addition, the regulatory storm targeting internet platforms will likely give way to more normalised regulation. Consumption is likely to become a key growth driver, and property investment less of a drag.
- Monetary policy is likely to remain accommodative near term, diverging from major economies, to curb the downside risk that may linger in early 2023. However, China's growth will likely rebound significantly in Q2 following the expected reopening, driving inflation higher and prompting the central bank to shift to a more neutral policy stance to stabilise the total debt-to-GDP ratio. The broad budget deficit is likely to be scaled back in 2023 on sustainability concerns.
- We expect Hong Kong's economy to grow 3.2 per cent in 2023 following a 3.5 per cent contraction in 2022. While there are some domestic bright spots, including a much-improved labour market and relaxation of travel curbs, external drags will likely be substantial, with traditional export markets such as the United States and euro area experiencing recession at the start of 2023. We expect South Korea's economy to grow just 1.7 per cent on concerns about weaker external demand and slowing domestic consumption amid rising interest rates and tighter fiscal policy.
- In India, recovery momentum remains robust, driven by firmer reopening in the services sector. Nevertheless, we expect FY24 (year beginning April 2023) GDP growth to moderate to 5.5 per cent, from 7.0 per cent in the current financial year, given moderating global growth, erosion of real purchasing power and high domestic interest rates. Easing inflation back to the comfort threshold of 2-6 per cent in FY24 should also lead to a prolonged pause from the MPC after the terminal repo rate hits 6.5 per cent by February 2023. The external sector will remain in focus amid the likelihood of still-elevated crude oil prices and relatively better economic activity in India. Ample foreign exchange (FX) reserves, however, are likely to remain a strong buffer for the economy. The central bank is likely to focus on rebuilding FX reserves, although this might remain challenging amid a still-wide current account deficit. The central government budget presentation in February 2023 will be closely watched for any growth-supportive measures ahead of national elections in mid-2024. We believe the government will stay focused on narrowing the fiscal deficit, which is already significantly wider relative to the pre-pandemic phase.

Actual and projected growth by market in 2022 and 2023 %



- Singapore and Indonesia are likely to see softer growth in 2023 compared to 2022, and ASEAN growth is set to ease to its long-term average of 5.0 per cent in 2023. As well as high base effects, external demand for ASEAN exports may soften due to global synchronised monetary policy tightening and the electronic cycle peak. Domestic demand may ease as COVID-19 induced pent-up demand normalises, while local monetary policy tightening may rein in overall consumer and investment impetus. However, stable labour markets will help support spending. The recovery in the tourism sector, which is a large growth contributor for the region, will also help drive growth. In addition, investments may be boosted by FDI seeking diversification and alternative production capacity.
- We expect inflation to be milder in 2023 due to high base effects. External prices may be more manageable, while tighter monetary policy should help. While monetary policy tightening may pause by early 2023, any easing might not be forthcoming amid potentially sticky inflation, unless growth deteriorates significantly.

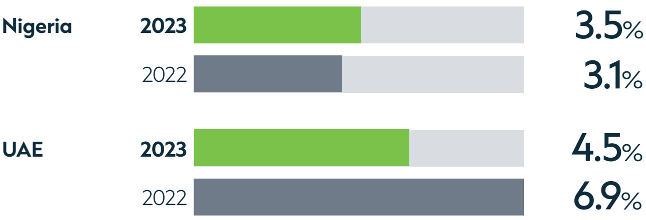
See our regional performance on **page 29**

Market environment
continued

Regional outlook continued

Africa and the Middle East

Actual and projected growth by market in 2022 and 2023 %



- After a robust post-COVID-19 recovery in early 2022 on rising global demand and economic reopening, including the re-establishment of international travel, Sub-Saharan African economies are now set to see a growth moderation. Notwithstanding global trends, rising food and fuel prices are still pressuring domestic inflation, with transmission often exacerbated by FX weakness. The impact of 2022's monetary policy tightening will be felt with a lag, with a number of central banks still expected to raise interest rates further.
- In Nigeria, presidential and general elections in February/March 2023 will be a key focus, with the likelihood of FX and fuel subsidy reforms potentially establishing conditions for more robust medium-term investment and growth. While load-shedding will dampen near-term growth prospects in South Africa, a faster embrace of renewables and increased corporatisation of South Africa's rail and port infrastructure, could unlock a greater private sector contribution to growth. In Kenya, efforts to boost lending to small and medium enterprises (SMEs), and the increased adoption of digital channels for financial intermediation, should help lift loan growth.
- Across the Sub-Saharan Africa space, monetary tightening will drive healthier net interest margins. However, international capital market access is likely to remain constrained for a number of sovereigns, raising doubts over the easy refinancing of external debt obligations. The timely conclusion of debt restructuring in Zambia and Ghana could help boost investor sentiment. A pause in Fed tightening, may help to reduce investor demand for higher-risk premia.
- A supportive energy price environment will likely provide continued benefit to Gulf Cooperation Council (GCC) growth. The focus is once again on the region as a provider of capital, as Gulf economies proceed with longer-term economic diversification plans, seek to reduce the traditional procyclicality of spending, and invest strategically in green technology. In the United Arab Emirates and Saudi Arabia, we expect the continuation of robust growth, driven by strong investment across both the hydrocarbon and non-hydrocarbon sectors. For smaller GCC economies such as Oman, higher oil prices will drive a reduction in accumulated debt levels. For the non-GCC MENAP region, conditions remain challenging. Pakistan's ability to reassure on its external debt commitments, amid dwindling FX reserves, will remain a key focus. In Egypt, recent currency depreciation and a more accommodative risk backdrop globally could see the return of the carry trade. But economic conditions remain difficult amid higher inflation, and the authorities' commitment to FX flexibility will be closely monitored.

See our regional performance on **page 30**

Europe and the Americas

Actual and projected growth by market in 2022 and 2023 %

- We see a high risk of contraction in the United States in H1 2023; in the euro area, we expect annual growth to decline sharply in 2023 as high inflation and central bank tightening weigh on economic activity.
- The peak for consumer price inflation is likely behind us for both the United States and euro area, but will take time to return to target. Central banks will remain alert to any signs of inflation expectations becoming unanchored or wage pressures building over the medium term.
- The Fed is likely to end its rate tightening cycle in H1 2023, and we expect rate-cuts to begin in H2 2023. The ECB is likely to hike its main refinancing rate until Q2 2023, but not start cutting rates until 2024 as inflation proves sticky on the downside.
- Fiscal support is likely to remain focused on supporting households and businesses struggling with elevated energy costs in Europe, but otherwise we can expect the tailwind from fiscal support to ease in both the euro area and United States.
- In Latin America, we expect a significant growth slowdown in 2023 following a strong 2022. The delayed impact of aggressive monetary tightening and other idiosyncratic issues are likely to weigh on domestic demand; external headwinds and looming recession risks in the United States are likely to drag down the region's growth.

See our regional performance on **page 31**

Helping entrepreneurs bounce back after COVID-19

In early 2022, we collaborated with Habitat for Humanity Indonesia to support small, medium and micro businesses impacted by COVID-19.

As part of the joint effort, 20 shops were constructed in Madang Babakan village, West Java to help female entrepreneurs re-establish their businesses following the pandemic. This project was part of our IDR16 billion donation to Indonesia to support female micro-entrepreneurs and young adults affected by the pandemic.

Read more online at **www.sc.com/investingcommunities**

Business model

We help international companies connect and maximise opportunities across our global network and we support individuals and local businesses in growing their wealth.

Our business

Corporate, Commercial and Institutional Banking (CCIB)

We support companies across the world, from small and medium-sized enterprises to large corporates and institutions, both digitally and in person.

Consumer, Private and Business Banking (CPBB)

We support small businesses and individuals, from Mass Retail clients to affluent and high-net-worth individuals, both digitally and in person.

Ventures

We promote innovation, invest in disruptive financial technology and explore alternative business models. Our pipeline of over thirty ventures includes two cloud-native digital banks.

Our products and services

Financial Markets

- Macro, commodities and credit trading
- Financing and securities services
- Sales and structuring
- Debt capital markets and leveraged finances
- Project and transportation finance

Transaction Banking

- Cash management
- Trade finance
- Working capital

Wealth Management

- Investments
- Insurance
- Wealth advice
- Portfolio management

Retail Products

- Deposits
- Mortgages
- Credit cards
- Personal loans

How we generate returns

We earn net interest on the margin for loans and deposit products, fees on the provision of advisory and other services, and trading income from providing risk management in financial markets.

Income
Net interest income
Fee income
Trading income

→

Profits
Income gained from providing our products and services minus expenses and impairments

→

Return on tangible equity
Profit generated relative to tangible equity invested

What makes us different

Our purpose is to drive commerce and prosperity through our unique diversity – this is underpinned by our brand promise, here for good. Our Stands – aimed at tackling some of the world's biggest issues – Accelerating Zero, Lifting Participation and Resetting Globalisation (see page 24 for more), challenge us to use our unique position articulated below.

Client focus

Our clients are our business. We build long-term relationships through trusted advice, expertise and best-in-class capabilities.

Distinct proposition

Our understanding of our markets and our extensive international network allow us to offer a tailored proposition to our clients, combining global expertise and local knowledge.

Robust risk management

We are here for the long term. Effective risk management allows us to grow a sustainable business.

Sustainable and responsible business

We are committed to sustainable social and economic development across our business, operations and communities.

How we are shaping our future

We remain committed to executing against our strategy to accelerate returns[1]

We are committing resources to grow our franchise in large and high-returns markets, and accelerate progress in markets being optimised. We continue to review our business models to drive performance.

In 2022, we refocused our resources in the Africa and Middle East (AME) region into existing and new markets with the greatest scale and growth potential, provided further clarity on how we are planning to achieve net zero in financed emissions by 2050, and successfully launched Trust, a digital bank in Singapore.

In addition, in April 2022, we expanded our reporting structure with the creation of Ventures. The increased reporting transparency for Ventures reflects the growing significance of the Group's investment in technology and innovation.

We are on-track and now expect to deliver a return on tangible equity (RoTE) of over 11 per cent by 2024, from:

- focusing on driving improved returns in CCIB to reach 6.5% Income RoRWA by 2024 (2022: 6.5%)
- transforming profitability in CPBB to improve cost-to-income ratio to ~60% by 2024 (2022: 69%)
- seizing opportunities in China to double China onshore and offshore profit before tax (2022: $0.5bn, -35% decline year-on-year)
- improving efficiency through creating operational leverage to improve group cost-to-income ratio to ~60% by 2024 (2022: 65%) and to deliver gross expense savings of $1.3bn by 2024 (2022: $0.4bn)
- delivering sustainable shareholder distributions in excess of $5bn from 2022 – 2024 (2022: $2.8bn).

Over the medium term, we will continue to relentlessly transform and innovate to become a leading cross-border bank that supports a sustainable future.

1 Reconciliations from underlying to statutory and definitions of alternative performance measures (APMs) can be found on pages 126 to 131.

Business model
continued

The sources of value we rely on

We aim to use our resources in a sustainable way, to achieve the goals of our strategy

How we are enhancing our resources

Human capital
Diversity differentiates us. Delivering our Purpose rests on how we continue to invest in our people, the employee experience we further enhance and the culture we strengthen.

- We continue to create a work environment that supports resilience, innovation and inclusion, with an ongoing focus on mental, physical, social and financial wellbeing. This includes further rolling out hybrid working across our markets.
- More than 32,000 colleagues have undertaken learning in 2022 to build the future skills that we need – including analytics, data, digital, cyber security, sustainable finance and leadership.

Strong brand
We are a leading international banking group with more than 160 years of history. In many of our markets we are a household name.

Consumer[1] client satisfaction metric

48.1%

2021: 43.1%

- In 2022, we continued to embed our refreshed brand identity across client and employee touchpoints. We also introduced a sonic identity to bring to life the sound of Standard Chartered in interactive digital interfaces.
- We have been successful in leveraging our brand and insights to support business growth. The Group successfully improved its reputation in 2022, exceeding the average score for the banking sector, and ranking top three in the majority of our key markets over 2022.

International network
We have an unparalleled international network, connecting companies, institutions and individuals to, and in, some of the world's fastest-growing and most dynamic regions.

- We continue to invest in transforming our core business into a leading digital-first and data-driven platform, positioning us to deliver superior client experiences, access new high-growth segments, grow wallet with existing clients and create new business model opportunities.
- Our network remains one of our key competitive advantages and we continue to leverage our network to drive growth in Transaction Banking and Financial Markets solutions for our clients.

Local expertise
We have a deep knowledge of our markets and an understanding of the drivers of the economy, offering us insights that help our clients achieve their ambitions.

- In Business Banking, we continue to support the growth of SMEs across our footprint by meeting their trade and working capital, supply chain financing, cash management and investment needs. We granted over $3 billion in new loans to SMEs in 2022.
- We launched new digital partnerships in China, India and Vietnam to offer a superior banking experience to small businesses, offering innovative digital solutions to meet their evolving needs in the trade and e-commerce ecosystems.

Financial strength
With $820 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

CET1 capital

$34bn

- Stronger capital and a much more resilient balance sheet with growth in high-quality deposits.
- CET1 ratio at 14 per cent, at the top of our target range of 13 – 14 per cent.

Technology
We possess strong digital foundations and leading technological capabilities to enable a data-driven digital bank which delivers world class client service

- We are leveraging partnerships to create market-leading digital platforms including Digital Banks and Banking as a Service, utilising next-generation technologies to service our clients.
- We continue to invest in our engineering capabilities, providing best-in-class tools, growing our engineering talent, and creating an automated and scalable technology stack capable of continuously delivering value to our clients.
- We are accelerating the simplification and harmonisation of our technology estate to reinforce strong digital foundations, integrate platforms using the cloud where appropriate, to provide consistent, secure, and resilient technology.

1 Excludes CCIB, and Business Banking clients. Includes Private Banking. Restated for 2021.

Read more on stakeholder engagement on **pages 55 to 63**

The value we create

We aim to create long-term value for a broad range of stakeholders in a sustainable way

Clients

We want to deliver simple, everyday banking solutions to provide our clients with a great digital client experience. We enable individuals to grow and protect their wealth; we help businesses trade, transact, invest and expand. We also help a variety of financial institutions, including banks, public sector and development organisations, with their banking needs.

Total active individual clients[1]

10.5m

2021: 9.9m

Total CCIB and Business Banking clients

235,000

2021: 234,000

Suppliers

We engage diverse suppliers, locally and globally, to provide efficient and sustainable goods and services for our business.

Total spent in 2022

$4.3bn

2021: $4.1bn

Active suppliers

11,700

2021: 12,100

Employees

We believe great employee experience drives great client experience. We want all our people to pursue their ambitions, deliver with purpose and have a rewarding career enabled by great people leaders.

Senior appointments which are internal

67%

2021: 69%

Employees committed to our success

96%

2021: 96%

Regulators and governments

We engage with public authorities to play our part in supporting the effective functioning of the financial system and the broader economy.

Taxes paid in 2022

$821m

2021: $1.2bn

Society

We strive to operate as a sustainable and responsible company, working with local partners to promote social and economic development.

Community investment

$51.2m

2021: $48.7m

Investors

We aim to deliver robust returns and long-term sustainable value for our investors.

Dividends declared in 2022

$523m

2021: $370m

Share buy-backs in 2022

$1.3bn

2021: $504m

1 2021 restated due to a change in the definition of active partnership clients.

Our strategy

To become a leader in global finance

We will continue to increase focus on:

- Four strategic priorities: Network business, Affluent client business, Mass Retail business, and Sustainability
- Three critical enablers: People and Culture, Ways of Working, and Innovation

Over the past year, we have executed against our strategy. While there are adjacent areas we will continue focusing on, such as managing down low-returning risk-weighted assets (RWA) in Corporate, Commercial and Institutional Banking (CCIB), and accelerating cost-savings across Consumer, Private and Business Banking (CPBB), we still believe our strategy is the right one. We have made good progress in the year and are on track to deliver our objectives.

We remain committed to achieve our ambitions by 2025:

- To be the number one Network digital banking platform
- To be among the top three Affluent brands
- To double our Mass presence
- To become a market leader in Sustainability

Going forward, our strategic priorities and enablers will continue to be supported by our three Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation.

More details on our Stands can be found on page 24.

Critical enablers

People and Culture

We are continuing to invest in our people to build future-ready skills, provide them with a differentiated experience and strengthen our inclusive and innovative culture.

This includes:

- Embedding our refreshed approach to performance, reward and recognition, that puts greater focus on ambition, collaboration, and innovation
- Increasing re-skilling and upskilling opportunities towards future roles that are aligned with the business strategy and individuals' aspirations
- Expanding hybrid working across our footprint, with 78 per cent of colleagues across 43 markets on flexi working arrangements
- Focusing on wellbeing to enhance individual resilience, productivity, and performance
- Strengthening leadership capability through a modernised development offering

Culture of inclusion score

83.07% 2021: 80.65%

Women in senior roles

32.1% 2021: 30.7%

Ways of Working

We continue to be client-centric, to improve our operating rhythm in organisational agility and to empower our people to continuously improve the way we work.

We are working on identifying ways to track derived value and enhance our speed of decision-making and delivery, as a key source of competitive advantage.

Average time taken from approval to technology go-live[1]

6.2 weeks 2021: 7.6 weeks

Consumer client satisfaction metric[2]

48.1% 2021: 43.1%

Innovation

We have a three-pronged innovation approach to transform the Bank, to achieve our goal of 50 per cent income from new businesses.

- Transform our core via digitisation
- Leverage partnerships to drive scale and extended reach
- Build new business models to create value

We have established Ventures as a separate operating segment. During 2022, we launched six new ventures and serviced more than 1.8 million customers through our venture portfolio .

Percentage of revenue from new businesses[3]

22% 2021: 13%

1 2022 figure includes measurement from Functions operations and cannot be directly compared to 2021 figure

2 Excludes CCIB, and Business Banking clients. Includes Private Banking. Restated for 2021.

3 Income from digital initiatives, innovation and transformation of the core, the majority of which will come from new and upgraded platforms and partnerships. Also includes Sustainable Finance income and 100% of Ventures income. 2021 figure has been restated.

Network business

Through our unique network, we facilitate investment, trade and capital flows, with an increasing focus on Sustainable Finance.

We are one of the leading international network banks in our emerging markets footprint through:

- Taking leading positions in high-returning, high-growth sectors
- Delivering a market-leading digital platform by continuing to invest in core digital capabilities
- Speeding up growth in large markets while expanding in growing markets and corridors e.g., intra-Asia and East–West

CCIB network income

$5.7bn

2021: $4.6bn

Percentage of CCIB transactions digitally initiated[1]

61%

2021: 55%

Affluent client business

We offer outstanding personalised advice and exceptional experiences for our Private, Priority and Premium Banking clients to help them grow and prosper internationally and at home. Our deep-rooted network, trusted brand and long-standing commitment with clients in our markets are key sources of competitive advantage.

As a leading international wealth manager, we focus on:

- Unlocking the value of our strong affluent client portfolio across Asia, Africa and the Middle East, with suitable client propositions, coverage models and advisory capabilities
- Maximising the reach of our deep-rooted international network, with Hong Kong, Singapore, UAE and Jersey as our wealth advisory hubs
- Delivering personalised and digital-first wealth solutions to our clients anchored in investment thought leadership, an open architecture approach and supported by scalable platforms

Affluent client income

$3.8bn

2021: $3.6bn

Affluent active clients

2.1m

2021: 2.1m

Mass Retail business

We deliver banking solutions to help our clients prosper by integrating our digital services into our clients' everyday lives.

New digital solutions, strategic partnerships and advanced analytics are instrumental to our business, enabling us to significantly increase our relevance and reach, serve our clients in a meaningful way and lift participation in the communities we serve. We are:

- Making significant progress in rebuilding foundations for a profitable Mass Retail business
- Continuing to transform to a digital-first model, deepening our capabilities in digital sales and marketing as well as data and analytics
- Becoming the partner of choice to leading global and regional companies and scaling thoughtfully with our partners

Mass market active clients[2]

8.4m

2021: 7.6m

Percentage of digital sales for Retail Products[3]

48%

2021: 41%

Sustainability

In Sustainability, in line with our stands, we continue to focus on sustainable and transition finance, achieving net zero carbon emissions for our operations, supply chains and financing. We provide access to finance, networks and training to young people, and support companies in improving their environmental, social and governance standards, ratings, and net zero trajectories.

We aim to promote social and economic development, and deliver sustainable outcomes in support of the UN Sustainable Development Goals. We are:

- Leveraging climate risk management to support clients in managing climate risk and identifying transition opportunities, e.g., mobilising green and sustainable finance
- Integrating Sustainable Finance as a core component of our customer value proposition and delivering product solutions
- Continuing to promote economic inclusion in our footprint through Futuremakers by Standard Chartered
- Targeting net zero carbon emissions in our operations by 2025, and in our supply chain and financed emissions by 2050, with interim 2030 targets for our highest-emitting sectors

Sustainability Aspirations achieved or on track

85.7%

2021: 82.9%

1 Includes measurement across all countries and products. 2021 restated.

2 2021 restated due to a change in the definition of active partnership clients.

3 Calculation methodology has been amended to exclude Mass Retail digital partnerships and the markets that were announced for exit in 2022. 2021 figure has been restated.

Our Stands

The impact of climate change, stark inequality and the unfair aspects of globalisation impact us all. We're taking a stand by setting long-term ambitions on these issues where they matter most. This works in unison with our strategy, stretching our thinking, our action and our leadership to accelerate our growth.

Accelerating Zero

We're helping emerging markets in our footprint reduce carbon emissions without slowing critical local development. This is just one of the ways we're playing our part in putting the world on a sustainable path to net zero by 2050.

The need for a just transition to an inclusive, net zero economy brings with it a huge opportunity for innovation and growth for our clients and our Bank. Our plan to achieve net zero has three aims: reduce emissions, catalyse sustainable finance and partnerships, and accelerate new solutions.

We aim to reduce the emissions associated with our financing activities to net zero by 2050, with 2030 interim targets in our most carbon-intensive sectors.

Case study

Supporting the rollout of electric vehicles in Sweden

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

See pages 326 and 327

Lifting Participation

Inequality, along with gaps in economic inclusion, mean that many young people, women and small businesses struggle to gain access to the financial system to save for their futures and grow their businesses. We want to democratise access to finance and make it easily accessible at low cost.

We strive to expand the reach and scale of financial services – expanding accessible banking and connecting clients to opportunities that promote access to finance and economic inclusion.

Case study

Helping female entrepreneurs thrive

Throughout 2022, thousands of women were able to grow their businesses by using our collateral-free subsidised loans product for female micro-entrepreneurs.

See page 9

Resetting Globalisation

Our goal is to help companies improve working and environmental standards and give everyone the chance to participate in the world economy, so growth becomes fairer and more balanced. We stand for a new model of globalisation based on transparency, inclusion and dialogue.

Globalisation has lifted millions out of poverty, but too many people have been left behind. We advocate a new, more inclusive model of globalisation based on transparency and fairness. We aim to increase transparency across supply chains to enable consumer choice and drive responsible trade. In addition, we want to make global trade more equitable by improving access to finance for smaller suppliers that often lack adequate financing.

Case study

Real-time trade transaction status with Trade Track-It

In October, we launched Trade Track-It, a digital transaction tracking portal which gives our clients end-to-end visibility of their trade-transaction status globally.

See pages 232 and 233

Corporate, Commercial and Institutional Banking

KPIs

Profit before taxation

$4,100m
↑31%
underlying basis

$4,050m
↑35%
statutory basis

Return on tangible equity (RoTE)[3]

13.7%
↑410bps
underlying basis

13.6%
↑430bps
statutory basis

Risk-weighted assets (RWA)

$144bn ↓$20bn

Improving CCIB Income RoRWA

Aim: Achieve RoRWA of 6.5% by 2024.

Analysis: CCIB income RoRWA improved to 6.5% in 2022, up 160bps YoY and in line with our 2024 target, driven by higher income and disciplined risk management.

Contribution of Financial Institutions segment

Aim: Drive growth in high-returning Financial Institutions segment.

Analysis: Share of Financial Institutions income improved to 45 per cent of total CCIB client income in 2022 as we allocate more capital to this segment to drive income and returns.

Partnering with SAP Taulia for sustainable supply chains

In October, we signed a framework agreement to collaborate with SAP Taulia, a market leader in working capital solutions. As part of the agreement, we will work with Taulia to provide clients access to supply chain finance through our unique emerging-markets network. This will help our clients to make their supply chains more resilient and sustainable by enabling their suppliers to gain access to working capital more efficiently and cost effectively. This is the first agreement that Taulia has signed with a banking institution, following its acquisition by SAP.

Segment overview

Corporate, Commercial and Institutional Banking (CCIB) supports local and large corporations, governments, banks and investors with their transaction banking, financial markets and borrowing needs. We provide solutions to more than 20,000 clients in some of the world's fastest-growing economies and most active trade corridors. Our clients operate or invest across 50 markets across the globe.

Our strong and deep local presence enables us to help co-create bespoke financing solutions and connect our clients multilaterally to investors, suppliers, buyers and sellers. Our products and services enable our clients to move capital, manage risk and invest to create wealth. Our clients represent a large and important part of the economies we serve. CCIB is at the heart of the Group's Purpose to drive commerce and prosperity through our unique diversity.

We are also committed to sustainable finance in our markets and to channelling capital where the impact will be greatest. We are delivering on our ambition to support sustainable economic growth, increasing support and funding for financial offerings that have a positive impact on our communities and environment.

Strategic priorities

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

Progress

- Our underlying income is driven by our diversified product suite and expanded client solutions is supported by the rising interest rate environment. Our network income currently contributes to 57 per cent of total CCIB income with growth across strategic network corridors.
- Improved balance sheet quality with investment-grade net exposures represent 70 per cent of total corporate net exposures (2021: 64 per cent) and high-quality operating account balances at 67 per cent of Transaction Banking and Securities Services customer balances (2021: 63 per cent).
- Migrated more than 73,000 client entities to our S2B[2] NextGen platform and increased S2B cash payment transaction volumes by 10.3 per cent.
- We are half of the way towards developing our $1 billion income from sustainable finance franchise.

Performance highlights

- Underlying profit before tax of $4,100 million, up 31 per cent, primarily driven by higher income, partially offset by higher expenses and credit impairment charges.
- Underlying operating income of $10,045 million, up 19 per cent, with Cash Management in Transaction Banking benefiting from rising interest rates and strong Macro Trading activity in Financial Markets.
- Risk-weighted assets down $20 billion since 31 December 2021, mainly as a result of optimisation initiatives and favourable currency movement, partly offset by business growth and regulatory impact.
- Underlying RoTE increased from 9.6 per cent to 13.7 per cent.

1 Capital-lite income refers to products with low RWA consumption or of a non-funded nature. This mainly includes Cash Management and FX products
2 Our next-generation Client digital transaction initiation platform.
3 Reconciliations from underlying to statutory and definitions of alternative. performance measures (APM) can be found on pages 80-85
4 FY 2020 and FY 2021 Income is adjusted for aviation depreciation for Income RoRWA calculation

Consumer, Private and Business Banking

KPIs

Profit before taxation

$1,596m
↑30%
underlying basis

$1,533m
↑55%
statutory basis

Return on tangible equity (RoTE)[1]

15.8%
↑420bps
underlying basis

15.2%
↑580bps
statutory basis

Risk-weighted assets (RWA)

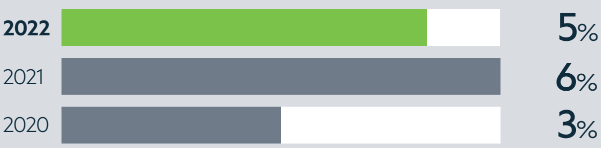
$51bn ↓$1bn

Digital Sales for Retail Products

Aim: Accelerate the Group's digital offerings to enable clients to be on-boarded digitally, thereby reducing manual processes and improving efficiency.

Analysis: Online applications for Retail Products have continued to grow with the proportion increasing from 38 per cent in 2020 to 48 per cent at the end of 2022.

Affluent Wealth Active Clients (YoY %)



Aim: Grow and deepen client relationships, improve investment penetration and attract new clients.

Analysis: Affluent Wealth Active Clients stands at 857,000 clients in 2022, delivering growth of 5 per cent.

Our first ever ESG Structured Note

In February, we issued our first ever ESG Structured Note for affluent clients in Hong Kong and Singapore. The note received strong interest from clients, generating $100 million of new sales in less than two weeks, with the final amount raised standing at $370m. Use of proceeds from the note includes both green and social categories, enabling priority and private banking clients to have exposure to our impactful emerging-markets asset base.

Segment overview

Consumer, Private and Business Banking serves more than 10 million individuals and small businesses, with a focus on the affluent and emerging affluent in many of the world's fastest-growing markets. We provide digital banking services with a human touch to our clients, with solutions spanning across deposits, payments, financing and Wealth Management. Private Banking offers a full range of investment, credit and wealth planning products to grow, and protect, the wealth of high-net-worth individuals. We also support our small business clients with their business banking needs.

We are closely integrated with the Group's other client segments; for example, we offer employee banking services to Corporate, Commercial and Institutional Banking clients, and Consumer, Private and Business Banking also provides a source of high-quality liquidity for the Group.

Increasing levels of wealth across Asia, Africa and the Middle East support our opportunity to grow the business sustainably. We aim to continuously uplift the client experience and improve productivity by driving end-to-end digitalisation and process simplification.

Strategic priorities

- Be a leading international Affluent franchise with distinctive client value propositions to unlock the value of our Affluent client continuum.
- Maximise the reach of our deep-rooted international network, with Hong Kong, Singapore, UAE and Jersey as our wealth advisory hubs
- Deliver advisory-led wealth propositions with digital-first and personalised experiences, leveraging an open architecture platform with best-in-class product offering.
- Profitable Personal Banking franchise enabled by partnerships, data and digital infrastructure.
- A mobile-first digital channel strategy offering exceptional end-to-end client experience.
- Continuous improvement in ways of working for process simplification and operational excellence.

Progress

- Strong affluent client growth momentum across Priority Banking and Private Banking.
- Strong traction on Standard Chartered-INSEAD Wealth Academy with more than 350 senior frontline staff across Hong Kong and Singapore on the development journey.
- Launched myWealth suite of digital advisory tools to deliver personalised portfolio construction and investment ideas for clients; recognised as a leader in digital wealth capabilities with more than 15 industry awards received in 2022.
- Enhanced digital experience in key markets focusing on frictionless mobile experience, leading to an average rating of 4.4 on App Store and Play Store in Hong Kong, Singapore, India, China and Pakistan.
- Continued Personal 'scale through automation' transformation accelerated by acquiring customers from partnerships, engaging and cross-selling digitally, and servicing them through low-cost channels.
- Seven Mass Retail partnerships instances live in China, Indonesia and Vietnam, reaching more than 1.2 million clients.

Performance highlights

- Underlying profit before tax of $1,596 million was up 30 per cent driven by higher income and lower expenses and credit impairments.
- Underlying operating income of $6,016 million was up 5 per cent (up 10 percent constant currency). Asia was up 5 per cent and Africa and the Middle East, and Europe was up 4 per cent. Expenses were well managed and down 2 per cent.
- Strong income momentum growth mainly from Deposits up 138 per cent with improved margins and balance sheet growth. These were offset by slow down in Wealth Management products due to risk off sentiment and Mortgages margin compression impacted by a rising interest rate environment.
- Underlying RoTE increased from 11.6 per cent to 15.8 per cent.

1 Reconciliations from underlying to statutory and definitions of alternative performance measures (APM can be found on pages 80-85)

Ventures

KPIs

Underlying Loss before taxation
$363m
↑39%

New Minority Investments
$153m
↑42%

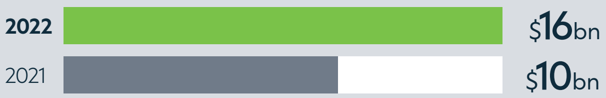
Risk-weighted assets (RWA)
$1.4bn
↑$0.6bn

New Ventures launched
7
↑6

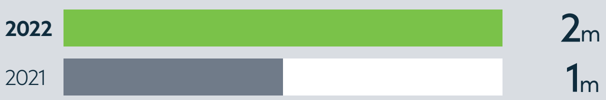
Gross Transaction Value
$16bn
↑$6bn

Customers
2m

Gross Transaction Value



Customers



Solv goes from strength to strength

Lifting the participation of micro and small businesses in the economy, Solv, our B2B e-commerce platform, raised $40 million in Series-A funding in June 2022. Building on its strong performance in India and continuing expansion plans, Solv launched in Kenya in October 2022 and now has a network of approximately 300,000 micro and small businesses. Solv has plans to grow further, aiming to be present in more than 300 cities in India, scale in Africa and enter Southeast Asia in 2023. Solv announced its platform launch in December 2020 targeting micro, small and medium enterprises in India.

Segment overview

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

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

Strategic priorities

- **SC Ventures'** focus is on building and scaling new business models – across the four themes of Online Economy & Lifestyle, SMEs & World Trade, Digital Assets and Sustainability & Inclusion. We do this by connecting ecosystems, partners and clients to create value and new sources of revenue, providing optionality for the Bank. SC Ventures is also advancing the Fintech agenda – identifying, partnering and taking minority interests through the fund in companies that provide technology capabilities, which can be integrated into the Bank and Ventures. Focus is on innovative, fast-growing, technology-focused companies which accelerate transformation in the financial industry.
- **Mox** continues to grow the customer base and drive main bank relationships across mass and mass affluent segments in Hong Kong. Mox's vision is to build the global benchmark for digital banking. It aims to be the leading virtual bank in Hong Kong for Cards and Digital Lending and continues to further expand services, including the soon-to-launch Digital Wealth Management services.
- **Trust Bank** is targeting continued strong growth, in particular through its deep and extensive partner ecosystem, and to establish itself as a scale player in the mass and upper mass consumer segment in Singapore.

Progress

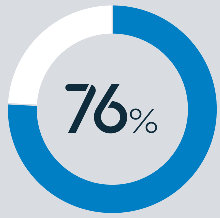
- **SC Ventures** marks its fifth year anniversary in 2023. Some of the key achievements include building a diverse portfolio of over 30 ventures and 20+ investments. Our ventures processed $16 billion of transactions in 2022 with a customer base of 1 million. By working with strategic partners like SBI Holdings, we will accelerate the growth of Solv, the B2B digital marketplace for micro, small and medium enterprises and connect with a wider ecosystem across multiple markets. Our Financial Conduct Authority (FCA) authorised, institutional grade crypto businesses, Zodia Custody and Zodia Markets, commenced onboarding clients during the year.
- In 2022, **Mox** had a strong focus on expanding its card and digital lending services and recorded a strong performance and an engaged customer base. Mox has more than 400,000 customers, up two times year-on-year, and Mox customers had on average 3.1x products. Mox was named as the most recommended virtual bank in Hong Kong and continued to be the number one rated virtual bank app in Hong Kong on the Apple App Store.
- Within five months of launch, **Trust Bank** scaled rapidly to over 450,000 customers, equating to around 9 per cent of the addressable market in Singapore, and making it one of the world's fastest growing digital banks. Customer engagement was strong, with almost 7 million transactions made, and more than 400,000 digital coupons redeemed through the app during this period.

Performance highlights

- Underlying loss before tax of $363 million was up $102 million, driven mainly by higher expenses as we continue to invest in new and existing ventures.
- Risk-weighted assets of $1.4 billion have increased $0.6 billion mainly due to continued investment in new and existing ventures and minority interests.

Asia

Loans and advances to customers (% of group)



Profit before taxation

$3,688m

↑ 8%
underlying basis

$3,325m

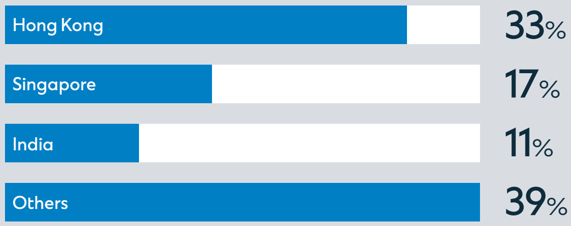
↑ 17%
statutory basis

Risk-weighted assets (RWA)

$151bn

↓ $19bn

Income split by key markets



Region overview

The Asia region has a long-standing and deep franchise across the markets and some of the world's fastest-growing economies. The region generates over two-thirds of the Group's income from its extensive network of 21 markets. Of these, Hong Kong and Singapore contributed the highest income, underpinned by a diversified franchise and deeply rooted presence.

The region is highly interconnected, with three distinct and potent sub-regions: Greater China, ASEAN and South Asia. Our global footprint and strong regional presence, distinctive proposition, and continued investment position us strongly to capture opportunities as they arise from the continuing opening up of China's economy, the growing connectivity of ASEAN, and the strong economic growth of India.

The region is benefiting from rising trade flows, continued strong investment, and a rising middle class, which is driving consumption growth and improving digital connectivity.

Strategic priorities

- Leverage our network strength to serve the inbound and outbound cross-border trade and investment needs of our clients, particularly across high-growth corridors e.g., China–ASEAN, China–South Asia, Korea-ASEAN
- Capture opportunities arising from China's opening, and accelerate growth in ASEAN and India/South Asia.
- Turbocharge our Affluent and Wealth Management businesses through differentiated propositions and service.
- Continue to invest and advance in technology, digital capabilities and partnerships to enhance the client experience and build scale efficiently.
- Support clients' sustainable finance and transition needs and continue to strengthen our thought leadership status.

Planting trees in Sri Lanka and Malaysia

Our employees planted more than 1,000 trees in Sri Lanka and Malaysia in 2022. Between March and October in Sri Lanka, employees planted 650 trees in total, both as part of an employee challenge and the Bank's global employee volunteering campaign.

Meanwhile, between August and December, as part of our Taman Tugu Donation and Tree Planting Programme, employees in Malaysia planted 500 trees. Taman Tugu is a 66-acre regenerated forest park located in Kuala Lumpur city centre.

Progress

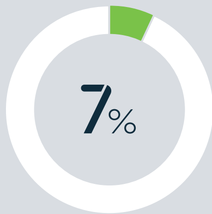
- We have continued to advance our China strategy both onshore and offshore, with steady progress in capturing affluent growth, adding new clients through digital partnerships and growing international trade and investment corridors. In 2022 the China business delivered its highest ever onshore income while also growing network income strongly, with the China-ASEAN and China-South Asia corridors being respectively up 62 per cent and 21 percent year-on-year. Progress was made in the digital retail space with new partnerships involving JD.com and WeBank.
- Our two strong international financial hubs in Hong Kong and Singapore, which enable us to serve the three sub-engines of economic growth in Asia, continued to be the highest income contributors in the region. Income growth was driven by the Affluent segment and Transaction Banking, helped in part by rising interest rates, and also by Financial Markets.
- Execution of our strategy in the Greater Bay Area ("GBA") continues to be on track with the establishment of a solid cross border wealth management platform and strong growth in new economy sectors and in network business.
- The CPBB digital agenda continues to progress. Mox has the second largest deposit base among virtual banks in Hong Kong while Trust Bank, in partnership with Fairprice Group in Singapore, has onboarded more than 450,000 customers after five months of its launch.

Performance highlights

- Underlying profit before tax of $3,688 million was up 8 per cent, primarily from higher income partly offset by higher credit impairment from charges on China Commercial Real Estate exposures and the sovereign ratings downgrade of Sri Lanka.
- Underlying operating income of $11,213 million was up 7 per cent (up 12 per cent on a constant currency), mainly driven by a strong Financial Markets performance and an expansion in the net interest margin benefiting Cash Management and Retail Deposits. This was partially offset by lower Lending and Wealth Management income as market conditions reduced transaction volumes, as well as the impact of COVID-19 restrictions impacting in our key markets, Hong Kong and China.
- Loans and advances to customers were up 2 per cent (up 6 per cent on a constant currency), Customer accounts were down 3 per cent (flat on a constant currency) since 31 December 2021.
- Risk-weighted assets (RWA) were down $19 billion since 31 December 2021 as we continue to focus on RWA optimisation.

Africa and the Middle East

Loans and advances to customers (% of group)



Profit before taxation

$819m

↓4%
underlying basis

$790m

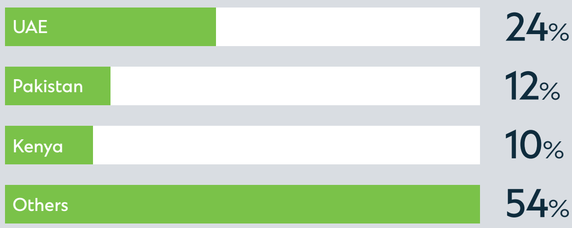
↓5%
statutory basis

Risk-weighted assets (RWA)

$41bn

↓$8bn

Income split by key markets



Region overview

We have a deep-rooted heritage in Africa and Middle East (AME), of which the United Arab Emirates, Pakistan, Kenya, Nigeria, South Africa, and Ghana are the largest by income.

A rich history, deep client relationships and a unique footprint in the region, as well as across centres in Asia, Europe, and the Americas, enable us to seamlessly support our clients. AME is an important element of global trade and investment corridors and we are well placed to facilitate these flows.

Gulf Cooperation Council (GCC) markets are expected to outpace global growth on the back of oil price recovery, higher government spend and bilateral trade negotiations. The macro-economic risk remains elevated in Pakistan and some markets in Africa due to a high level of sovereign debt and FX liquidity challenges. Overall, AME's medium and long-term attractiveness remains compelling and intact, and it is an important part of our global network proposition for our clients.

Strategic priorities

- Provide best-in-class structuring and financing solutions and drive creation through client initiatives.
- Invest to accelerate growth in differentiated international network and Affluent Client businesses.
- Invest in market-leading digitisation initiatives in CPBB to protect and grow market share in core markets, continue with our transformation agenda to recalibrate our network and streamline structures.
- Be an industry leader in the transition to net zero across the region.
- Refocusing and simplifying our presence in AME.

Celebrating our launch in Egypt

In 2022, we received official approval from the Central Bank of Egypt in for our first branch in the market.

The branch, designated to be officially launched in 2023, will be part of a fully-fledged banking operation in Egypt replacing our current representative office set-up.

Progress

- We have strengthened our footprint with the approval for a banking licence in Egypt.
- We have once again led the AME bond and Sukuk markets in 2022, taking the top spot in the AME league tables and ranking #1 in MENA G3 issuance for the fifth year in a row. Our commitment to ESG across Debt Capital Markets (DCM) helped us almost double our issuance ESG volumes and brought the year's most innovative deals to market.
- On Sustainable Finance we have brought new ideas to the market, and supported our clients with closing market firsts and landmark transactions that are creating a strong reputation for us among clients.
- We have successfully launched end-to-end digital onboarding in Pakistan with embedded eKYC (Electronic Know Your Customer), allowing clients to seamlessly open accounts from the SC Mobile App. We have also expanded our agent banking proposition to five countries, helping to drive financial inclusion by offering multiple touchpoints for clients to transact.
- We have expanded digital wealth management solutions in Kenya and UAE. Our micro-investment solution in Kenya has attracted 85 per cent new to wealth clients, while in UAE, clients have access to online Trade FX and online Equities.
- Broad-based growth in income across products, with Financial Markets at the highest level since 2015.
- Continuing cost discipline has allowed investments to continue through the cycle. Cost to Income Ratio lower at 64 per cent (vs. 66 per cent in '21) and Revenue / Headcount has grown 11 percent vs FY'21.

Performance highlights

- Underlying working profit of $937 million (up 25 per cent on constant currency basis) was driven by higher income and disciplined cost management. Underlying profit before tax of $819 million (up 4 per cent on constant currency basis) despite higher loan impairment that is primarily related to provisions for sovereign downgrades in Ghana & Pakistan.
- Underlying operating income of $2,606 million was up 7 per cent (up 14 per cent constant currency) driven by growth in Transaction Banking, Financial Markets and Retail. Income was up 9 per cent (up 15 per cent constant currency) in Middle East, North Africa, & Pakistan and up 3 per cent (up 13 per cent constant currency) in Africa.
- Risk-weighted assets (RWA) were 17 per cent lower than December 2021, despite the impact of sovereign downgrades, due to continuing RWA optimisation activities and de-risking in markets with elevated macro-economic risk.
- Loans and advances to customers were down 14 per cent (9 per cent down on constant currency basis) and customer accounts were down 8 per cent (3 per cent down on constant currency basis) since 31 December 2021.

Europe and the Americas

Profit before taxation

$863m

↑34%
underlying basis

$840m

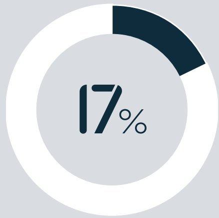
↑46%
statutory basis

Risk-weighted assets (RWA)

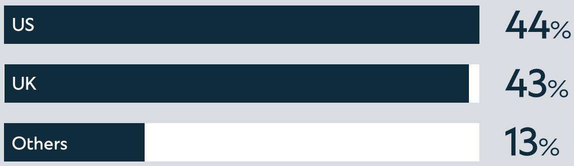
$50bn

↔

Loans and advances to customers (% of group)



Income split by key markets



Region overview

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

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

In addition to being a key origination centre for CCIB, the region offers local, on-the-ground expertise and solutions to help internationally minded clients grow across Europe and Americas. The region is home to the Group's two biggest payment clearing centres and the largest trading floor with more than 90 per cent of the region's income originating from Financial Markets and Transaction Banking products.

Our European CPBB business focuses on serving clients with links to our footprint markets.

Launching our first Green Trade Export Letter of Credit programme

In August, we launched our first Green Trade Export Letter of Credit programme in Singapore, New York and London, working with food and nutrition company ADM (Archer-Daniels-Midland).

The $500 million letter of credit programme will cover ADM's shipment of commodities, including soybeans, oilseeds and cotton from Latin America, the US, and Australia to European markets. Issued under the 'Sustainable Goods' pillar of the Bank's Green and Sustainable Product Framework, the transaction helps advance ADM's widening efforts to expand sustainable farming practices and source sustainably produced goods.

Strategic priorities

- Leverage our network capabilities to connect new and existing Corporate and Financial Institutions clients in the west to the fastest-growing and highest-potential economies across our footprint.
- Supercharge our Financial Institutions (FI) Franchise.
- Grow the business we capture from inbound trade flows from our east to west corridors.
- Further develop our sustainable finance product offering and risk management capabilities.
- Enhance capital efficiency, maintain strong risk oversight, and further improve the quality of our funding base.
- Expand assets under management in CPBB and continue to strengthen the franchise.

Progress

- Strong growth of 20 per cent in global cross-border network business with Europe & Americas CCIB clients across key footprint markets.
- FI segment growth of 25 per cent, now accounting for 56 per cent of the CCIB business for European & Americas clients.
- Expanded Financial Markets Product offering in our German subsidiary to enable more inbound trade flow.
- Material growth in income from sustainable finance products and expansion of our sustainable product offering.
- Significant increase in high-quality liabilities diversifying the region's funding base.
- CPBB cost saving initiatives executed, with strong progress made in refocusing the Private Banking segment towards Ultra High Net Worth clients together with the successful migration of CPBB clients from London to the Jersey booking centre.

Performance highlights

- Underlying profit before tax of $863 million improved 34 per cent, driven by higher income and lower impairments. Positive income to cost jaws of 12 per cent.
- Underlying operating income of $2,353 million was up 17 per cent due to a strong performance from Financial Markets Macro products, and improvement in cash deposit volumes and margins across CCIB and CPBB.
- Expenses increased by 5 per cent or 9 per cent on a constant currency basis largely due to the increased Investment spend and performance-related pay.

Group Chief Financial Officer's review

Back to growth and improving returns

Andy Halford
Group Chief Financial Officer

Summary of financial performance

The Group delivered a strong performance in 2022 generating a 120 basis point uplift in underlying return on tangible equity to 8.0 per cent with underlying profit before tax increasing 15 per cent on a constant currency basis. Income at $16.3 billion, grew 15 per cent on a constant currency basis excluding DVA, and is at its highest level since 2014, with a record performance in Financial Markets and strong expansion in the net interest margin. Loans and advances to customers grew an underlying 3 per cent despite the rising interest rate environment. Expenses increased 9 per cent at constant currency, due to continued investment in the business, salary inflation, and increased performance-related pay on the back of business performance. Credit impairment charges increased to $838 million including further charges relating to the China commercial real estate sector and the impact of sovereign-related downgrades. However, the loan-loss rate of 21 basis points remains well below our historic through-the-cycle loan loss range. The Group remains well capitalised and highly liquid with a CET1 ratio of 14.0 per cent at the top end of its target range enabling the Board to announce a 50 per cent increase in the full-year dividend and a further $1 billion share buy-back programme to start imminently.

All commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2021 on a reported currency basis, unless otherwise stated.

- **Operating income** increased 10 per cent, or 15 per cent on a constant currency basis, normalising for a $27 million positive movement in DVA. About half of the growth in income was from strong, sustained business momentum, through a combination of balance sheet growth and increased fee and trading income, with the remaining increase reflecting the benefit of a higher interest rate environment
- **Net interest income** increased 12 per cent or 18 per cent on a constant currency basis. The net interest margin averaged 141 basis points and is 20 basis points higher year-on-year aided by rising interest rates despite a 4-basis point negative impact from short-term and structural hedges
- **Other income** increased 9 per cent, with a record performance in Financial Markets partly offset by lower Wealth Management income impacted by subdued market conditions
- **Operating expenses** excluding the UK bank levy increased 4 per cent and were up 7 per cent on a constant currency basis after adjusting for the increase in performance-related pay driven by the strong business performance. The underlying expense growth reflects the impact of a high-inflation environment including the impact on salary increases, additional investment into transformational digital capabilities and headcount. The cost-to-income ratio decreased 4 percentage points to 66 per cent excluding DVA and UK bank levy and the Group generated 6 per cent positive income-to-cost jaws at constant currency excluding DVA
- **Credit impairment** was $838 million, an increase of $575 million. The impairment charge includes $582 million in relation to China commercial real estate sector and $283 million in relation to sovereign downgrades partly offset by releases in the management overlay relating to COVID-19. Total credit impairment of $838 million represents a loan-loss rate of 21 basis points, a year-on-year increase of 14 basis points in the cost of risk, but still well below the historic through-the-cycle loan loss range of 30 to 35 basis points.
- **Other impairment** increased by $24 million to $79 million. The $300 million impairment charge recorded in 2021 relating to the Group's investment in its associate China Bohai Bank (Bohai) has been reclassified out of underlying performance and into goodwill and other impairments. The remaining other impairment primarily relates to the aviation leasing portfolio
- **Profit from associates and joint ventures** decreased 5 per cent to $167 million reflecting a lower profit share from Bohai
- Charges relating to **restructuring, other items and goodwill and other impairment** reduced by $373 million to $476 million, with $333 million lower restructuring costs, principally a non-repeat of the prior-year retirement programme in Korea. Goodwill and other impairment of $322 million is $22 million higher year-on-year following a $14 million write off of the goodwill relating to Bangladesh. Furthermore, there has been a $308 million impairment relating to Bohai, primarily a result of industry challenges and uncertainties that may impact profitability.
- **Taxation** was $1,384 million on a statutory basis, with a statutory effective tax rate of 32 per cent. Taxation on underlying profits was at an effective rate of 30 per cent, an increase of 3 percentage points compared to 2021 primarily driven by lower prior year credits and higher taxes in UK, Pakistan and US.
- Underlying **return on tangible equity** increased 120 basis points to 8.0 per cent due to the increase in profits and lower tangible equity, reflecting shareholder distributions and adverse movements in reserves due to movements in interest rates and currency translation. The reclassification of the 2021 Bohai impariment out from underlying performance increased the 2021 underlying return on tangible equity by 80 basis points to 6.8 per cent and has made the treatment of Bohai impairment consistent across both the 2021 and 2022 computation of underlying return on tangible equity
- Underlying basic **earnings per share (EPS)** increased 18 per cent to 101.1 cents and statutory EPS of 85.9 cents increased by 40 per cent
- A final **ordinary dividend** per share of 14 cents has been proposed taking the full-year total to 18 cents, a 50 per cent increase along with a new share buy-back programme of $1 billion, taking total shareholder distributions announced since the start of 2022 to $2.8 billion

Summary of financial performance

	2022 $million	2021 $million	Change %	Constant currency change[1] %
Net interest income	**7,599**	6,807	12	18
Other income	**8,656**	7,906	9	14
Underlying operating income	**16,255**	14,713	10	16
Other operating expenses	**(10,641)**	(10,275)	(4)	(9)
UK bank levy	**(102)**	(100)	(2)	(15)
Underlying operating expenses	**(10,743)**	(10,375)	(4)	(9)
Underlying operating profit before impairment and taxation	**5,512**	4,338	27	30
Credit impairment	**(838)**	(263)	nm[3]	nm[3]
Other impairment[4]	**(79)**	(55)	(44)	(46)
Profit from associates and joint ventures	**167**	176	(5)	(5)
Underlying profit before taxation	**4,762**	4,196	13	15
Restructuring	**(174)**	(507)	66	64
Goodwill and Other impairment[4]	**(322)**	(300)	(7)	(8)
Other items	**20**	(42)	148	148
Statutory profit before taxation	**4,286**	3,347	28	30
Taxation	**(1,384)**	(1,034)	(34)	(44)
Profit for the year	**2,902**	2,313	25	24
Adjusted net interest margin (%)[2]	**1.41**	1.21	20	
Underlying return on tangible equity (%)[2]	**8.0**	6.8	120	
Underlying earnings per share (cents)[4]	**101.1**	85.8	18	

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

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

3 Not meaningful

4 Goodwill and Other impairment include $308 million impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai). The 2021 comparative has been restated for consistency to reclassify the $300 million impairment from Other impairment within Underlying profit to Goodwill and Other impairment. The 2021 Underlying earnings per ordinary share (cents) has been correspondingly restated to reflect this reclassification

Statutory financial performance summary

	2022 $million	2021 $million	Change %	Constant currency change[1] %
Net interest income	**7,593**	6,798	12	18
Other income	**8,725**	7,903	10	15
Statutory operating income	**16,318**	14,701	11	16
Statutory operating expenses	**(10,913)**	(10,924)	–	(6)
Statutory operating profit before impairment and taxation	**5,405**	3,777	43	46
Credit impairment	**(836)**	(254)	nm[3]	nm[3]
Goodwill and Other impairment	**(439)**	(372)	(18)	(19)
Profit from associates and joint ventures	**156**	196	(20)	(20)
Statutory profit before taxation	**4,286**	3,347	28	30
Taxation	**(1,384)**	(1,034)	(34)	(44)
Profit for the year	**2,902**	2,313	25	24
Statutory return on tangible equity (%)[2]	**6.8**	4.8	200	
Statutory earnings per share (cents)	**85.9**	61.3	40	

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

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

3 Not meaningful

Operating income by product

	2022 $million	2021 (Restated)[2] $million	Change %	Constant currency change[1] %
Transaction Banking	**3,925**	2,886	36	42
Trade & Working capital	**1,371**	1,447	(5)	(1)
Cash Management	**2,554**	1,439	77	85
Financial Markets	**5,728**	4,899	17	21
Macro Trading	**2,962**	2,216	34	40
Credit Markets	**1,696**	1,790	(5)	(3)
Credit Trading	**506**	437	16	18
Financing Solutions & Issuance	**1,190**	1,353	(12)	(9)
Structured Finance	**408**	491	(17)	(17)
Financing & Securities Services	**620**	387	60	67
DVA	**42**	15	180	200
Lending & Portfolio Management	**562**	759	(26)	(22)
Wealth Management	**1,802**	2,225	(19)	(17)
Retail Products	**4,068**	3,358	21	29
CCPL & other unsecured lending	**1,216**	1,272	(4)	1
Deposits	**2,044**	860	138	157
Mortgage & Auto	**635**	1,036	(39)	(35)
Other Retail Products	**173**	190	(9)	(4)
Treasury	**348**	698	(50)	(47)
Other	**(178)**	(112)	(59)	(16)
Total underlying operating income	**16,255**	14,713	10	16

1 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

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

The operating income by product commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2021 on a constant currency basis, unless otherwise stated.

Transaction Banking income increased 42 per cent. Cash Management income increased 85 per cent reflecting strong pricing discipline to take advantage of a rising interest rate environment. Trade & Working Capital decreased 1 per cent, with balance sheet growth offset by margin compression. The margin compression reflects a shift towards investment credit grade clients and a shift in product mix towards lower margin but more RWA-efficient products.

Financial Markets income increased 21 per cent and was a record performance. Macro trading increased 40 per cent with FX income delivering strong double-digit growth as macro events led to increased client demand and elevated volatility, widening bid-offer spreads. Commodities also delivered strong double-digit growth, including a record first quarter, when it benefited from volatility in energy prices, while Rates also provided strong double-digit increase in income on the back of policy rates increases. Credit Markets income decreased 3 per cent driven by subdued market conditions in spite of a strong performance in Credit Trading. Structured Finance declined 17 per cent with lower fee income within Aviation Finance. Financing & Securities Services income increased 67 per cent, including $184 million of gains on mark-to-market liabilities and benefiting from improved margins in Securities Services.

Lending and Portfolio Management income decreased 22 per cent due to increased cost of funds and the impact of risk-weighted asset optimisation actions.

Wealth Management income declined 17 per cent as customer sentiment became more risk-averse in volatile market conditions leading to lower transaction volumes. There was a negative impact from COVID-19 restrictions, in particular in North Asia, resulting in a number of branch closures and lower footfall which negatively impacted face-to-face sales. Managed Investments income was down 39 per cent, there was a 6 per cent decline in Treasury Products income while Bancassurance income declined 6 per cent. Wealth Management secured lending income fell by a third on the back of client deleveraging. Net new sales remained positive albeit at a lower level than 2021 but assets under management volumes reduced on the back of negative market movements.

Retail Products income increased 29 per cent. Deposit income increased 157 per cent due to active passthrough rate management in a rising interest rate environment, partly offset by migration from CASA to time deposits. Mortgages & Auto income decreased 35 per cent reflecting margin compression with the majority of mortgages in Hong Kong reaching the Best Lending Rate cap. Credit Cards & Personal Loans income increased 1 per cent reflecting a growth in credit card balances, particularly in our digital banks Mox and Trust Bank.

Treasury income declined 47 per cent, reflecting the losses from structural and short-term hedges in a rising interest rate environment which offset increased yields on the remainder of the Treasury portfolio.

Profit before tax by client segment and geographic region

	2022 $million	2021 (Restated)[1,2] $million	Change %	Constant currency change[2] %
Corporate, Commercial & Institutional Banking	**4,100**	3,124	31	35
Consumer Private & Business Banking	**1,596**	1,226	30	35
Ventures	**(363)**	(261)	(39)	(42)
Central & other items (segment)	**(571)**	107	nm[3]	nm[3]
Underlying profit before taxation	**4,762**	4,196	13	15
Asia	**3,688**	3,416	8	12
Africa & Middle East	**819**	856	(4)	4
Europe & Americas	**863**	644	34	33
Central & other items (region)	**(608)**	(720)	16	(1)
Underlying profit before taxation	**4,762**	4,196	13	15

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

2 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods

3 Not meaningful

As part of the ongoing execution of its refreshed strategy, the Group has expanded and reorganised its reporting structure with the creation of a third client segment, Ventures, effective from 1 January 2022. Ventures is a consolidation of SC Ventures and its related entities as well as the Group's two majority-owned digital banks Mox in Hong Kong and Trust Bank in Singapore, reported alongside the current client segments; Corporate, Commercial & Institutional Banking (CCIB) serving larger companies and institutions and Consumer, Private & Business Banking (CPBB) serving individual and business banking clients. There was no change to the regional reporting structure.

Corporate, Commercial & Institutional Banking profit increased 31 per cent as robust Financial Markets and Cash Management performance drove 19 per cent income growth excluding positive movements in DVA. This was partly offset by a 4 per cent increase in expenses and a $469 million increase in impairments reflecting further charges in relation to the China commercial real estate sector and lower releases on the remaining portfolio.

Consumer, Private & Business Banking profit increased 30 per cent and was 35 per cent higher on a constant currency basis. Income grew 10 per cent on a constant currency basis with increased Deposit income partly offset by subdued Wealth Management and the impact of the Best Lending Rate cap on Hong Kong mortgage income. On a constant currency basis, expenses grew 3 per cent and impairments decreased $10 million.

Ventures loss increased to $363 million. Income totalled $29 million for the year, with an increasing customer base at Mox and Trust Bank. Expenses increased by a third reflecting further investment into the segment and increased operational costs to support the significant increase in customer onboarding and transactional volumes within the new digital banks. Other impairment of $24 million was taken in relation to the value of one of the Group's investments within the Ventures portfolio.

Central & other items (segment) recorded a loss of $571 million as income declined 71 per cent reflecting the losses from structural and short-term hedges booked within Treasury. Expenses increased 26 per cent while credit impairments were $112 million higher as a result of the ratings downgrades of select sovereigns.

Asia profits increased 8 per cent on the back of a 7 per cent increase in income. This was partly offset by 1 per cent expense growth and an 82 per cent increase in impairments reflecting increased charges relating to the China commercial real estate sector.

Africa & Middle East profits decreased 4 per cent but grew 4 per cent on a constant currency basis. Income increased 14 per cent while expenses grew 9 per cent, both on a constant currency basis. Impairments went from a net release in the prior year to a $118 million charge, partly due to the sovereign ratings downgrades of Pakistan and Ghana.

Europe & Americas profit increased by a third with a 17 per cent increase in income on the back of a strong Financial Markets and Cash Management performance. Expenses increased 5 per cent while the net release in credit impairment halved to $77 million.

Central & other items (region) loss decreased by $112 million to $608 million due to a 30 per cent increase in expenses. Income increased 145 per cent, while impairments reduced by 16 per cent

Adjusted net interest income and margin

	2022 $million	2021 $million	Change[1] %
Adjusted net interest income[2]	7,976	6,796	17
Average interest-earning assets	565,370	559,408	1
Average interest-bearing liabilities	525,351	515,769	2
Gross yield (%)[3]	2.70	1.83	87
Rate paid (%)[3]	1.38	0.67	71
Net yield (%)[3]	1.32	1.16	16
Net interest margin (%)[3,4]	1.41	1.21	20

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

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

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

4 Adjusted net interest income divided by average interest-earning assets, annualised

Adjusted net interest income increased 17 per cent driven by a 17 per cent increase in the net interest margin, which averaged 141 basis points in the year, a 20 basis points year-on-year uplift benefiting from a rapid increase in policy interest rates across many of our markets :

- Average interest-earning assets grew 1 per cent, or 7 per cent excluding the impact of currency translation and risk-weighted asset optimisation actions, reflecting an increase in investment securities held by Treasury Markets. Gross yields increased 87 basis points compared with the average in the prior year
- Average interest-bearing liabilities increased 2 per cent, or 5 per cent excluding the impact of currency translation, reflecting an increase in customer accounts while the rate paid on liabilities increased 71 basis points compared with the average in the prior year

Credit risk summary

Income Statement

	2022 $million	2021 $million	Change[1] %
Total credit impairment charge	838	263	219
Of which stage 1 and 2	406	78	421
Of which stage 3	432	185	134

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

Balance sheet

	2022 $million	2021 $million	Change[1] %
Gross loans and advances to customers[2]	316,107	304,122	4
Of which stage 1	295,219	279,178	6
Of which stage 2	13,043	16,849	(23)
Of which stage 3	7,845	8,095	(3)
Expected credit loss provisions	(5,460)	(5,654)	(3)
Of which stage 1	(559)	(473)	18
Of which stage 2	(444)	(524)	(15)
Of which stage 3	(4,457)	(4,657)	(4)
Net loans and advances to customers	310,647	298,468	4
Of which stage 1	294,660	278,705	6
Of which stage 2	12,599	16,325	(23)
Of which stage 3	3,388	3,438	(1)
Cover ratio of stage 3 before/after collateral (%)[3]	57/76	58/75	(1)/1
Credit grade 12 accounts ($million)	1,574	1,730	(9)
Early alerts ($million)	4,967	5,534	(10)
Investment grade corporate exposures (%)[3]	76	69	7

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 $24,498 million at 31 December 2022 and $7,331 million at 31 December 2021

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

Asset quality remains stable, despite a year-on-year increase in the impairment charge, with an improvement in a number of underlying credit metrics. However, the Group continues to remain alert to an unpredictable and challenging external environment including pressures in the China commercial real estate sector, commodity price volatility and the impact of the Russia/Ukraine war. This war in part contributed to both commodity price volatility and the accelerated trajectory of inflation and interest rate rises across our footprint, which in turn have contributed to both an increased risk of global recession and the appreciation of the US dollar versus the majority of developed and emerging market currencies. These factors have contributed to increased sovereign credit stress in a handful of our markets which we continue to monitor closely and undertake mitigating actions where appropriate.

Credit impairment totalled $838 million, an increase of $575 million, representing a loan loss rate of 21 basis points, still some way below the historic loan loss rate range. Impairment charges relating to the China commercial real estate sector totalled $582 million in the year, including a $78 million increase in the management overlay relating to the China commercial real estate sector, which now totals $173 million. Sri Lanka and Ghana had their sovereign ratings downgraded into stage 3 , while Pakistan sovereign ratings were downgraded into credit grade 12. These sovereign ratings downgrades incurred a $283 million impairment charge in the year. The CPBB normalised run-rate charge increased by 9 per cent while recoveries in CCIB declined by a third. The above were partly offset by a $228 million decrease in the COVID-19 related management overlay, which now totals $21 million.

Gross stage 3 loans and advances to customers of $7.8 billion were 3 per cent lower, primarily as repayments, client upgrades and write-offs more than offset new inflows, including those relating to the sovereign ratings downgrade of Ghana and Sri Lanka and the China commercial real estate sector. Credit-impaired loans represented 2.5 per cent of gross loans and advances, a decrease of 18 basis points.

The stage 3 cover ratio of 57 per cent was lower by 1 percentage point, while the cover ratio post collateral at 76 per cent increased by 1 percentage point.

Credit grade 12 balances have decreased by 9 per cent to $1.6 billion as the sovereign ratings downgrade of Pakistan was more than offset by downgrades into stage 3 primarily as a result of Sri Lanka and Ghana sovereign ratings downgrade.

Early Alert accounts of $5.0 billion have reduced by 10 per cent, reflecting the net impact of regularisations of accounts back into non-high-risk categories, net impact of downgrades into credit grade 12 and exposure reductions partly offset by new inflows. The Group is continuing to carefully monitor its exposures in vulnerable sectors and select markets, given the unusual stresses caused by the currently challenging macro-economic environment.

The proportion of investment grade corporate exposures has increased by 7 percentage points to 76 per cent, reflecting the increase in reverse repurchase agreements held to collect.

The above balance sheet disclosure relates to loans and advances to customers. The movement in high risk assets (gross stage 3 loans and advances, credit grade 12 balances and early alert accounts) does not fully reflect the impact of the sovereign ratings downgrade of Ghana, Pakistan and Sri Lanka as it does not capture the impact of these downgrades on the Group's investment and securities portfolio.

Restructuring, goodwill impairment and other items

	2022			2021		
	Restructuring $million	Goodwill and Other impairment $million	Other items $million	Restructuring $million	Goodwill and Other impairment[1] $million	Other items $million
Operating income	**43**	**–**	**20**	(32)	–	20
Operating expenses	**(170)**	**–**	**–**	(487)	–	(62)
Credit impairment	**2**	**–**	**–**	9	–	–
Other impairment	**(38)**	**(322)**	**–**	(17)	(300)	–
Profit from associates and joint ventures	**(11)**	**–**	**–**	20	–	–
Loss before taxation	**(174)**	**(322)**	**20**	(507)	(300)	(42)

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

The Group's statutory performance is adjusted for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing underlying performance period-by period. A reconciliation of restructuring, goodwill impairment and other items excluded from underlying results is set out on pages 126 to 130.

Restructuring charges of $174 million for 2022 reflects the impact of actions to transform the organisation to improve productivity, primarily redundancy related charges.

Goodwill and other impairment of $322 million includes $308 million in relation to a further reduction in the carrying value of the Group's investment in its associate China Bohai Bank (Bohai). To ensure consistency, the Group has retrospectively reclassified the $300 million impairment charge taken in 2021 on its investment in Bohai, from other impairment included in underlying operating profit, to goodwill and other impairment which is excluded from underlying operating performance. The remaining $14 million goodwill impairment relates to Bangladesh primarily due to lower economic growth forecasts and higher discount rates.

Other items include a $20 million fair-value gain relating to the sale of a property in Thailand.

The Group has announced that it is exploring strategic alternatives for its Aviation Finance business as well as the exit of seven markets in the AME region and will focus solely on the CCIB segment in two more. It is expected that the results from the markets and businesses being exited will be reported in restructuring from 1 January 2023 with prior periods retrospectvely restated.

Balance sheet and liquidity

	2022 $million	2021 $million	Increase/ (Decrease) $million	Increase/ (Decrease) %
Assets				
Loans and advances to banks	**39,519**	44,383	(4,864)	(11)
Loans and advances to customers	**310,647**	298,468	12,179	4
Other assets	**469,756**	484,967	(15,211)	(3)
Total assets	**819,922**	827,818	(7,896)	(1)
Liabilities				
Deposits by banks	**28,789**	30,041	(1,252)	(4)
Customer accounts	**461,677**	474,570	(12,893)	(3)
Other liabilities	**279,440**	270,571	8,869	3
Total liabilities	**769,906**	775,182	(5,276)	(1)
Equity	**50,016**	52,636	(2,620)	(5)
Total equity and liabilities	**819,922**	827,818	(7,896)	(1)
Advances-to-deposits ratio (%)1	**57.4%**	59.1%		
Liquidity coverage ratio (%)	**147%**	143%		

1 The Group now excludes $20,798 million held with central banks (31.12.21: $15,168 million) that has been confirmed as repayable at the point of stress

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

- Loans and advances to customers increased 4 per cent since 31 December 2021 to $311 billion. This includes a $24 billion increase in Treasury and securities backed loans held to collect partly offset by a $13 billion reduction from risk-weighted asset optimisation actions undertaken by CCIB and a $8 billion reduction from currency translation. Excluding the above, there was 3 per cent underlying loan growth, with growth in Trade partly offset by deleveraging in Wealth Management.
- Customer accounts of $462 billion decreased 3 per cent since 31 December 2021 as a result of currency translation. Excluding the impact of currency translation, customer accounts were broadly flat in the year.
- Other assets decreased 3 per cent since 31 December 2021 with a reduction in reverse repurchase agreements designated at fair value through profit or loss partly offset by an increase in investment securities held within Treasury Markets and increased derivative balances
- Other liabilities were 3 per cent higher since 31 December 2021 reflecting an increase in derivative balances

The advances-to-deposits ratio decreased to 57.4 per cent from 59.1 per cent at 31 December 2021 reflecting a reduction in loans and advances to customers excluding reverse repurchase agreement as a result of risk-weighted asset optimisation actions. The point-in-time liquidity coverage ratio of 147 per cent increased 4 per cent and remains well above the minimum regulatory requirement.

Risk-weighted assets

	2022 $million	2021 $million	Change[1] $million	Change[1] %
By risk type				
Credit risk	**196,855**	219,588	(22,733)	(10)
Operational risk	**27,177**	27,116	61	–
Market risk	**20,679**	24,529	(3,850)	(16)
Total RWAs	**244,711**	271,233	(26,522)	(10)

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

Total risk-weighted assets (RWA) decreased 10 per cent or $26.5 billion from 31 December 2021 to $244.7 billion.

- Credit risk RWA decreased $22.7 billion to $196.9 billion. There was a $13.9 billion reduction in the CCIB low-returning portfolio targeted for optimisation, a $11.1 billion decrease from other RWA efficiency actions and a $9.9 billion reduction from currency translation. This was partly offset by a $6.9 billion increase from regulatory changes, $3.5 billion inflation from credit migration and a $1.9 billion increase from a combination of asset growth and mix
- Market risk RWA decreased by $3.9 billion to $20.7 billion primarily reflecting reduced standardised specific interest rate risk positions and changes in value at risk methodology
- Operational risk RWA was broadly flat at $27.2 billion

Capital base and ratios

	2022 $million	2021 $million	Change[1] $million	Change[1] %
CET1 capital	**34,157**	38,362	(4,205)	(11)
Additional Tier 1 capital (AT1)	**6,484**	6,791	(307)	(5)
Tier 1 capital	**40,641**	45,153	(4,512)	(10)
Tier 2 capital	**12,510**	12,491	19	–
Total capital	**53,151**	57,644	(4,493)	(8)
CET1 capital ratio end point (%)[2]	**14.0**	14.1	(0.1)	
Total capital ratio transitional (%)[2]	**21.7**	21.3	0.4	
Leverage ratio (%)[2]	**4.8**	4.9	(0.1)	

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

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

The Group's CET1 ratio of 14.0 per cent was 19 basis points lower than at 31 December 2021, but approximately 50 basis points above the CET1 ratio at 1 January 2022 when regulatory changes, which reduced the Group's CET1 ratio, came into force. The underlying 50 basis points increase reflects the impact of RWA optimisation actions and profit accretion during the year despite funding $1,258 million of share buy-backs and an increased ordinary dividend. The CET1 ratio is 3.6 percentage points above the Group's current regulatory minimum of 10.4 per cent and at the top end of the Group's 13-14 per cent medium-term target range.

The regulatory changes which came into force on 1 January 2022 included the cessation of software relief, the impact from the IRB model repair programme and the introduction of standardised rules for counterparty credit risk on derivatives and other instruments (SA-CCR). In aggregate, these regulatory changes resulted in a decrease in the CET1 ratio of approximately 70 basis points by reducing CET1 capital by $1.1 billion and increasing RWAs by $5.7 billion. In the fourth quarter, further regulatory changes including the IRB model repair programme increased RWAs by $1.3 billion, reducing the CET1 ratio by approximately 10 basis points

The CET1 ratio was reduced by approximately 70 basis points from a reduction in reserves mainly relating to a reversal of prior year unrealised gains on debt securities as a result of higher market yields and movements in currency translation reducing both the translation reserve and RWAs.

Profit accretion increased the CET1 ratio by approximately 110 basis points whilst lower RWAs as a result of efficiency and optimisation actions within CCIB and Treasury, provided an approximate 120 basis point uplift to the CET1 ratio.

Ordinary shareholder distributions reduced the CET1 ratio by approximately 65 basis points. The Group spent $1,258 million purchasing 184 million ordinary shares of $0.50 each during the year, representing a volume-weighted average price per share of £5.48. These shares were subsequently cancelled, reducing the total issued share capital by 6 per cent and the CET1 ratio by approxiamtely 45 basis points. The Board has recommended a final dividend of 14 cents per share resulting in a total 2021 ordinary dividend of 18 cents a share or $523 million, reducing the CET1 ratio by approximately 20 basis points . Payments due to AT1 and preference shareholders cost approximately 15 basis points.

The Board has announced a share buy-back for up to a maximum consideration of $1 billion to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buy-back will be announced and the programme will start shortly and is expected to reduce the Group's CET1 ratio in the first quarter of 2023 by approximately 40 basis points.

The Group's leverage ratio of 4.8 per cent is approximately 10 basis points lower than the 4.9 per cent ratio as at 31 December 2021. This reflects lower Tier 1 capital partly offset by a decrease in leverage exposures largely driven by efficiency and optimisation initiatives. The Group's leverage ratio remains significantly above its current minimum requirement of 3.7 per cent.

Outlook

Our performance has been strong, and the pace of economic recovery in many of our footprint markets is encouraging.

Whilst recessionary and inflationary pressures will continue to impact many parts of the world, particularly in the first half of 2023, we expect most of the markets in which we operate to continue their recent momentum with GDP growth in the Asian economies at above 5 per cent over the next two years being pivotal to progressive global recovery.

The recent opening-up of China and the generally receding impacts of COVID-19 should help in that regard albeit we will continue to monitor closely the sovereign risks in markets that are most exposed to tightening liquidity.

Overall, the markets in which we operate, the further benefits of rising interest rates and the evidential improvement in many of our operating metrics cause us to be optimistic about the period ahead. For 2023 and 2024 our expectations are now:

- Income to grow in the 8-10 per cent range excluding DVA and at constant currency
- Full year average net interest margin of around 175 basis points in 2023 and above 180 basis points in 2024
- Asset and RWA growth in the low single digit percentage range
- Around 3 percentage point positive income-to-cost jaws in 2023 and in 2024, excluding DVA and UK bank levy and at constant currency
- Credit impairment to continue to normalise towards the historic through the cycle loan-loss rate range of 30-35 basis points
- To operate dynamically within the full 13-14 per cent CET1 target range
- RoTE to be approaching 10 per cent in 2023
- RoTE to exceed 11 per cent in 2024, with further growth thereafter

Andy Halford
Group Chief Financial Officer

16 February 2023

Founding signatory of the Sustainable STEEL Principles

In September, we became one of the founding signatories to the Sustainable STEEL Principles, the first climate-aligned finance agreement for the steel industry.

The use of metallurgical coal in the manufacturing of steel, means it contributes around 7 per cent of CO_2 emissions globally. With demand for steel continuing to increase, it's critical that we support the sector's decarbonisation. As part of the agreement, signatories measure and disclose their steel-related loan emissions, with a view to achieving net-zero emissions in the steel industry.

Read more online at **sc.com/steel**

Risk overview

Resilience despite adverse macroeconomic environment and volatile global markets

The macroeconomic environment was challenging throughout the year for a number of markets in which the Group operates. February 2022 saw Russia's invasion of Ukraine, impacting financial markets, commodity prices and supply chains. We had very limited direct exposure to either country and we proactively managed risks that we faced through indirect exposure, and second order impacts, such as increased energy and food prices or disrupted gas supplies for our clients and customers, the impact from sanctions on asset values and investments some of our clients have in Russia. We also managed the increase in traded risks following increased volatility in other markets, especially credit and commodities. Regular stress tests were performed during 2022 to assess the impact of the war across the Group's portfolio.

In China, growth forecasts were revised downwards as it followed its 'zero-COVID' stance, exacerbating global supply chain bottlenecks. Pressures in China's commercial real estate industry remain with the timing of recovery still uncertain amidst recent government measures to support the sector. In the United States, the Federal Reserve announced consecutive interest rate hikes to counter inflationary pressures and hinted at more tapered rate rises in 2023. This poses challenges to some emerging markets, as their currencies weaken relative to the strength of the US dollar, by rising commodity prices, stagflation and tighter liquidity.

The impact from the war, tightening of global financing conditions and idiosyncratic domestic political and policy issues, have placed pressure on sovereign credit ratings during 2022. Within the Group's footprint, Sri Lanka and Ghana embarked on sovereign debt restructuring operations, while Pakistan has been adversely impacted by flooding and continues to face external financing risks in light of large external payments coming due, while FX reserves have declined. The Country Risk Early Warning System (CREWS) is the principal process for tracking a deterioration in risk indicators and has worked effectively during the year. CREWS is a triage system which categorises countries based on a combined assessment of the likelihood of a downgrade and the financial impact of a potential downgrade. Markets in the highest risk category are subject to enhanced monitoring of qualitative and quantitative risk triggers' and we have exposure management strategies in place for the highest risk markets.

We continue to scan the horizon for topical and emerging risks and collaborate with internal and external partners to mitigate risks as they are identified. Further details on how we manage topical and emerging risks can be found on pages 48 to 51.

Asset quality has been maintained, though we remain vigilant in the face of volatile global markets. We continue to demonstrate resilience as evidenced by strong capital and liquidity metrics. Non-financial risks areas such as Fraud, Data Management, Information and Cyber Security, Third Party, Technology, People and Change Management remain heightened. We continue to enhance our operational resilience and defences against these risks through vigorous enhancement programmes. We remain vigilant of sovereign risks and challenges in the property sector in China and we continue to closely monitor and manage these across the Group.

For our Corporate, Commercial and Institutional Banking (CCIB) business, we have identified vulnerable sovereigns with triggers and have an action plan for exposure management based on such triggers. We have closely monitored our clients that may face difficulties on account of increasing interest rate, foreign exchange movements, commodity volatility or increase in price of essential goods. Stress tests and portfolio reviews are also done to identify vulnerable exposures. These exposures are then tracked through our well-established Early Alert monitoring process. Actions which may be required if geo-political risks occur are also tracked so that the Group could act quickly if these events do occur.

For our Consumer, Private and Business Banking (CPBB) business, the key focus in 2022 was on the potential wider effects of the deteriorating economic conditions across our markets. While CPBB conducts its business mainly in local currency, the continued strength of the US dollar has an impact in our markets across Asia, Africa and the Middle East and we have been monitoring the potential secondary impacts of a decline in sovereign credit quality in some of our markets. For our consumer credit portfolios, we have been monitoring the impact on customer affordability through interest rate sensitivity analysis and tracking consumer price indices across our key markets. In our Business Banking portfolios, we have been focused on the risks to our clients associated with vulnerability to commodity supply chain issues, spikes in input costs and the effect of an overall decline in global demand. For Wealth Lending, which is secured by a largely liquid collateral pool, we have been proactively managing the portfolio through the continued market volatility and monitoring for horizon risks to the collateral, such as reduced corporate earnings in the event of recession. Where appropriate, we have tightened underwriting policies and collateral acceptance criteria.

An update on our key risk priorities

2022 continued to present a challenging risk landscape, however, we faced this from an intrinsically strong position. Our risk management approach is at the heart of our business and is core to us achieving sustainable growth and performance. We have made progress on our key priorities, these being:

Strengthening the Group's risk culture and conduct: We remain committed to promoting a healthy risk culture and driving the highest standards of conduct. Both risk culture and conduct are integral components of our Enterprise Risk Management Framework (ERMF). Our ERMF sets out the guiding principles for our colleagues, enabling us to have integrated and holistic risk conversations across the Group and the three lines of defence. It underpins an enterprise level ability to identify and assess, openly discuss, and take prompt action to address existing and emerging risks. Senior management across the Group promote a healthy risk culture by rewarding risk-based thinking (including in remuneration decisions), challenging the status quo, and creating a transparent and safe environment for employees to communicate risk concerns. We strive to uphold the highest standards of conduct through delivery of conduct outcomes, acknowledging that while incidents cannot be entirely avoided, the Group has no appetite for wilful or negligent misconduct. More broadly, we are continuing to focus on strengthening first-line Conduct Risk ownership, drawing enhanced Conduct Risk insights through the development of conduct analytics as part of the new Conduct Risk management standard. Furthermore, we have uplifted the Group Conduct Risk Management approach which has been achieved through a combination of providing better tools to enable consistent Conduct Risk oversight, increased engagement with the first and second line and targeted campaigns to improve Conduct Risk awareness across the Group. As Conduct Risk may arise from anywhere in the Group at any time, conduct outcomes should always be considered when material strategic decisions are made that may impact clients, investors, shareholders, counterparties, employees, markets, competition and the environment. The Group is also working towards complying with the UK Consumer Duty requirements for in-scope clients; these requirements set higher and clearer standards of consumer protection.

Continuous enhancement of our information and cyber security (ICS) capabilities and governance: We have refreshed the Group ICS Risk Strategy by updating our ICS Target Operating Model to increase focus on accountability, risk ownership, change management and executive empowerment. Our Board is regularly engaged on our approach to managing ICS Risks and we have appointed an ICS Risk Special Advisor to the Board. We also perform table-top cyber crisis testing exercises to ensure a consistent view on how to respond to cyber incidents.

To assess the security of our ICS systems and processes, our ICS capabilities include a formal process for internal controls testing, vulnerability assessments and penetration testing (an authorised simulated attack on a computer system, performed to evaluate the security of the system). We continue to deploy the Threat Scenario-led Risk Assessment which enables a more dynamic threat-led identification and management of ICS Risk by our businesses. Our ICS policies and standards are also aligned to a number of best practice global guidance, and we remain watchful on proposed new guidance.

Our ICS training programme includes annual mandatory learning and phishing readiness exercises, along with ongoing thematic campaigns which highlight the most prevalent threats and risks that colleagues face. We also deliver regular Group Board training on ICS risks. In addition to general ICS awareness, colleagues in roles identified as critical have additional training linked to their responsibilities.

Managing Climate Risk: Managing the risks from climate change is a core element of our strategy and Stands. We have made good progress this year in embedding Climate Risk considerations across the impacted Principal Risk Types. By using the results from our scenario analysis, we are building a good understanding of the markets and industries where the effects of climate change will have the greatest impact. Climate Risk assessments are now considered as part of Reputational and Sustainability transaction reviews for impacted clients in high-carbon sectors, and integrated into the credit application process for approximately 70 per cent of our corporate client exposure and the physical risk identification of our CPBB mortgage portfolios in our largest markets. As part of our ongoing academic partnership with Imperial College London, we supported new climate research on the range of opportunities that exist for private investors in nature related investments and cross-sectoral implications of electrification of transport in India. Key focus areas for 2023 include establishing and clarifying the linkages between net-zero portfolio management across high transition risk sectors and the impact thereof on Credit Risk parameters, building and embedding our in-house Climate Risk models, training and education, and working with our data providers and clients. All of these support the Group's commitments made as part of Accelerating Zero.

+ More details can be found at **sc.com/sustainability and sc.com/tcfd**

+ Further details on our overall approach to net zero can be found at **sc.com/netzero**

Managing our environmental, social and governance (ESG) risk: We continue to advance risk management across the organisation in both our CCIB and CPBB client segments with end-to-end reviews of inherent risks and controls in line with our internal Environmental and Social Risk Catalogue. In keeping with our sustainable and transition finance goals, our risk management approach seeks to ensure that our Green, Sustainable and Transition Finance labels reflect the standards set out in our Green and Sustainable Product Framework, Transition Finance Framework and Task Force on Climate-related Financial Disclosures (TCFD).

Managing Financial Crime Risk: The Group is managing its financial crime risk within acceptable levels as assessed under the Group's risk assessment measures, including the Financial Crime Risk Type Framework, Risk and Control Self-Assessments and assurance reviews. However, some issues in 2022 have required remedial actions in order to avoid an unacceptable increase in Financial Crime Risk in certain areas. Russia-related sanctions have continued to escalate and are increasingly complex in nature to operationalise. While the Group has limited direct exposure to Russia-related sanctions, we continue to monitor and respond to changing sanction requirements. The Group continues to build and maintain partnerships with industry, government and the third sector to build consensus on effective efforts to combat financial crime and the damages it causes.

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

Technology and Innovation: Our technology capabilities are delivering our strategy of being a digital driven second-line of defence function, supporting first-line driven risk management processes. We have expanded our Climate Risk reporting capabilities and integrated ESG factors to help streamline risk assessment across the client lifecycle. We have automated the model development lifecycle with a digitised model inventory and approval workflow, and have deployed a single platform to support standardised model creation, review and validation. We have continued to expand our Enterprise Governance, Risk and Compliance with automated workflows in Operational Risk, Business Continuity, Assurance, and BCBS 239 assessments and peer reviews. Policy documentation management has been transitioned to a new platform and a significantly improved user experience. The Group Risk assessment process has been transitioned to a Big Data technology stack that utilises data more effectively and improves assessment turnaround time. We continue to build more intelligence into our self-service and case management tooling. The ASK Compliance platform serves as a single portal, where the first line of defence and our employees get answers to simple compliance queries using self-service tools, with an enhanced user experience launched in 2022. We will prioritise integrating relevant risk use cases into the existing self-service tools in 2023. Advisor Connect which is a configurable case management framework launched in Q3 2022 provides an auditable, consolidated view of cases and serves as a knowledge repository for the advisory teams. Advisor Connect is planned to be rolled out to prioritised group and country CFCC teams in 2023.

We continuously enhanced the country regulatory obligation management to improve the user experience. We continue to explore the application of emerging technologies such as Artificial Intelligence, Machine Learning and Application build through configuration and remain focused on streamlining the identification of new regulations through horizon scanning, tracking amendments to existing regulations, and automating the mapping and impact analysis to policies and processes. Surveillance platforms are continuously enhanced with supervised model-based monitoring and voice and multilingual monitoring capabilities.

Digitalisation and technological developments remain key items on the Group's agenda as we pursue the execution of the Group's strategy. We continue to ensure that our control frameworks and risk appetite evolve accordingly to keep pace with new business developments and asset classes.

Embedding and strengthening Digital Asset Risk management capabilities: The Group recognises the increasing prevalence of digital asset activity and associated risks. At present, the Group has very limited, and immaterial, direct exposure to digital asset related activity. Any potential increase in activity or exposures will be subject to detailed review and enhanced due diligence in accordance with the Group's Digital Asset Risk Management Approach. Notwithstanding the limited exposure, as a regulated global Bank with digital asset capabilities, we continue to strengthen our Digital Asset Risk management capabilities under the ERMF, with consideration given to learnings from existing initiatives as well as external market developments.

Our risk profile and performance in 2022

The proportion of the Group's gross loans and advances to customers in stage 1 has remained stable at $295.2 billion or 93 per cent (31 December 2021: $279.2 billion or 92 per cent) reflecting our continued focus on high-quality origination. Overall stage 2 gross loans and advances to customers decreased by $3.8 billion to $13.0 billion driven by CCIB due to exposure reductions and rating upgrades in Transport, telecom and utilities sectors, $1 billion decrease in the Energy sector, offset by increase in stage 2 in China commercial real estate. Stage 3 loans decreased by $0.2 billion to $7.9 billion (31 December 2021: $8.1 billion) primarily as repayments, client upgrades and write-offs more than offset new inflows, including those relating to the sovereign ratings downgrade of Ghana and Sri Lanka and the China commercial real estate sector. The stage 3 cover ratio of 57 per cent was lower by 1 percentage point, while the cover ratio post collateral at 76 per cent increased by 1 percentage point.

In 2022, we have seen a 10 per cent decrease in Early Alerts exposure (31 December 2022: $5.0 billion, 31 December 2021: $5.5 billion), reflecting the net impact of regularisations of accounts back into non-high-risk categories, net impact of downgrades into credit grade 12 and exposure reductions partly offset by new inflows. Credit grade 12 balances decreased to $1.6 billion (31 December 2021: $1.7 billion) as the sovereign ratings downgrade of Pakistan was more than offset by downgrades into stage 3 primarily as a result of Sri Lanka and Ghana sovereign ratings downgrade. The Group remains vigilant in view of persistent challenging conditions in some markets and sectors.

The overall CPBB portfolio remains 86 per cent fully secured (31 December 2021: 86 per cent), with average residential mortgage loan-to-value (LTV) at 44.7 per cent (31 December 2021: 41.1 per cent). The portfolio has remained resilient with overall 30+ days past due across our programme lending segments at 0.58 per cent, which is consistent with pre-pandemic credit performance.

The percentage of investment-grade corporate exposure has also increased to 76 per cent compared with 69 per cent from 31 December 2021, reflecting the increase in reverse repurchase agreements held to collect and some increase in exposures to investment grade clients. Exposure to our top 20 corporate clients as a percentage of Tier 1 capital has increased to 65 per cent (31 December 2021: 61 per cent), driven by increased exposure to investment grade clients.

Key indicators

	2022	2021
Group total business[1]	**316.1**	304.1
Stage 1 loans ($ billion)	**295.2**	279.2
Stage 2 loans ($ billion)	**13.0**	16.8
Stage 3 loans, credit-impaired ($ billion)	**7.9**	8.1
Stage 3 cover ratio	**57%**	58%
Stage 3 cover ratio (including collateral)	**76%**	75%
Corporate, Commercial & Institutional Banking		
Investment grade corporate net exposures as a percentage of total corporate net exposures	**76%**	69%
Loans and advances maturing in one year or less as a percentage of total loans and advances to customers	**65%**	66%
Early alert portfolio net exposures ($ billion)	**5.0**	5.5
Credit grade 12 balances ($ billion)	**1.6**	1.7
Aggregate top 20 corporate net exposures as a percentage of Tier 1 capital[2]	**65%**	61%
Collateralisation of sub-investment grade net exposures maturing in more than one year	**53%**	49%
Consumer, Private & Business Banking		
Loan-to-value ratio of Consumer, Private & Business Banking mortgages	**44.7%**	41.1%

1 These numbers represent total gross loans and advances to customers

2 Excludes reverse repurchase agreements

The Group's ongoing credit impairment was a net charge of $838 million (31 December 2021: $263 million), including a $83 million charge split across CCIB and Central and other items segments relating to sovereign ratings downgrade of Pakistan into credit grade 12. The impairment charge includes $582 million in relation to China commercial real estate sector and $283 million in relation to sovereign downgrades, partly offset by releases in the management overlay relating to COVID-19.

CCIB stage 1 and 2 impairments of $148 million are driven by China commercial real estate downgrades, including a $78 million increase for China commercial real estate overlay and sovereign downgrades in Africa and the Middle East which is offset by a $102 million full release of COVID-19 overlay. Stage 3 impairment of $279 million is largely from China commercial real estate downgrades, clients' rating changes due to the Sri Lanka and Ghana sovereign rating downgrade, offset by releases and repayments of a few notable clients.

CPBB charge decreased by $20 million to $262 million (31 December 2021: $282 million). Stage 1 and 2 charge increased by $121 million to $150 million (31 December 2021: $29 million). Stage 3 charge decreased by $141 million to $112 million (31 December 2021: $253 million) as markets returned to normalised flows following the expiry of the majority of COVID-19 relief schemes in 2021. In 2022, there were increased charges for Korea and Taiwan due to worsening macroeconomic forecasts, as well as China due to portfolio maturity and book growth. This was offset by a net release of $110 million (31 December 2021: $15 million) in management overlays and a $25 million release from significant increase in credit risk methodology changes and model updates largely in the Asia region.

Ventures impairment charge increased by $13 million to $16 million (31 December 2021: $3 million) due to book growth in Mox Bank and Trust Bank Singapore.

Central and other items stage 1 and 2 impairments of $95 million were driven by the sovereign downgrades in Asia. Stage 3 impairment charge of $38 million was driven by the sovereign rating downgrade of Ghana and Sri Lanka.

Credit impairment

	2022			2021		
	Stage 1 & 2 $million	**Stage 3 $million**	**Total $million**	Stage 1 & 2 $million	Stage 3 $million	Total[1] $million
Ongoing business portfolio						
Corporate, Commercial & Institutional Banking	**148**	**279**	**427**	23	(67)	(44)
Consumer, Private & Business Banking	**150**	**112**	**262**	29	253	282
Ventures	**13**	**3**	**16**	3	–	3
Central & other items	**95**	**38**	**133**	23	(1)	22
Credit impairment charge/(release)	**406**	**432**	**838**	78	185	263
Restructuring business portfolio						
Others	**(2)**	**–**	**(2)**	(2)	(7)	(9)
Credit impairment charge/(release)	**(2)**	**–**	**(2)**	(2)	(7)	(9)
Total credit impairment charge/ (release)	**404**	**432**	**836**	76	178	254

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

The average level of total trading and non-trading Value at Risk (VaR) in 2022 was $52.5 million, 4.2 per cent lower than 2021 ($54.8 million). The actual level of total trading and non-trading VaR as at the end of the 2022 was $55.8 million, 28.6 per cent higher than 2021 ($43.4 million), due to an increase in market volatility in H2 2022, driven by a number of Central Banks increasing interest rates to curb inflation.

Our Group liquidity coverage ratio (LCR) is 147 per cent (31 December 2021: 143 per cent) with a surplus to both Risk Appetite and regulatory requirements. The Group's advances-to-deposits ratio has decreased from 59.1 per cent to 57.4 per cent, driven by a reduction of 2 per cent in our customer deposits and 5 per cent in customer loans and advances.

Our Common Equity Tier 1 (CET1) ratio is 14.0 per cent (31 December 2021: 14.1 per cent). Further details can be found in the Capital Review section (page 320).

Further details of the risk performance for 2022 are set out in the **Risk profile** section

An update on our risk management approach

Our ERMF outlines how we manage risk across the Group, as well as at branch and subsidiary level[1]. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification.

Principal and Integrated Risk Types

Principal risks are risks inherent in our strategy and business model. These are formally defined in our ERMF which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite. We will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns. 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
Credit Risk	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.
Traded Risk	The Group should control its financial markets activities to ensure that Traded Risk losses do not cause material damage to the Group's franchise.
Treasury Risk	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 do not cause material damage to the Group's franchise. In addition, the Group should ensure its Pension plans are adequately funded.
Operational and Technology Risk	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 franchise.
Information and Cyber Security (ICS) Risk	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.
Compliance Risk	The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that while incidents are unwanted, they cannot be entirely avoided.
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided.
Model Risk	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models, while accepting model uncertainty.
Reputational and Sustainability Risk	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight. 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
Climate Risk	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.
Digital Asset Risk	This Integrated Risk Type is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types.
Third-Party Risk	This Integrated Risk Type is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types.

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

Topical and Emerging Risks

Topical Risks refer to themes that may have emerged but are still evolving rapidly and unpredictably, while Emerging Risks refer to unpredictable and uncontrollable outcomes from certain events which may have the potential to adversely impact our business.

As part of our continuous risk identification process, we have updated the Group's Topical and Emerging Risks (TERs) from those disclosed in the 2021 Annual Report. We summarise these below, outlining the risk trend changes since the end of 2021, and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as performed by senior management.

The TER list is not exhaustive and there may be additional risks which could have an adverse effect on the Group. Our mitigation approach for these risks may not eliminate them but shows the Group's awareness and attempt to reduce or manage the risk. As certain risks develop and materialise over time, management will take appropriate steps to mitigate the risk based on its impact on the Group.

The key changes to the TERs since the 2021 Annual Report are as follows.

- We have added two new TERs: "High inflation and US dollar strength" and "Global economic downturn risk". This reflects that continued inflation and consequent rate hikes will impact global growth, with a chance of global recession in 2023.
- "Energy security" has been broadened to "Energy security and shifting political alliances" to reflect those practicalities around energy security, that may reshape some political relationships, with a shift in power towards exporters.
- "Supply chain dislocations" has been renamed as "Extended supply chain issues and key material shortages" due to continuing supply shortages and restrictions of some exports, the impact of Russia-Ukraine war and China-US rivalry, and the push for sustainable alternative supply chains.
- "Social unrest" and "Adapting to endemic COVID-19 and a K-shaped recovery" are no longer presented as independent TERs; rather they are now considered as drivers for other overarching themes.

Macroeconomic and Geopolitical Considerations

There is interconnectedness between risks due to the importance of US dollar financing conditions for global markets, and the global or concentrated nature of key supply chains for energy, food, semi-conductors and rare metals. The Group is exposed directly through investments, or indirectly through its clients to these risks. While the main risk impacts are financial, other ramifications may exist, for example, reputational, compliance or operational considerations.

High inflation and US dollar strength

Inflation is now a global concern and a top policy issue in many countries which are experiencing the highest inflation levels in decades. Prices have surged due to a combination of customer demand and supply shortages.

The Federal Reserve's sustained fight against US inflation has led to US dollar appreciation against many other global currencies. This increases global import costs and debt servicing costs on US dollar denominated debt. There have been widespread price corrections for some asset classes. Some markets, especially emerging markets, have limited options to defend their currencies without causing other detrimental effects.

The operating environment is likely to be testing for the Non Bank Financial Institutions (NBFIs) sector; segments within it could find it challenging to manage liquidity, credit, refinancing and market risk. The Archegos collapse of 2021 and the liability-driven investments volatility are the most notable recent examples. There are heightened expectations from major regulators with regard to the management of NBFI risks.

Price inflation for essential goods, such as food and fuel has prompted a cost-of-living crisis across both developed and emerging markets in which the Group operates. This has sparked social unrest in some countries, with a heightened risk in emerging markets which experience disproportionate effects. However, the impact is felt across a wider bracket, including the vast global middle class, which raises the threat of instability, even in traditionally less volatile countries.

Global economic downturn risk

Continued tightening of monetary policy to combat inflation in developed markets has contributed to the possibility of a global recession in 2023. Higher rates could increase debt distress levels across both developed and emerging economies.

Global growth slowed to 3.4 per cent in 2022, with the outlook for 2023 growth remaining muted at 2.9 per cent. Although China's reopening could lead to a faster than expected recovery, supply chain bottlenecks remain and severe COVID-19 outbreaks could lead to a reversal. Geopolitical escalation could also limit the speed of recovery, and supply chain restrictions may lead to deglobalisation and less efficient international trade.

The Group is exposed to downturns in China, such as observed turbulence in the property development sector.

Expanding array of global tensions

The Russia-Ukraine war has catalysed a fundamental shift in power dynamics with a demarcation of underlying political alliances. Pressure is mounting on Russia, which may lead to increasingly desperate military and political actions.

Relations between China and other developed markets, particularly in the West, remain fragile, with sanctions being imposed by both sides. Increasing technological restrictions and potential escalations in relation to Taiwan's sovereignty are among a number of flashpoints. Economic geopolitical actions could also escalate distrust, decoupling, and increase inefficient production, potentially generating further inflationary pressures.

Election wins for extremist parties in a number of countries are adding to increased vulnerability and volatility – especially as economics is becoming subservient to politics. Volatility in traditionally stable economies could cause further disruption.

Rivalry between the United States and China may have structural, operational and strategic impacts on business models for companies that straddle both.

Emerging markets sovereign risk

Emerging markets have been squeezed by escalating oil and food prices, high interest rates and the legacy of COVID-19 on key industries such as tourism.

Distress has already been observed across several of the Group's footprint markets, including defaults in Sri Lanka and Ghana, political instability in Pakistan, high inflation in Türkiye, and issues across Africa, particularly economies that are sensitive to fuel prices.

For some countries with fragile governance frameworks, there is a heightened risk of failure to manage social demands, which might culminate in increased political vulnerability. Furthermore, food and energy security challenges have the potential to drive other social impacts.

Tightening of financial conditions in developed markets has also led to local currency depreciations against the US dollar, increasing debt servicing costs, and potentially restricting debt re-financing. Foreign Exchange reserves have already been heightened depleted in some markets, and local monetary policy may undermine already weak growth.

Extended supply chain issues and key material shortages

Demand and supply imbalances in global supply chains have become persistent as they are increasingly structural in nature. The main dislocations are linked to conflict and political restrictions on trade or investment. Repercussions range from companies that are a party in the particular supply chain, to end consumers and sovereigns.

Concentrated impacts to specific key industries such as semi-conductors can have contagion effects. Political wrangling over technological supremacy further increases the risk of market disruption and a retreat from globalisation. Potential targeted restrictions on semiconductors could lead to complete restructuring of global supply chains, impacting most sectors.

This could lead to a shift in supply chains for the future, with increased contingency costs and production potentially moving closer to consumers. This is further compounded by increased scrutiny around the environmental and social impacts of supply chains.

Energy security and shifting political alliances

The Russia-Ukraine war has exacerbated an already strained energy supply model in developed markets, spurring a rapid pivot away from traditional supply lines. This came amid already increased tensions between nations as negotiating power shifted towards energy exporters.

Rising energy prices and potential supply shortfalls may cause a rise in social unrest, especially in countries where there is high dependence on energy imports.

In the wake of the conflict, a trade-off between pragmatism and environmentalism has materialised, with significant divergence as some countries have embraced the renewables opportunity while others have reversed, with rollbacks of green policies observed in some markets. Policymakers must balance supply and price pressures with climate goals, with a heightened risk of short term crises diverting attention and resources away from longer term required climate action.

Rising material costs will also impact renewable energy development, potentially slowing the transition. The Group's plans for sustainable finance business growth could be achieved at a slower than expected pace.

How these risks are mitigated/next steps

- We conduct thematic stress tests and portfolio reviews at a Group, country, and business level to assess the impact of extreme but plausible events and manage the portfolio accordingly.
- Vulnerable sectors are regularly reviewed and exposures to these sectors are managed as part of Credit Risk reviews.
- Sovereign ratings, exposures, outlooks and country risk limits are regularly monitored, and mitigating actions taken as required.
- Exposures that may result in material credit impairment and increased risk-weighted assets are closely monitored and managed.
- We utilise Credit Risk mitigation techniques including credit insurance and collateral.
- We track the participation of our footprint countries in G20's Common Framework Agreement and Debt Service Suspension Initiative for Debt Treatments and the associated exposure.
- We remain vigilant in monitoring geopolitical relationships. Increased scrutiny is applied when onboarding clients in sensitive industries and in ensuring compliance with sanctions.

Environmental and Social Considerations

ESG stakeholder expectations

Environmental targets are becoming embedded in global business models, with increased pressure to set ambitious sustainability goals or apply more restrictions on financing to sensitive sectors.

There is also an increase in stakeholder expectations around fair and balanced disclosures, including marketing campaigns. Scrutiny around greenwashing has accelerated with various regulatory developments, such as the Financial Conduct Authority's consultation on anti-greenwashing rules.

There is fragmentation in the pace and scale of adoption and regulation around the world, which adds complexity in managing a global business. Fragmentation in ESG taxonomies may also lead to unintended consequences, including misallocation of capital, political and litigation risks.

Human rights concerns are increasing in focus with scope expanding beyond direct abuses to cover other areas such as data management, technological advancement, and supply chains.

There are risks if the Group is required to adapt to new fragmented regulations quickly, as well as meeting publicly stated sustainability goals and helping clients transition.

How these risks are mitigated/next steps

- Increased scrutiny is applied to environmental and social standards when providing services to clients.
- We monitor regulatory developments in relation to sustainable finance and ESG risk management and provide feedback on consultations bilaterally and through industry groups on emerging topics.
- We focus on minimising our environmental impact and embedding our values through our Position Statements for sensitive sectors and a list of prohibited activities that the Group will not finance.
- We are integrating the management of greenwashing risks into our Reputational and Sustainability Risk Type Framework, policies and standards. Green, Sustainable and Transition Finance labels for products, clients and transactions reflect the standards set out in our Green and Sustainable Product Framework, Transition Finance Framework and TCFD reporting. We regularly review these frameworks and annually obtain external verification on the Sustainable Finance asset pool.
- The Group is committed to respecting universal human rights and we assess our clients and suppliers against various international principles, as well as through our social safeguards and supplier charter. More details can be found in our Modern Slavery Statement and Human Rights Position Statement.
- Detailed portfolio reviews and stress tests are conducted to test resilience to climate-related risks, in line with applicable regulatory requirements.
- Work is under way to embed Climate Risk considerations across all relevant Principal Risk Types. This includes stress testing/scenario analysis, integration of client Climate Risk assessments within the Credit process, building an internal modelling capability and linkages with our net zero targets to understand the financial risks and opportunities from climate change.

Technological Considerations

Data and Digital

Regulatory requirements and client expectations relating to data management and quality, including data protection and privacy, data sovereignty, the use of Artificial Intelligence (AI) and the ethical use of data are increasing. Regulation is also becoming more fragmented and complex, requiring more resources to ensure ongoing compliance.

Geopolitical tensions have added impetus to data sovereignty legislation, sometimes extraterritorial in nature. There can also be conflicting guidance within the same jurisdiction. There is heightened focus on economic sanctions and financial crime controls, reinforcing the need for robust control frameworks.

Data protection risks are increasingly driven by highly organised and sophisticated threat actors, with developments such as ransomware available as a service.

Data is becoming more concentrated in the hands of governments and big private companies, with relatively few providers of new technologies such as cloud services. Some third parties are reluctant to disclose AI model details, citing intellectual property, which increases model risk.

A balance between resilience and agility is required, as new technologies are onboarded while existing systems are maintained. Clear ownership, frameworks and oversight of new technologies is also required.

How these risks are mitigated/next steps

- We monitor regulatory developments in relation to all aspects of data management, taking into account country specific requirements. We take a holistic view across data risks to facilitate an efficient and comprehensive risk control environment.
- We have established a Data Management and Privacy Operations team to assist with compliance with data management regulations. This includes a dedicated AI governance forum which includes review of third party solutions.
- We have an inflight programme of work to drive compliance to BCBS 239 requirements on effective risk data aggregation and risk reporting.
- We continue to deliver new controls and capabilities to increase our ability to identify, detect, protect and respond to ICS threats.

New business structures, channels and competition

Failure to harness new technologies and new business models would place banks at a competitive disadvantage. However, these innovations require specialist skills, present new vectors for threats to materialise and require robust risk assessment accordingly. Differing access to new developments will also cause divergence and inequality to grow across countries and social groups.

Digital assets are gaining adoption and linked business models continue to increase in prominence. These present material opportunities for businesses and consumers, as well as potential risks as the space evolves, as evidenced by the collapse of Futures Exchange (FTX) and other recent events, further exacerbating digital asset market volatility.

Increasing use of partnerships and alliances increases exposure to third-party risk. There is also risk of inadequate risk assessments of new and unfamiliar activities.

How these risks are mitigated/next steps

- We monitor emerging trends, opportunities and risk developments in technology that may have implications for the banking sector.
- Enhanced digital capabilities have been rolled out in CPBB, particularly around onboarding, sales, and marketing.
- A Digital Asset Risk Management Approach and policy has been implemented. This is regularly updated in response to evolving digital assets market activity.
- Strategic partnerships and alliances are being set up with Fintechs to enhance our competitiveness.

People Considerations

Talent pool of the future

The expectations of the workforce, especially skilled workers, are significantly shifting. The COVID-19 pandemic accelerated changes on how people work, connect and collaborate, with expectations on flexible working now a given. The focus is increasingly on 'what' work people do and 'how' they get to deliver it, which are becoming differentiators in the war for future skills. There is greater desire to seek meaning and personal fulfilment at work that is aligned to individual purpose.

These trends are even more distinct among Millennials and Gen Zs who make up an increasing proportion of the global talent pool, and as digital natives also possess the attributes and skills we seek to pursue our strategy.

With attrition increasing year on year, to sustainably attract, grow and retain talent, we must continue to invest in and further strengthen our Employee Value Proposition (EVP), through both firm-wide interventions as well as targeted action.

How these risks are mitigated/next steps

- Our culture and EVP work is designed to address the emerging expectations of the diverse talent we seek. The quarterly Brand and Culture Dashboard monitors our D&I Index and colleagues' perceptions of our EVP and whether we are living our Valued Behaviours. Local Management teams discuss the dashboard to identify actions, supported by a central library of interventions from across the Group.
- Our Future Workplace Now programme, which formalises hybrid working where suitable, has been rolled out across 43 markets, and 78 per cent of colleagues in these markets are now on flexi-working arrangements. We continue to monitor for potential people risks, and mitigating actions include hybrid learning festivals, watercooler moments toolkits, a social connections platform and people leader guidance.
- We are undertaking a multi-year journey of developing future-skills by creating a culture of continuous learning, to balance between 'building' and 'inducting' skills. We are deploying technology that democratises access to learning content and developmental experiences.
- To address our talent pool's increased expectations of us being purpose-led, we have published our Stands which guide our strategy.

Stakeholders and Sustainability

Going net zero in 275 branches

In 2022, we created 275 net zero branches in India, China and Hong Kong, and certified 120 sites in Asia and two in Africa as being free of single-use plastic. We are continuing to invest in transitioning our branches to net zero with all new properties built and designed for True Zero Waste and zero emissions impact. Our aim is to have all property transitioned to net zero by 2025, including branches.

Read more online at **sc.com/netzero**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Stakeholders

As an international bank operating in 59 markets, stakeholder engagement is crucial in ensuring we understand local, regional and global perspectives and trends which inform how we do business.

Our stakeholders

- Clients
- Regulators and governments
- Investors
- Suppliers
- Society
- Employees

This section forms our **Section 172** disclosure, describing how the directors considered the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. It also forms the directors' statement required under section 414CZA of the Act.

See the following pages for:

- How we engage stakeholders to understand their interests **See pages 55 to 63**
- How we engage employees and respond to their interests **See pages 60 to 63**
- How we respond to stakeholder interests through sustainable and responsible business **See pages 64 to 113**

Detailed information about how the Board engages directly with stakeholders and shareholders can be found in the Director's report on pages 134 to 231.

Examples of a selection of the Board's principal decisions are included throughout this section.

This section also forms our key non-financial disclosures in relation to sections 414CA and 414CB of the Companies Act 2006. Our non-financial information statement can be found at the end of this section on page 124.

Helping Ismail build skills with Futuremakers

In March 2022, Ismail, a graduate with cerebral palsy, became a Futuremaker in our first economic-empowerment project for young people with disabilities in Pakistan.

The training helps learners like Ismail build the skills and confidence they need to make smart career choices and enter employment.

Ismail completed the training and entrepreneurship modules and applied his learning to ace an interview and land his first paid job at a government agency.

Listing and responding to stakeholder priorities and concerns is critical to achieving our Purpose and delivering on our brand promise, here for good. We strive to maintain open and constructive relationships with a wide range of stakeholders including regulators, lawmakers, clients, investors, civil society and community groups.

In 2022, we made improvements to some of our feedback processes, so that client needs could be addressed by relationship managers as they emerged. Our engagement took many forms, including one-to-one sessions using online channels and calls, virtual roundtables, written responses and targeted surveys. These conversations, and the issues that underpin them, help inform our business strategy and support us to operate as a responsible and sustainable business.

Stakeholder feedback, where appropriate, is communicated internally to senior management through the relevant forums and governing committees such as the Sustainability Forum, and to the Board's Culture and Sustainability Committee (CSC) which oversees the Group's approach to its main relationships with stakeholders.

We communicate progress regularly to external stakeholders through channels such as sc.com, established social media platforms and this report. More detailed information on material sustainability topics can be found in our Sustainability section on pages 64 to 124.

Clients

How we create value

We want to deliver easy, everyday banking solutions to our clients in a simple and cost-effective way with a great customer experience. We enable individuals to grow and protect their wealth; we help businesses trade, transact, invest and expand; and we help a variety of financial institutions, including banks, public sector and development organisations, with their banking needs.

How we serve and engage

In 2022, Corporate, Commercial and Institutional Banking (CCIB) strengthened its annual feedback process by capturing how clients feel about what we offer, including advice, customer service and digital channels.

CCIB also focused on building a consistent digital experience and accelerated delivery through Cash, Trade, Financial Markets and Data Solutions.

This was further enabled with self-serve digital tools and capabilities such as chatbot, our mobile banking app, application programming interface (API) connectivity and data analytics, which reduced operating costs and improved client experience. Our agile working practices have also accelerated our speed of decision-making and change delivery to meet client needs faster.

Refining our processes through continuous improvement has enabled us to achieve benefits in revenue and costs savings by creating capacity and reducing client waiting times.

As an integrated team, we drove digital transformation and leveraged networks in service to our clients on our proprietary platforms across 47 markets. We have processes and guidelines in place, specific to each of our client businesses, to understand and respond to issues and promptly resolve complaints.

Meanwhile, we continued to engage with our clients to help them expand across borders, using our international network to help them access existing and new trade corridors. Our presence in high-growth markets – and ongoing roll out of digital platforms – helps connect our clients to the global engines of trade and innovation.

As part of our aim to reach net zero carbon emissions by 2050, our newly-formed transition finance team have been working closely with our clients in hard-to-abate sectors on their own transition planning. This is in addition to our plan to mobilise $300 billion of Sustainable Finance between 2021 and 2030.

Across both CCIB and Consumer, Private and Business Banking (CPBB), we have processes and controls to mitigate greenwashing risks, and to support transparency we publish the details of what constitutes our sustainable investments universe externally.

Accelerating adoption of our API offerings

We are committed to helping our corporate clients achieve the benefits of real-time treasury operations, so we developed an application programming interface (API) banking platform for foreign exchange transactions, payment initiation, payment status and account balances. Our Premium Banking APIs were awarded the title of 'Top Performer' in the FinLync 2022 Power Rankings Report, in recognition of our revamped API Marketplace and sandbox for testing APIs.

In CPBB, we work closely with third-party ESG data providers to support the development of product ideas, and extensive due diligence is conducted by our in-house team on our high conviction suite of sustainable funds.

Stakeholders
continued

Clients continued

In CPBB, training is provided to frontline staff across our branches, contact centres and digital channels to identify and support vulnerable clients, and we have also implemented an educational training programme for those clients who require assistance in navigating online and mobile channels.

Our push for a best-in-class client experience is underpinned by innovative products and digital straight-through services. This includes building capability to protect our clients against evolving risks in the ecosystem like fraud and cyber security and comes with education and increased client communication.

In order to act in the best interests of our clients, we use our insights gathered from our data alongside robust policies, procedures and the Group's risk appetite to design and offer products and services that meet client needs, regulatory requirements and Group performance targets, while contributing to a sustainable and resilient environment.

Wealth and Personal Banking products have increased sustainable product options for distribution to our clients. We now offer sustainable deposits in seven markets, green mortgages in six markets, sustainable investments in 16 markets and carbon-neutral cards in 17 markets.

All new products are subjected to a comprehensive approvals process. For investment products sold to individuals, this includes risk scores which aid our assessment of client suitability. We consider each client's financial needs and personal circumstances to assist us in offering suitable product recommendations.

We achieve this using a globally consistent methodology that takes into consideration local regulatory requirements to review product risks against the client's risk appetite, considering financial objectives, financial ability, and knowledge. Clients are also provided with clear and simple documentation that outlines key product features and risks prior to executing a transaction.

Fees and charges are disclosed to clients in line with regulatory requirements and industry best practice, and where available, benchmarked against competitors. For Personal and Business Banking products, agreed interest rates, fees and other charges as billed to clients are monitored and assessed locally, with global oversight.

Triggers for outlier fees and charges are defined and subject to annual review. Complaints are reviewed on an ongoing basis and are one of the factors that are taken into account prior to amendments to annual interest, fees and charges. We also assess our product portfolio for new risks to ensure they remain appropriate for client needs and aligned to emerging regulation. These quantitative and qualitative assessments, including Periodic Product Reviews, are intended to provide a complete view of whether to continue, enhance, grow or retire products.

Throughout 2022, we also maintained our sharp focus on improving the client experience across the Bank. We engaged with clients to show them the opportunities trade corridors could bring and how using our network could help them flourish.

Our focus on partnerships in CPBB is showing results with new partnerships launched in Vietnam, Indonesia and more recently Singapore in addition to the partnerships we have in China. These partnerships have incrementally acquired 1.2 million clients, many of whom have the potential to avail themselves of the full suite of CPBB products.

2022 saw a significant increase in our digital wealth capabilities with the delivery of Online Equity platforms in Malaysia and the United Arab Emirates and the myWealth Direct service in Hong Kong which offers personalised insights and investment ideas directly to clients.

In 2023, we will continue to listen and respond to stakeholder priorities and concerns, addressing feedback as it emerges, strengthen our digital transformation and innovation capabilities, and support our clients as they transition to net zero.

Their interests

- Differentiated product and service offering
- Digitally enabled and positive experience
- Sustainable finance
- Access to international markets

Regulators and governments

How we create value

We engage with public authorities to play our part in supporting the effective functioning of the financial system and the broader economy.

How we serve and engage

We actively engage with governments, regulators and policymakers at a global, regional and national level to share insights and support the development of best practice, and adoption of consistent approaches, across our markets.

In 2022, we engaged with regulators, government officials and trade associations on a broad range of topics that included international trade, sustainability, data, cyber security, digital adoption, and innovation. We also engaged with officials on the financial services regulatory environment, in particular on prudential, financial markets, conduct and financial crime frameworks.

In support of this, we have a Group Public and Regulatory Affairs team responsible for engagement as well as identifying and analysing relevant policies, legislation and regulation. This work is overseen by various governance forums within the Bank, which comprise senior executives representing business and control functions to support alignment between advocacy and business strategies.

For more details on our engagement with regulators and governments, as well as our industry and membership associations please see **sc.com/politicalengagement**

Their interests

- Strong capital base and liquidity position
- Robust standards for conduct and financial crime
- Healthy economies and competitive markets
- Positive sustainable development
- Digital innovation in financial services
- Operational resilience
- Customer protection

Investors

How we create value

We aim to deliver robust returns and long-term sustainable value for our investors.

How we serve and engage

We rely on capital from debt and equity investors to execute our business model. Whether they have short or long-term investment horizons, we provide our investors with information about progress against our strategic and financial frameworks.

Through our footprint and the execution of our sustainability agenda, we provide our investors with exposure to opportunities in emerging markets. We believe that our integrated approach to ESG issues, as well as a strong risk and compliance culture, are key differentiators.

Investors continued

The Group has delivered a strong performance in 2022, with return on tangible equity (RoTE) back above pre-pandemic levels. We are executing well against the five strategic actions we set out earlier in the year while navigating through a challenging external environment. Our aim is to accelerate the delivery of our ambition of double-digit RoTE.

Regular and transparent engagement with our investors, and the wider market, helps us understand investors' needs and tailor our public information accordingly. In addition to direct engagement from our Investor Relations team, we communicate through quarterly, half and full-year results, conferences, roadshows, investor days and media releases. There was continued adoption of virtual mediums during the year, coupled with a growing number of face-to-face interactions from the very low levels seen in the last two years. We hosted two capital market days, focusing on our Financial Markets business and Consumer, Private and Business Banking Affluent Clients in June and November respectively.

Principal Board decision – market entries and exits

We are accelerating our strategy to deliver efficiencies, reduce complexity and drive scale. During 2022, the Board approved a set of actions to focus resources within the Africa and Middle East (AME) region to those areas where they can have the greatest scale and growth potential, for the benefit of our shareholders, employees and customers.

Subject to regulatory approval, we intend to exit onshore operations in seven markets in AME, and in a further two markets to focus solely on our CCIB business. The Group has invested heavily in recent years in the AME region, including fundamentally transforming its digital capabilities in its African markets. It has also been expanding its footprint to cover some of the largest and fastest-growing economies, having recently opened its first branch in the Kingdom of Saudi Arabia and obtained preliminary approval for a banking licence in the Arab Republic of Egypt. The seven markets where there will be a full exit of operations are Angola, Cameroon, Gambia, Jordan, Lebanon, Sierra Leone and Zimbabwe. In Tanzania and Cote d'Ivoire, the Consumer, Private and Business Banking businesses will be exited and the focus will turn solely to CCIB.

As part of the Board's decision-making, it recognised that there were a number of potential challenges, risks, costs and significantly impacted stakeholders to consider, which management was also aware of. Carefully designed and executed engagement with regulators, governments and employees, as well as with other key stakeholders, continues to be crucial. The Board has received regular updates since the decision was made.

Stakeholders
continued

Investors continued

Key investor feedback, recommendations and requests are considered by the Board, whose members keep abreast of current topics of interest. Standard Chartered PLC's Annual General Meeting (AGM) in May was open to shareholders to attend either in person or electronically where they were provided a platform to view a live video feed of the meeting. All participants were provided with the opportunity to submit their votes and ask the Board questions.

Similarly, the Group Chairman, alongside some members of the Board, hosted a 'hybrid' stewardship event for institutional investors in November which provided a platform for shareholders to receive an update on a number of topics, including sustainability, net zero and governance matters. The event included an open question-and-answer session across a range of key issues.

An external investor sentiment survey was also conducted on an anonymous basis during the year, seeking insight into how the Group was perceived, to identify areas of focus for investors and understand how the Group could improve its investor communications. This was particularly important given the changes in the external environment and the evolution of the Group's strategy. The Board discussed key areas which it should focus on to address concerns highlighted by investors and emerging from the report.

We continue to respond to growing interest from a wide range of stakeholders on ESG matters, including investors. We sought shareholder endorsement for our net zero pathway at the AGM, intended as a means by which we will measure progress, engage and gather views. We also work with sustainability analysts and participate in sustainability indices that benchmark our performance, including the Carbon Disclosure Product (CDP) Climate Change survey and Workforce Disclosure Initiative.

In 2023, we will continue to engage with investors on progress against our strategic priorities and actions, as well as our financial framework as we progress towards our returns target.

Their interests

- Safe, strong and sustainable financial performance
- Facilitation of sustainable finance to meet the UN Sustainable Development Goals
- Progress on ESG matters, including advancing our net zero agenda

Suppliers

How we create value

Through the engagement of suppliers, both locally and globally, we seek to support our business with the provision of efficient and sustainable goods and services.

How we serve and engage

Supplier selection, due diligence and contract management process is guided by our Third-Party Risk Management Policy and Standards. In 2022, we further strengthened our supplier governance given potential increased risk and regulatory scrutiny.

Our Supplier Charter sets out our aspirations in relation to ethics, human rights, diversity and inclusion (D&I), and environmental performance. All newly onboarded suppliers are expected to agree to adhere with the principles set out in our Supplier Charter. We seek to reinforce this through the terms of our standard contract templates, where possible, and we further encourage alignment to this by sending an annual letter to all our active suppliers. This also includes guidance regarding our technology platforms, sustainability aspirations, payment processes and other relevant principles such as Anti Bribery and Corruption.

We select and work with suppliers whom we believe support us to provide efficient and value-adding goods and services to our businesses both globally and locally. For example, during 2022, we partnered closely with our credit/debit card manufacturing supplier Thales, who went the extra mile to accommodate our demand amidst a scarcity of chips. This resulted in the Bank being able to successfully fulfil the spike in demand, due to the very successful launch of our Singapore digital-only bank – Trust Bank – securing our market positioning and fulfilling customer expectations.

In 2022, we continued to make progress on our supply-chain sustainability agenda. In pursuit of our ambition of achieving net zero in our operations by 2025, we continued to offset emissions from our business flights. In partnership with an independent climate consultancy, we continued refining the Scope 3 upstream emissions measurement methodology which was used to estimate our supplier emissions.

Our Stands have served to further embed our supplier D&I approach. In 2022, we started to report and monitor supplier D&I indicators across our footprint, and 93 per cent[1] of our core markets now have supplier D&I programmes to help accelerate progress and impact in our local communities. So far, more than 1,500 employees have been trained internally to build capability to deliver our supplier D&I aims.

In addition, we continue to partner with multiple local and global non-governmental organisations (NGOs) to identify and onboard more sustainable and diverse-owned suppliers across our core markets.

1 26 out of 28 in-scope markets

In Kenya we work with An-Nisa Taxi Limited, who provide self-employed female-driven taxi services to the Bank. This provides women employees and clients in Kenya with the option to work and travel in a safe environment. An-Nisa's overall vision is to increase employment opportunities for women in what is currently a male-dominated sector. Working with An-Nisa means Standard Chartered can directly contribute to positively impacting the life of the women who own and drive the taxis.

In 2023, supply chain sustainability will continue to be a primary focus. We intend to progress integration of environmental and social risks into our Third-Party Risk Management Framework. Also, we plan to roll out new initiatives to help create social impact and further reduce carbon emissions within our own operations and supply chain.

+ Our Supplier Charter can be viewed at **sc.com/suppliercharter**

+ Read more about our supplier diversity standard: **sc.com/supplierdiversity**

Their interests

- Sustainability and diversity
- Open, transparent and consistent tendering process
- Willingness to adopt supplier-driven innovations
- Accurate and on-time payments

Society

How we create value

We strive to operate as a sustainable and responsible company, working with local partners to promote social and economic development.

How we serve and engage

We engage with a wide range of civil society and international and local NGOs, from those focused on environmental and public policy issues to partners delivering our community programmes. To shape our strategy, we aim for constructive dialogue that helps us to understand alternative perspectives and that our approach to doing business is understood. This includes working with NGOs that approach us about a specific client, transaction or policy.

In 2022, climate change, our net zero pathway, human rights and biodiversity continued to underpin many of our conversations. We primarily received NGO feedback via our public inbox and responded to queries in line with our Reporting & Engagement Standard. For complex issues such as climate change, we held bilateral virtual meetings with NGOs to exchange perspectives in greater depth. In advance of our AGM, we commissioned GlobeScan, a leading market research provider, to conduct 20 stakeholder interviews with leaders across NGOs, academia, business and specialty research institutes from seven countries to analyse how our net zero pathway aligns to external expectations.

In 2023, we anticipate mapping our NGO relationships to identify topics and geographies where we can strengthen our engagement.

We hosted a third edition of the Futuremakers Forum, bringing together over 1,700 clients, employers, NGOs, employees and project participants from 61 markets to build partnerships and create economic opportunities focused on young people. Through the two-day virtual event, we deepened our understanding of financial products and services young people want and need to unleash their full potential.

To increase employee engagement, we launched Mentors Den for almost 400 colleagues across 12 markets to provide career advice and support to over 650 Futuremakers participants. In 2022, Futuremakers reached 335,386 young people with education, employability and entrepreneurship opportunities.

Their interests

- Climate change and decarbonisation
- Biodiversity and animal welfare
- Human rights
- Financial inclusion
- Social impact

Stakeholders
continued

Employees

How we create value
We recognise that our workforce is key to driving our performance and productivity and that the diversity of our people, cultures and network sets us apart. To lead the way in addressing the evolving needs of our clients and the advances in technology, we are developing a workforce that is future-ready and are co-creating with our employees an inclusive, innovative and client-centric culture that drives ambition, action and accountability.

How we serve and engage
By engaging employees and fostering a positive experience for them, we can better serve our clients and deliver on our Purpose and Stands. A culture of inclusion and ambition enables us to unlock innovation, make better decisions, deliver our business strategy, live our valued behaviours and embody our brand promise: here for good. We proactively assess and manage people-related risks, for example, organisation, capability and culture, as part of our Group risk management framework.

Our People Strategy, which was approved by the Board in mid-2019, stays relevant and future-focused, with the pandemic having accelerated many of the future of work trends which informed our approach.

Their interests
Translating our here for good brand promise and Purpose +of 'Driving commerce and prosperity through our unique diversity' into our colleagues' day-to-day experience is critical to us remaining an employer of choice across our footprint. The research we have on our Employee Value Proposition (EVP) tells us that our employees, or potential employees, want to: have interesting and impactful jobs; innovate within a unique set of markets and clients; cultivate a brand that sustainably drives commerce and offers enriching careers and development; and be supported by great people leaders. They want these elements to be anchored in competitive rewards and a positive work–life balance. The employment proposition is a key input to our People Strategy which supports the delivery of our business strategy.

Listening to employees
Frequent feedback from employee surveys helps us identify and close gaps between colleagues' expectations and their experience. In addition to our annual survey, we use continuous-listening mechanisms that capture colleague sentiment more frequently, through a rolling culture survey and through surveys at key moments for our employees, such as when they join us, when they leave, and when they return to work after parental leave.

In 2022, our annual My Voice survey was conducted in May and June: 87 per cent of our employees (65,988) and 44 per cent of eligible agency workers (1,797) participated in the survey.

Key measures of employee satisfaction have stayed stable in 2022, with an increase in our employee Net Promoter Score (NPS) (which measures whether employees would recommend working for us) and a slight drop in our employee engagement index. We are encouraged to see that 96 per cent of employees feel committed to doing what is required to help the Group succeed, 88 per cent feel proud about working for the Group, and 83 per cent say that the Group meets or exceeds their expectations. The scores indicate that we have continued to improve as a place to work.

In addition to leveraging inputs from employee surveys, the Board and Management Team also engage with and listen to the views of colleagues through interactive sessions. More information on the Board's engagement with the workforce can be found on page 162 in the Directors' Report.

Externally, our Glassdoor rating (out of five) has increased from 3.7 in 2019 to 3.9 in 2022, and 79 per cent would recommend working with us to friends. We also continue to be recognised as an employer of choice, in 2022, we ranked as one of the World's Best Employers in Forbes for the second time; ranked as a Diversity Leader for the third consecutive year in the Financial Times report on Diversity and Inclusion in Europe; ranked for the second time within the Top 100 organisations in the Refinitiv Diversity and Inclusion Index; and were also recognised in the Bloomberg Gender-Equality Index for the seventh consecutive year.

All of this is indicative of our progress in further strengthening our employee value proposition to attract, retain and grow the skills and talent that are critical to delivering our strategy and outcomes for clients.

Group KPI: Employee engagement

Employee net promoter score (eNPS)

↑ +4.1%

eNPS measures the number of promoters (who would recommend the Group as a great place to work) compared with detractors on a scale from -100 to +100. This is reflected in the percentage change calculation.

Aim Increase engagement across the Group by creating a better working environment for our employees that should translate into an improved client experience.

Analysis eNPS has increased year-on-year from 2021 and significantly increased since 2016 (2.44 in 2016) when we started our culture transformation.

Employees continued

The health, safety, and resilience of our colleagues (including in worsening pandemic conditions in some markets or other crisis situations) continues to be a key priority. We are mindful that the levels of stress felt by employees increased in the 2022 My Voice survey from previous years. At the same time, the survey data also indicated that they felt more supported on their wellbeing needs, especially around their mental and physical health. Globally, we offer colleagues access to a mental health app, a physical wellbeing online platform, an employee assistance programme, wellbeing toolkits, learning programmes on resilience as well as an expanding network of trained Mental Health First Aiders. We also continue to aim to mitigate the causes of work-related stress, encourage focus on supportive behaviours within existing processes and decision-making, and seek to insert wellbeing skills-building across learning interventions.

Adapting to a hybrid world of work

2022 saw renewed optimism as pandemic-related restrictions eased in many of our markets, creating opportunities for employees to increasingly engage with clients, colleagues and communities in person. We continue to implement the flexi-working model that we initiated in 2021, combining flexibility in working patterns and locations. The model has now been rolled out in 43 of our markets, with 78 per cent of employees in these markets on agreed flexi-working arrangements. This has been a significant step towards building on the positive lessons learnt from the pandemic around productivity and employee experience. Our model is enabling us to be more inclusive of the diverse needs of our workforce and support their wellbeing and at the same time consciously balance individual choice and flexibility with business priorities and client needs. Hybrid workers have expressed greater satisfaction with overall employee experience and work-life balance in the 2022 My Voice survey in comparison to employees working fully remotely or fully in the office.

As employees have started to experience their agreed hybrid working arrangements with the easing of pandemic-related restrictions, they have also been required to explore and adopt ways of working in a 'new normal' that balances the benefits of remote working with face-to-face interactions.

Building leaders that Aspire, Inspire and Execute

Exceptional performance requires exceptional leadership. With inputs from our colleagues, we have captured in our Leadership Agreement what we believe it takes to lead at Standard Chartered. We are asking each colleague to Aspire, Inspire and Execute to take us from where we are today to where we have committed to be, and to deliver on our Purpose. In 2022, over 7,900 colleagues have voluntarily signed up to this agreement. We are embedding this standard of leadership into how we induct, develop, measure and recognise our leaders.

Toolkits and guidance have been provided to individuals and leaders to help navigate hybrid working, including support on how to organise team and individual work in ways that maximise productivity and wellbeing; on leading in key moments such as onboarding new team members, returning from parental leave and during performance conversations; and on recreating 'water cooler' moments in hybrid work environments. We continue to re-imagine our physical workspaces with the relevant infrastructure and technology to provide hubs for teamwork, collaboration and learning.

Read more about our approach to hybrid working at **sc.com/hybridworking**

Strengthening our culture of high-performance

As the Group transforms to achieve our strategic ambitions, we have refreshed the way we manage, recognise and reward performance (launched as myPerformance in 2022). We aim to build a strong culture of ambition, action and accountability by focusing on continuous feedback, coaching, and balanced two-way performance and development conversations. As we place even greater emphasis on recognising outperformance that is driven by collaboration and innovation, and encourage more flexibility and aspiration during goal-setting, we have removed individual performance ratings for all employees.

Behavioural changes are already visible and we will further embed the cultural shift through a multi-year journey. In 2022, over 291,000 pieces of feedback were exchanged among colleagues (which is 1.5 times the amount of feedback that was exchanged in the previous year). More than half of our people leaders received feedback from their direct reports, through our 'always on' feedback tool available to all colleagues as well as through the 360-degree feedback tool that has been launched for mid-to-senior people leaders. We believe that the increase in upward feedback indicates a greater sense of psychological safety in the organisation. The feedback is also providing useful input for further building leadership capabilities across the Group.

Strengthening leadership capability, specifically in our people leaders who are most directly responsible for the development of their teams, is a key enabler of our performance and culture. People leaders stepped up throughout the pandemic and we saw manager NPS continue to increase to 33.07 in 2022 (+ 3.35 points year-on-year). As the expectations that employees have of their people leaders continue to grow and evolve, we are also re-imagining how we embed leadership deep into the organisation. Our Leadership Agreement forms the foundation for a modernised leadership development offering that all people leaders will complete over the next three years. We are also encouraging leadership capability building across all employees through the Leadership Academy on our online learning platform diSCover, during our annual Global Learning Week, and through a 60-day Leadership Health journey of regular micro-learning activities.

Read our Leadership Agreement at **sc.com/leadershipagreement**

Stakeholders
continued

Employees continued

Developing skills of future strategic value

The rapid changes in the world of work demand that our employees strengthen a combination of human and technical skills to keep pace. We are building a culture of continuous learning that empowers employees to grow and follow their aspirations. We are helping them to build the skills needed for high performance today, to reskill and upskill for tomorrow and to be global citizens who understand the changing nature of the world in which we operate. Since 2020, the average hours invested by employees in personal development has increased by 23.8 per cent to 26.8 hours in 2022.

We have continued to balance learning in classrooms with learning through our online learning platform diSCover, which is also accessible via a mobile app. Over 77,000 colleagues actively used the platform in 2022 and 32,000 colleagues have used one or more of our Future Skills Academies which include the Data & Analytics, Digital, Cyber, Client Advisory, Sustainable Finance and Leadership Academies. Employees also have the opportunity to learn and practise new skills on the job through projects (often cross-functional and cross-location) and mentoring made available through our AI-enabled Talent MarketPlace platform. Since the launch of the platform, employees have signed up for over 1,200 projects, unlocking close to $4 million in terms of productivity.

We have further scaled the design and deployment of targeted upskilling and reskilling programmes directed towards critical 'future' roles where our strategic workforce planning analysis has predicted the increasing need for talent, including universal bankers, data translators, cloud security engineers and cyber security analysts. This approach has united our recruitment, talent management and learning efforts to target, upskill and deploy employees into new roles. We are strengthening and scaling our work on sustainability, innovation, performance, digital and leadership skills-building, both across and within roles.

Building a disability confident organisation

Removing barriers and increasing accessibility have been key focus areas. We build on the results from our internal Disability Confident Assessment, conducted in more than 40 markets to date, to take directed action. We continue to enhance the accessibility of our technology, including providing sign language functionality in e-learning programmes.

Our continued partnership with the Purple Tuesday initiative across more than 35 markets is increasing the visibility of role models and careers for those with disabilities. It is also building capabilities to break down myths and stereotypes when engaging with clients and colleagues with disabilities. We're encouraged that, in 2022, a greater number of colleagues disclosed about having a disability and the annual My Voice survey highlighted improvements in their experience.

Creating an inclusive workplace

We believe that inclusion is how we will enable our diverse talent to truly deliver impact. Our progress in this space is reflected in our annual My Voice survey, where 83.1 per cent of employees reported positive sentiments around our culture of inclusion, which is higher than last year. This has been enabled by increasing awareness around diversity and inclusion principles, unconscious bias and micro behaviours as well as emphasising the importance of creating an inclusive environment – aspects that are covered in the 'When we're all included' learning programme which had been completed by over 28,000 colleagues by the end of 2022.

Colleagues are also encouraged to join employee resource groups aligned to shared characteristics or life experiences (including gender, ethnicity and nationality, generations, sexual orientation, and disability). ERGs across our markets provide additional learning, development and networking opportunities, especially for underrepresented populations, and are a valuable source for better understanding the lived experience of our workforce. This has already resulted in improvement through actions - such as the expansion of more accessible and assistive technology to support better access to necessary tools for work, the launch of our SC Pride Charter to cultivate a respectful and safe work environment, and the release of an inclusive language guide to promote psychological safety and review business terms to be more inclusive.

+ Read our inclusive language guide at **sc.com/inclusivelanguageguide**

Our gender diversity continues to grow with more women leaders moving up to senior roles. Women currently represent 43 per cent of the Board, 16 of our CEOs are women, and representation of women in senior leadership roles increased to 32.1 per cent at the end of 2022. We are committed to continuous improvement in this area and aspire to have 35 per cent representation of women at a senior level by 2025. This aspiration is further supported by programmes such as our IGNITE Coaching programme, which develops our women talent in preparation for future roles.

We remain focused on building a workforce that is truly representative of our client base and footprint. As of 2022, 21 per cent of our Board identifies as being from a minority ethnic background, and we have committed to the aspiration of reaching a minimum of 30 per cent. Further, 22.9 per cent of our Global Management Team and their direct reports identify as Black, Asian or minority ethnic. In the United Kingdom, Black representation in senior leadership is 2.5 per cent and Black, Asian and minority ethnic in senior leadership is 18.1 per cent. In the United States, Black/African American representation in senior leadership is 3.1 per cent and Hispanic/Latinx in senior leadership is 9.4 per cent. We continue to develop strategic partnerships and extend our Futuremakers RISE programme to increase the diversity of our talent pipelines. As we work towards achieving our 2025 UK and US ethnicity senior leadership aspirations, we are also focusing on nurturing local talent in markets across Asia, Africa and the Middle East. We provide employees, where legally permissible, the ability to self-identify ethnicity data through our online systems, and are increasing awareness on

Employees continued

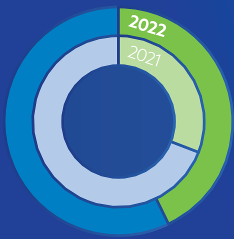
Female representation

Board

Female
43%
(2021: 31%)

Female
6

Male
8

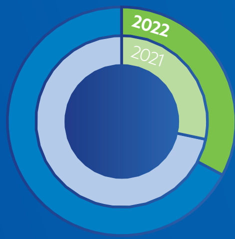


Management Team and their direct reports

Female
32.8%
(2021: 28.4%)

Female
43

Male
88



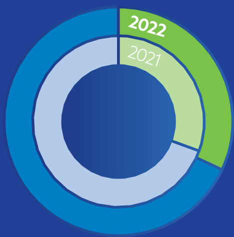
Senior leadership
(Managing directors and band 4)

Female
32.1%
(2021: 30.7%)

Female
1,420

Male
2,989

Undisclosed
13



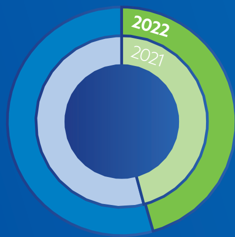
All employees

Female
45.3%
(2021: 45.5%)

Female
37,688

Male
44,734

Undisclosed
844



the value and purpose of collecting this information. As we encourage and expect increased participation and self-declaration of ethnicity, we aim for it to provide additional insights towards building an even more representative workforce.

We recognise six key D&I dates* across the year and use these as focal points to facilitate open dialogue on inclusion internally and externally. Through these global campaigns we engage and strengthen relationships with clients and external stakeholders, collectively raising awareness, promoting best practices and committing to take practical steps to advance the D&I agenda in the community.

* International Day Against Homophobia, Transphobia and Biphobia, International Day of Persons with Disabilities, International Men's Day, International Women's Day, and World Day for Cultural Diversity for Dialogue and Development, World Mental Health Day

Equal pay – Gender and Ethnicity Pay Gaps

To better understand the strengths and gaps of the organisation, and develop action plans to tap into the potential of a truly diverse and inclusive workforce, we have been analysing and publishing our gender pay gap statistics for our five hub locations (UK, US, Hong Kong, Singapore, and UAE). The gender pay gap is calculated based on the approach by the UK government and compares the average pay of men and women without accounting for some of the key factors which influence pay, including different roles, skills, seniority and market pay rates.

Compared with last year, our mean bonus pay gaps have decreased in every market while our mean hourly pay gaps have remained mostly flat, with reductions seen in Singapore, Hong Kong, and UAE. While our gender pay gaps have steadily improved since our first disclosure for 2017, they remain at a level that signifies proportionally more male than female colleagues in senior roles and/or roles with higher market rates of pay.

To complement the legislative approach in the UK, we also calculate an adjusted pay gap, which compares women and men at the same hierarchy level and in the same business area. Mirroring previous years, the narrow margins for the adjusted pay gap analysis indicate that our female and male colleagues in the same business areas and at the same levels of seniority are paid similarly. Equal pay is a key commitment in our Fair Pay Charter and we carry out checks during hiring, promotion and year-end review in all markets to challenge potential bias and ensure there is equal pay for equal work.

In addition to the gender pay gap analysis, this year we have also prepared for the first time an ethnicity pay disclosure for the UK and the US. These two markets are our regional hubs where we have set ethnicity targets for senior management representation.

+ Further details of our ethnicity pay and gender pay analysis can be found in our Fair Pay Report at **sc.com/fairpayreport**

2022 Gender pay gap	UK	Hong Kong	Singapore	UAE	US
Mean hourly pay gap[1]	29%	20%	30%	30%	25%
Mean bonus pay gap[2]	49%	39%	41%	57%	44%

1 The hourly pay gap is calculated by taking the difference between the mean female and male hourly pay, expressed as a percentage of the male amount

2 The Bonus pay gap is calculated by taking the difference between the mean female and male bonus payments received in the 12 months prior to 5 April, expressed as a percentage of the male amount

Driving a Sustainable Future

Including our response to the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD)

Our approach to ESG Reporting

We adopt an integrated approach to corporate reporting, embedding non-financial information throughout this annual report.

In line with our 'comply or explain' obligation under the UK's Financial Conduct Authority's Listing Rules, we can confirm that we have made disclosures consistent with the TCFD recommendations and recommended disclosures in this annual report, except for one area: we do not fully disclose Scope 3 greenhouse gas emissions as we are in the process of conducting the detailed analysis of our portfolio starting with the sectors which are most carbon intensive.

Consequently, in relation to financed emissions, in this 2022 Annual Report, we disclose our Scope 3 greenhouse gas emissions (GHG) for eight sectors. For FY23, we plan to disclose our Scope 3 financed emissions for four additional sectors. Beyond that, we aim to incrementally improve the portfolio coverage as market data on emissions becomes more widely available. Further information is available on pages 76 to 83. In line with the current UK Listing Rules requirements, our TCFD disclosures also take into account the implementation guidance included in the TCFD 2021 Annex.

Our disclosures are also guided by core standards, frameworks and principles to the extent relevant to our business, as envisaged under the voluntary Global Reporting Initiative (GRI), SASB Standards, and the World Economic Forum (WEF) Stakeholder Capitalism Metrics framework, Equator Principles (EP) and UN Principles for Responsible Banking.

See pages 68 to 72 for a summary of our TCFD disclosures.

This integration is intended to promote transparency, build trust and provide our investors with a better understanding of the implications of climate-related risks and opportunities for our businesses, strategy, financial planning, governance and risk management.

The following pages set out our approach and progress relating to sustainability and its content is subject to the statements included in (i) the 'Forward-Looking Statements' section; and (ii) the 'Basis of Preparation and Caution Regarding Data Limitations' section provided under 'Important Notices' at page 498. Additional information can be accessed through our suite of supporting sustainability reports and disclosures at sc.com/sustainability hub or via the links below:

Report/Disclosure	Description	Location
ESG Data Pack	• Granular breakdown of quantitative ESG information.	sc.com/esgdatapack
ESG Reporting Index (to be published by end Q1 2023)	• Alignment index tables to our priority reporting frameworks, including GRI, SASB Standards, WEF, EP and UN PRB.	sc.com/esgreport
Modern Slavery Statement	• This report sets out the steps we have taken to assess and manage the risk of modern slavery and human trafficking in our operations and supply chain.	sc.com/modernslavery
Sustainable Finance Impact Report	• We present the impact of our Sustainable Finance assets on a portfolio basis, covering the whole range of our $13.5bn worth of assets.	sc.com/SFimpactreport
CDP Climate Change	• We participate in the CDP Climate questionnaire, scoring an A- in 2022.	sc.com/ESGratings
Workforce Disclosure Initiative (WDI)	• We continued our participation in the WDI in 2022, winning the award for most transparent disclosures, and the Contingent Workforce Data Award. We achieved an overall disclosures score of 99% in the most recent assessment.	

Creating our inaugural Chief Sustainability Office

Achieving economic, social and environmental sustainability is one of the greatest challenges of our generation and a priority for the Group. In 1987, the United Nations Brundtland Commission defined sustainability as **“meeting the needs of the present without compromising the ability of future generations to meet their own needs”**. Here at Standard Chartered we are considering what sustainability means to us, and how it can be translated into implementable investments and actions across the Group.

Our Purpose is to drive commerce and prosperity through our unique diversity. Through our valued behaviours to never settle, be better together, and do the right thing, we intend to truly live our brand promise to be here for good.

However, there are a number of global challenges ahead. We are faced with worsening climate impacts, stark inequality, and unfair aspects of globalisation. Nowhere is this felt more keenly than in our core markets of Asia, Africa and the Middle East.

We are taking a stand to combat these challenges and setting long-term ambitions to help address the most pressing issues we face today when seeking to deliver sustainable social and economic development across our business, operations and communities. In 2021, we formally recognised Sustainability as a core component of our strategy, elevating it to a pillar of our Group Strategy (see page 23). In July 2022, we took this a step further and appointed Marisa Drew as our Chief Sustainability Officer (CSO), to help drive our sustainability agenda and bring together our existing Sustainable Finance, Net Zero Programme Management and Sustainability Strategy Teams. The dedicated CSO office harmonises our existing efforts in sustainability and is responsible for creating and executing the Group-wide sustainability strategy, including delivery against our net zero pathway. With a presence in parts of the world where sustainable finance can have the greatest impact, and a wealth of experience across the Sustainable Finance (SF) and Environmental and Social Risk Management (ESRM) teams, our CSO office is well placed to support our clients in their transition to net zero, mobilise capital at scale and help develop solutions.

We want to help make the world a better, cleaner and safer place. We also want to contribute towards facilitating a just transition – one where climate objectives are met without depriving emerging markets of their opportunity to grow and prosper.

For more information on our sustainability governance see **pages 113 to 116**.

Measuring what matters most – understanding our materiality

Since 2016, our approach to striving towards a sustainable and responsible business has been underpinned by our suite of Sustainability Aspirations. These set out how we aim to promote social and economic development and deliver sustainable outcomes in the areas in which we believe we can make the most material contribution to the delivery of the UN Sustainable Development Goals (UN SDGs). We measure progress against the targets set out in our Sustainability Aspirations and incorporate selected Aspirations into the Group Scorecard to ensure consistent measurement, drive widespread awareness and subsequently support delivery. As a signatory of the UN Principles of Responsible Banking (PRB), we utilise the guidance and tools provided as an input to validating the areas of our greatest impact.

'Materiality' is considered to be the threshold for significance of reporting ESG issues for users of financial statements: investors and other stakeholders. We take into consideration the guidance as provided by the IFRS Foundation Standards, understanding that material issues are those which could reasonably be expected to influence decisions of those users. We also note that materiality for ESG considers both quantitative aspects as well as qualitative information, including a regard for sustainable social and economic development. This will evolve over time and we plan to continue to assess our approach and reporting based on relevance to our users.

Group KPI: Delivering Sustainability Aspirations %[1] **+2.8%**

1 Each Aspiration contains one or more performance measures. The KPI is the proportion of all measures that have been achieved or are on track to be delivered at the end of the reporting period.

Further details on each Aspiration can be found between **pages 485 and 487**.

Accelerating zero: Our approach to climate change

We believe that climate change is one of the greatest challenges facing the world today and that its impact will hit hardest in the markets where we operate, namely Asia, the Middle East and Africa.

Many of these markets are currently reliant on carbon-intensive industries for their continued economic growth. Facilitating a just transition – one where climate objectives are met without depriving developing countries of their opportunity to grow and prosper – will require care, capital and specialised support.

We are well placed to help by directing capital to emerging markets that have both the greatest opportunity to adopt low-carbon technology and some of the toughest transition financing and climate challenges.

In recognition of the important role we can play in the transition, and in line with our Stand to Accelerate Zero, in October 2021, we announced our plan to reach net zero across our operations, supply chain and financed emissions by 2050, as well as our plan to set ambitious interim targets to substantially reduce our financed emissions by 2030. As a UK headquartered bank, our pathway takes into consideration the UK's commitment under the Paris Agreement to reduce GHG emissions by at least 100 per cent of 1990 levels by 2050, and to reduce economy-wide GHG emissions by at least 68 per cent by 2030. However, we are applying these targets and ambitions across our global footprint, despite a number of our footprint markets not having a commitment in place to reach net zero within this timeline at the time of our net zero pathway publication in October 2021.

In May 2022, our Board sought an ordinary resolution on our net zero pathway at our Annual General Meeting (AGM).

See **sc.com/netzerowhitepaper** for more information.

Principal Board decision – Shareholder advisory vote on net zero pathway

In October 2021, we announced our plan to reach net zero in our financed emissions by 2050 and proposed this as a shareholder advisory resolution at the Standard Chartered PLC's (the Company) 2022 AGM. Market Forces and Friends Provident Foundation filed a resolution outlining a different climate approach. Notwithstanding the fact that all parties are highly committed to contributing to the transition to net zero, the Board unanimously recommended that shareholders vote for our advisory resolution and against the requisitioned resolution, considering this to be in the best interests of the Company and its shareholders as a whole. The Board reviewed the pathway before its publication and supported the Group's strategic approach.

In advance of the AGM and as part of the Board's process, the Group undertook extensive engagement with investors, proxy voting agencies, NGOs and other stakeholders to gather feedback on our net zero pathway. A summary of feedback was provided to the Board once these engagements had concluded and was carefully reviewed. Engagement included:

- Engagement facilitated by Investor Forum, a not-for-profit investor-funded engagement platform, with investors to understand their perspectives on our net zero pathway.
- Bilateral engagement by the Group, led by the Group Chairman and relevant Board members, with investors and proxy voting agencies to exchange perspectives on our net zero pathway.
- A roundtable hosted by Investor Forum, and with participation of the Group Chairman to gather further feedback on the Group's net zero pathway.
- Bilateral engagement, which included the Group Chairman, with Market Forces and Friends Provident Foundation to exchange perspectives on the transition to net zero. Although we sought to reconcile our perspectives in one joint resolution, we were ultimately unable to do so.
- Commissioning a market research firm to interview leaders from NGOs, academia, business and specialty research institutes from seven countries to analyse how our net zero pathway aligns against external expectations.

In line with the Board's recommendation, the advisory resolution was endorsed with 83 per cent of shareholder support at the 2022 AGM, and the requisitioned resolution did not pass. The Board is aware that the transition to net zero is an ongoing process that requires continued review and challenge to assess its appropriateness. The Board oversees the Group's sustainability strategy with input from the Culture and Sustainability Committee. It is regularly apprised of the progress we are making against the ambitions in the net zero pathway and continues to be actively involved.

Our net zero plan

Our net zero plan aims to faciliate solutions to reduce our emissions, catalyse sustainable finance and partnerships, and mitigate the financial and non-financial risks we may face associated with climate change.

In 2022, we mobilised $23.4 billion through our sustainable financing activities, bringing our cumulative sustainable finance total to $48 billion since 2021. We continue to focus on reducing the most harmful activities, by seeking to reduce absolute financed thermal coal mining emissions by 85 per cent by 2030, from the 2020 baseline, alongside our long standing commitment to not provide any direct financing to coal-power projects.

We have further investigated options and provided financed emissions baselines and targets for eight sectors: Oil and gas, Power, Coal mining, Steel, Other Metals and mining, Aviation, Automotive manufacturers, and Shipping, covering approximately 61 per cent of the emissions within our CCIB portfolio. This work will continue through 2023 with four further sector deep dives in the Aluminium, Cement, Commercial Real Estate (accelerated from 2024 to 2023) and Residential Mortgages sectors.

As introduced on page 68, this year we have integrated our TCFD disclosures in this Annual Report. The majority of this information can be found in the following section, with supplementary information found, for example, within the Risk overview (pages 42 to 51), Corporate Governance (pages 146 to 183) and the Group Chief Financial Officer's review (pages 32 to 40).

TCFD summary and alignment index

The following table sets out the TCFD recommendations and recommended disclosures and summarises where additional information can be found. Where we have not included climate-related financial disclosures consistent with all of the TCFD recommendations and recommended disclosures, further information is provided on pages 64 and 77.

Recommendation	Response	Disclosure location
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities		
Process and frequency of communication to Board	• The Board and its supporting committees, including the Board Risk Committee and Culture and Sustainability Committee, are responsible for the oversight of climate-related risks and opportunities. They receive regular Climate Risk updates to guide them when reviewing and making strategic decisions.	Governance of our Sustainability Agenda – page 113
Incorporation of climate-related issues into Board and Board Committee planning and decisions	Climate Risk was considered as part of our formal annual corporate strategy and financial planning process. • In 2022 we developed management scenarios with an aim to strengthen business strategy and financial planning to support the Group's net zero ambition. • The Board reviewed and approved our approach to reach net zero financed emissions by 2050. • Regional and client-segment Chief Risk Officers review revenue reliance from clients in high-carbon sectors and/or locations in regions most exposed to Physical Risk.	Governance of our Sustainability Agenda – page 113 Qualitative review of climate risks and opportunities in annual business strategy and financial planning – page 95 Investing in Climate Research – page 87
Board oversight of climate-related goals and targets	• The Board oversees the Group's overall net zero plan, and in 2022 reviewed progress on delivery against the Group's net zero plan and approved the Group Climate Risk Appetite Statement and related Board-level metrics.	Governance committees and steering groups with committees – page 114 Sustainable Finance Governance Committee – page 116
b) Describe management's role in assessing and managing climate-related risks and opportunities		
Roles and responsibilities for climate-related risks and opportunities	• Specific roles and responsibilities for the oversight of climate change have been delegated to management. These are defined within the 'Governance committees and steering groups with responsibility for climate-related issues' section. Climate-related agenda frequency and inputs are also set out for these bodies. • The Chief Sustainability Office as led by the CSO is responsible for creating and executing the Group-wide sustainability strategy, including delivery against our net zero pathway. • Responsibility for identifying and managing financial risks from climate change sits with the Group Chief Risk Officer (Group CRO) as the appropriate Senior Management Function (SMF) under the Senior Managers Regime (SMR). • The Group CRO is supported by the Global Head, Enterprise Risk Management who has day-to-day oversight and central responsibility for the Group's second line of defence against Climate Risk. • The organisation structure associated with climate change has also been set out in the 'Governance of our Sustainability Agenda' chapter of our annual report.	Governance of our Sustainability Agenda – page 113 Governance committees and steering groups with committees – page 114
A description of the associated organisational structures and their monitoring of climate-related issues	• Several committees within the Group support the Board and Management Team on the management and monitoring of climate change and its associated impacts. • The organisation structure associated with climate change has also been set out in the 'Governance of our Sustainability Agenda' chapter of our annual report.	Governance of our Sustainability Agenda – page 113 Assessing and managing climate risk – page 117
Processes used to inform management	• Management is informed by several committees and forums, with climate-related information communicated via channels including our Group CRO and Climate Risk Information Reports.	Governance committees and steering groups – page 114

Recommendation	Response	Disclosure location
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term		
Relevant short-, medium-, and long-term time horizons	• In our strategic business planning, we consider 'short-term' to be less than two years, 'medium-term' to be two to five years and 'long-term' to be beyond this. For climate scenario analysis we can run 30-year scenarios for both Physical and Transition Risk. Some elements of our Physical Risk scenario analysis can also extend to 2100.	Our net zero timeline – page 73 Scenario analysis – page 90
Processes used to determine material risks and opportunities	• We utilise a range of tools and methodologies, to assess Transition and Physical Climate Risk, which we apply to our clients, portfolios and our own operations. These includes: scenario analysis, location-based hazard and risk scores, temperature alignment scores and Munich Re's NATHAN tool (acute physical risk impact assessments). • In addition, we engage with our corporate clients to understand their transition and physical risks, as well as their plans to prepare for climate change. • In 2022, we continued to enhance our understanding of climate-related risks, and significantly strengthened our stress testing and scenario analysis abilities for a range of management scenarios that are more plausible.	Scenario analysis – page 90 Overview of our Climate Risk toolkit and application – page 99
Climate-related risk and opportunities identified	• We have assessed the impact of Climate Risk to the banking book using scenario analysis over a 30-year time horizon, which has enabled us to identify and mitigate climate risks which may manifest. • In addition, sustainability and climate change have moved from being predominantly risk-based initiatives to becoming a value driver. This gives us an opportunity to deploy our market and industry knowledge to advise our clients on their individual sustainability journeys. • Sustainable finance is an opportunity to both defend our existing business from Transition Risk, and to fund our clients' transition from a high-carbon present to a low carbon future. Through supporting clients on their net zero journeys, and providing further finance to clients as they adapt to be less carbon intensive and emitting over time, we help mitigate their, and our, Transition Risk. Our aim to achieve Sustainable Finance income of $1 billion by 2025 and to mobilise $300 billion of Sustainable Finance by 2030 are measures of this success. • We do not fully disclose impacts on financial planning and performance (including proportions of income, costs and balance sheet related to climate-related opportunities), detailed Climate Risk exposures for all sectors and geographies or physical risk metrics. Data limitations, and our plans to mitigate these, are discussed in greater detail in the report.	Note 1 significant judgement and estimates – page 348 Sustainable Finance mobilised – page 84
Significant concentrations of credit exposure to carbon-related assets	• We have disclosed our exposures to high-carbon sectors which includes the expected credit losses on these balances as well as the maturity profiles associated with them. Our exposure to high-carbon sectors makes up 14.4% of our CCIB loan balances. • We aim to become net zero in our financed emissions by 2050, with interim 2030 targets for our highest emitting sectors. • In 2022, we made progress towards this goal, and set out to measure, manage and reduce emissions starting with our most carbon-intensive sectors, in line with our net zero roadmap.	Exposure to high carbon sectors – page 78 Reducing our emissions – page 74
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning		
Impact of climate-related risks and opportunities on business areas	The specific areas impacted by climate issues include: **Operations** • We have measured and reduced our greenhouse gas (GHG) emissions since 2008 and since 2018 we have been actively targeting a reduction in our Scope 1 and 2 emissions towards a well-below two degrees Celsius scenario. • We intend to optimise our office and branch network, continually maximising efficiency while leveraging clean and renewable power where appropriate, in line with our commitment to the global corporate renewable initiative, RE100, and to help us meet our own challenging targets. **Suppliers** • Through our Supplier Charter, we encourage our suppliers to support and promote standards in environmental protection and to manage and mitigate environmental risks. • In 2022, we launched a global project to define strategies to address emissions related to Scope 3 Category 1, 2, 4 and 6. Our internal targets cover reducing our emissions related to Upstream transportation and distribution and Business travel by 28 per cent against 2019 levels over the next seven years. Simultaneously, for Purchased goods and services and Capital goods categories, we plan to engage our suppliers (covering circa 67 per cent of spend) to set science-based targets in the next five years. **Products and services** • We have set targets to achieve $1 billion of Sustainable Finance income by 2025, to mobilise $300 billion of Sustainable Finance by 2030, and to launch and grow green mortgages in key markets across our footprint. • In 2022, we made progress against these targets, reporting $0.5 billion Sustainable Finance income, mobilising $23.4 billion through our Sustainable Finance activities, and launching green mortgages in three new markets. **Investment in research and development** • Our four-year partnership with Imperial College London covers long-term research on Climate Risk, advisory on shorter-term, internally focused projects to enhance Climate Risk capabilities and training of our colleagues, Management Team and Board.	Reducing emissions in our operations – page 74 Our suppliers – reducing Scope 3 upstream emissions – page 75 Catalysing finance and partnerships for transition – page 84

TCFD summary and alignment index continued

Recommendation	Response	Disclosure location
Incorporating climate-related inputs into the financial planning process	• In 2022, Climate Risk was considered as part of our formal annual corporate strategy and financial planning process. In addition, we developed management scenarios with an aim to strengthen business strategy and financial planning to support the Group's net zero journey. • In addition to this, from a capital perspective, Climate Risk considerations have been part of our Internal Capital Adequacy Assessment Process (ICAAP) submissions.	Qualitative review of climate risks and opportunities in financial planning – page 95 Processes for managing Climate Risk – page 113 Note 1 significant judgement and estimates – page 348
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario		
Approach to scenario analysis	• Over recent years, we have progressively strengthened our scenario analysis capabilities and developed our infrastructure and capabilities to incorporate Climate Risk into data, modelling, and analysis. • Our work to date, using current assumptions and proxies, indicates that our business is resilient to all Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and International Energy Agency (IEA) scenarios that were explored. • In 2021, we recognised Sustainability as a core component of our strategy, elevating it to a pillar of our Group Strategy. In July 2022, we formalised this further and appointed our inaugural Chief Sustainability Officer (CSO), to help drive our sustainability agenda and bring together our existing Sustainable Finance, Sustainability Strategy, and Net Zero Programme Management, teams.	Creating our inaugural Chief Sustainability Office – page 65 Scenario analysis – page 90
Scenarios used	• In 2022 we engaged a third-party vendor to begin development of bespoke internal modelling capabilities to provide greater transparency. • In 2022, we assessed the impact on our CCIB corporate client portfolio based on three IEA scenarios and three Phase 2 scenarios from the NGFS. • We also assessed the impact of sea-level rises under various Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) scenarios to explore the Physical Risk impact on the CPBB residential mortgage portfolio over short- and long-term time horizons for internal risk management purposes.	Scenario analysis – page 90
Impact of climate-related risks and opportunities on business strategy	• We are working to reduce our exposure to high carbon emitting activities and are supporting clients in these industries to transition to lower carbon technologies. • Our sustainable finance priorities, including new emerging products such as sustainable deposits, carbon trading and ESG Advisory, and dedicated transition frameworks, are a robust response to transition risks in the short term, strengthening our resilience towards a 2°C or lower transition scenario.	Qualitative review of climate risks and opportunities in annual business strategy and financial planning – page 95 Catalysing finance and partnerships for transition – page 84
Risk Management		
a) Describe the organisation's processes for identifying and assessing climate-related risks		
Processes for identifying and assessing risk	• To support the management and monitoring of Physical and Transition risks, we continue to conduct case level reviews for enhanced due diligence on high 'Climate Credit' and 'Climate and Reputational and Sustainability Risk' for our corporate clients. • The toolkits are used to identify and assess: – Physical Risk: current-day and longer-term time horizons (2050, 2100) representative concentration pathway (RCP) scenarios 2.6, 4.5 and 8.5, for acute weather events (e.g. storms, floods or earthquakes) and chronic sea-level rise. – Transition Risk: translates Orderly, Disorderly and 'Hot-House' world transition scenario variables from NGFS and Net Zero Emissions by 2050, and Sustainable Development and Announced Pledges scenario variables from IEA to financial impact at a client level. Further information on client level assessments can be found on page 102 and the limitations of our methodology on page 94. – Temperature alignment: provides a temperature score to indicate client- and portfolio-level global warming potential up to 2030. – We define Climate Risk as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. Within this, we assess and define sub-risk types in the form of a climate risk taxonomy which includes: – Physical Risk: Risk arising from increasing severity and frequency of climate and weather-related events. – Transition Risk: Risks arising from the adjustment towards a carbon-neutral economy, which will require significant structural changes to the economy.	Overview of our Climate Risk toolkit and application – page 98 Climate Risk Taxonomy table – page 96

Recommendation	Response	Disclosure location
Existing and emerging regulatory requirements related to climate change	• We have established a process for tracking various Climate Risk-related regulatory developments and obligations set by both financial and non-financial service regulators at Group and regional/country level, with roles and responsibilities set out in the Climate Risk Policy. • Regulatory requirements or enhancements needed are recorded through workplans across various teams. The workplans are coordinated and monitored through various working groups by having the relevant accountable executives participate in the relevant forums.	Processes for managing Climate Risk – page 113
Characterising climate-related risks in the context of traditional banking industry risk categories	• We have identified seven Principle Risk Types (PRT) that are most materially impacted by potential climate risks and describe transmission channels for Climate Risk manifesting as financial and non-financial risk.	Existing risk classification and climate-risk transmission channels – page 97 Overview of our Climate Risk toolkit and application – page 99
b) Describe the organisation's processes for managing climate-related risks		
Processes for managing and mitigating risks	• We manage Climate Risk according to the characteristics of these PRTs and are embedding climate-risk considerations into the relevant frameworks and processes as well as setting risk appetites for each. • Our Climate Risk Appetite Statement (RAS) is approved annually by the Board and is supported by Board and Management Team level risk appetite metrics across Credit – CCIB and CPBB, Reputational and Sustainability Risk (RSR), Traded Risk and Country Risk. • We regularly review the scope and coverage of our risk appetite metrics for enhanced risk identification and management. Additional metrics to address our public targets across key sectors and a stress loss metric built on scenario outcomes have been identified and are being monitored for inclusion in risk appetite reporting in 2023. • We have toolkits to quantitatively measure climate-related Physical and Transition Risks to determine if they should be prioritised for risk management purposes.	Mitigating environmental and social risk – page 88 Sustainable Finance mobilised – page 84
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management		
Integration into Enterprise Risk Management Framework	• Climate Risk is recognised in the Group Enterprise Risk Management Framework (ERMF) as an integrated risk type, i.e. it manifests through existing risk types and is managed in line with the impacted risk type frameworks. We manage Climate Risk according to the characteristics of these PRTs and are embedding climate-risk considerations into the relevant frameworks and processes for each. In 2022, we have continued to build Climate Risk into existing risk-management processes, focusing on identifying, assessing, and monitoring across risk types.	Integrating climate-related risks into overall risk management – page 100
Metrics and Targets		
a) Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management processes		
Key metrics used to measure and manage climate-related risks and opportunities as well as metrics used to assess the impact of (transition and physical) climate-related risks on their lending and other financial intermediary business activities	We disclose the following metrics in order to measure and manage climate-related risks and opportunities: GHG emissions: • Absolute Scope 1, Scope 2, and Scope 3; financed emissions intensity Climate-related transition risks: • Temperature Alignment score • Client-level Climate Risk assessment scores by region • Projected potential average minor notch credit grade downgrade by 2050 • Exposure to high-emitting sectors • Increase in Counterparty Credit Risk (CCR) stress exposures from physical climate event Climate-related physical risks: • Location-based hazard and risk scores • Outstanding exposure at very high gross Physical Risk % • Outstanding exposure subject to very high gross Flood Risk • Market Risk stress loss from physical climate event Climate-related opportunities: • Green and social assets • Sustainable finance income Capital deployment: • $300 billion mobilisation progress	Reducing our emissions – page 74 Overview of our Climate Risk toolkit and application – page 99 Exposure to high-carbon sectors – page 78 Sustainable Finance mobilised – page 84 Green and Social Assets – page 86

TCFD summary and alignment index continued

Recommendation	Response	Disclosure location
Climate-related incentive structures	• Selected sustainability targets, including those with a climate change dimension, are incorporated into our annual Group Scorecard which informs variable remuneration for all colleagues under our Target Total Variable Compensation plan, including executive directors and Group Management Team. Sustainability has also been included in the 2022–2024 Long-Term Incentive Plan performance measures.	Annual percentage change in remuneration of directors and employees – page 210 Incentive Structure – page 119
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks		
Our own operations	• Despite only a 5 per cent reduction in our measured real estate, we reduced our Scope 1 and 2 emissions by more than 42 per cent to 49,434 tonnes during 2022. This has been possible through a consumption reduction of 3 per cent to 177.3 GWh through energy-efficient investment, plus a 12 per cent increase in renewable energy across the portfolio.	Reducing our emissions – page 74
In our supply chain	• In partnership with an independent climate consultancy, we continued improving the accuracy of our methodology and estimated our supplier emissions. • The process for Scope 3 upstream vendor emissions measurement is being embedded into our wider annual reporting process and is expected to be executed in the first quarter of each year based on the previous year's vendor spend.	Reducing our emissions – page 74
Measuring our financed emissions	• Analysing our exposure to high-carbon sectors (i.e. sectors that are responsible for the majority of the GHG emissions in the atmosphere) is the starting point of our financed emission calculations. • We built on our progress in 2021 where we baselined our emissions for five of our high-emitting sectors namely Oil and gas, Power, Coal mining, Steel and other Metals and mining to include three additional transport sectors in 2022 being Automotive manufacturers, Aviation and Shipping.	Supporting our Corporate, Commercial and Institutional Banking (CCIB) clients with the transition – page 77
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		
Details of targets set and whether they are absolute or intensity based	• The targets we have set for climate-related risks are primarily our net zero, across Scopes 1, 2 and specifically 3 financed emissions, starting in 2030, with thermal coal targets in the shorter term from 2024. Our progress is set out in the Financed emission section. • On climate-related opportunities, we have a $1 billion of Sustainable Finance income and $300 billion mobilisation of Sustainable Finance targets to 2025 and 2030 respectively. • During the year, we revised the measurement of our Oil and gas sector emissions from an income-based carbon intensity to absolute financed emissions to better reflect the sector emission profile, effectively creating a carbon budget for the sector which is intended to decrease over time. • In 2022, we continued to expand the coverage of our financed emissions calculations and this report announces three further sectoral targets covering transportation. By 2030, we aim to reduce emissions in the transportation sector: – 34% in aviation (production intensity) – Reduce our alignment delta in shipping from +2.6% to 0% – 49% in automotive manufacturers (production intensity).	Measurement and progress of our financed emissions – page 79
A description of the methodologies used to calculate targets and measures	• The methodologies used to calculate baseline emissions are set out in the Our Clients – reducing our financed emissions section.	Measurement and progress of our financed emissions – page 79
Other key performance indicators used	• In 2021, we set our Sustainability Aspirations to include an interim target to aim to reach net zero in our operations by 2030 and in our financed emissions by 2050. In 2022, we updated our target for reaching net zero in our operations by 2030 and brought it forward to 2025.	Sustainability Aspirations – page 493

Our net zero timeline

To help us remain on track, we have set short- to medium-term quantifiable targets to manage our progress and disclose our data on an annual basis. Details of our targets in this area, as well as progress towards these, are set out throughout this section of the report.

In our strategic business planning, we consider 'short-term' to be less than two years, 'medium-term' to be two to five years and 'long-term' to be beyond this. For climate scenario analysis we can run 30-year scenarios for both Physical and Transition Risk. Some elements of our Physical Risk scenario analysis can also extend to 2100 (see page 92).

2021

- Launched our pathway to net zero by 2050, including interim targets and a supporting methodology
- Announced plans to mobilise $300 billion in Sustainable Finance
- Published a Transition Finance Framework

2022

- Developed 2030 emissions baseline and targets for Aviation, Shipping and Automotive Manufacturers
- Joined Partnership for Carbon Accounting Financials (PCAF)
- Developed capabilities for and commenced quarterly external reporting against key sustainability measures

2023

- Develop 2030 emissions baseline and targets for Cement, Mortgages, Commercial Real Estate (CRE) and Aluminium, planned to be communicated in our 2023 TCFD report in Q1 2024
- Announce timeframe for enhanced Oil & Gas absolute emissions target by our 2023 AGM
- Expand our coverage to facilitated emissions, aiming to adopt the PCAF standards (expected to be published in H1 2023)

2024

- Develop 2030 emissions baseline and targets for Agriculture, planned to be communicated in our 2024 TCFD report in Q1 2025

2025

- Aim to double our share of sustainable investing assets under management and integrate ESG considerations into our advisory activities in our wealth management business
- Aim to be net zero in our own operations (brought forward from 2030)

2030

- Aim to only provide financial services to clients who are less than 5% dependant on revenue from thermal coal
- Aim to meet financed-emissions targets in our most carbon-intensive sectors

2032

- Targeted end date for legacy direct coal financing globally

2050

Aim to become net zero in our financed emissions

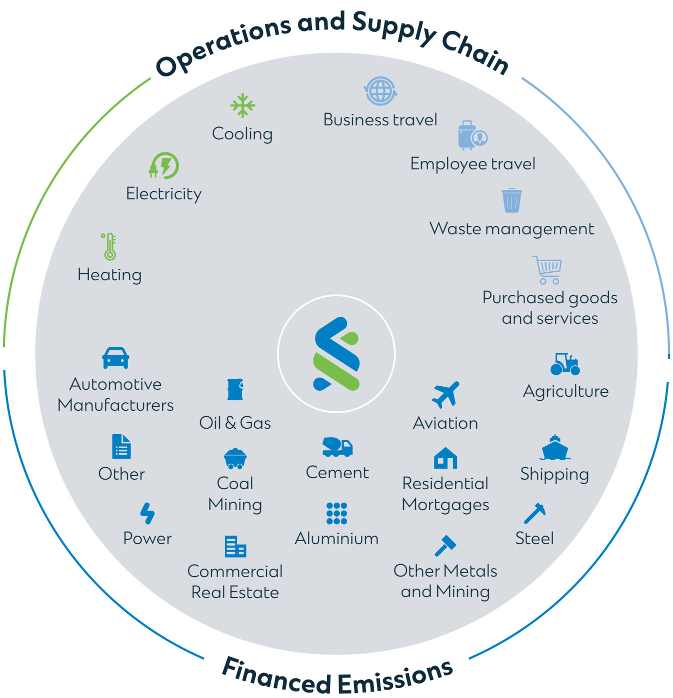
Reducing our emissions

Since 2018 we have been working on aligning our operational and financed emissions to the Paris Agreement's goal of well below two degrees Celsius of global warming by the end of the century.

We focus on three areas within our strategy to reduce direct and financed greenhouse gas (GHG) emissions: our operations, those associated with our supply chain (indirect impacts in value chain) and our financed emissions associated with our clients.

Emissions[1]

- **Scope 1&2:** SCB's own emissions **0.08% (0.05 $MtCO_2e$)[2]**
- **Scope 3:** Indirect impacts in value chain Cat 1 to 14 **3.65% (2.22 $MtCO_2e$)[2]**
- **Scope 3:** CCIB Corporates Financed Emissions **96.26% (58.50 $MtCO_2e$)**



For more information on our own operations refer to **page 75**

For more details on our own financed emissions refer to **page 76**

1 Standard Chartered measures greenhouse gas emissions using the Greenhouse Gas Protocol

2 Source: The Group's aviation portfolio which it leases to airlines has been added in our Supply Chain Scope 3 (Cat. 13 as per the GHG protocol)

Our operations – reducing our environmental footprint

We are mindful of the direct environmental impact of our branches and offices and are determined to reduce their impact.

We have measured and reduced our GHG emissions since 2008, and since 2018 we have been actively targeting a reduction in our Scope 1 and 2 emissions in line with a well-below two degrees celsius scenario. In 2021, we enhanced this ambition, setting out targets to achieve net zero in our operations by 2025.

Our approach is simple. We intend to optimise our office and branch network, retiring unused and ineffective space to retain a working environment in line with modern requirements for home- and hybrid-working solutions.

In partnership with our long-term strategic real estate suppliers such as CBRE and JLL, we are working to maximise efficiency while leveraging clean and renewable power where appropriate, in line with our commitment to the global corporate renewable energy initiative, RE100, and to help us meet our own challenging targets.

Despite only a 5 per cent reduction in our measured real estate, we reduced our Scope 1 and 2 emissions by more than 42 per cent to 49,434 tonnes during 2022. This has been possible through a consumption reduction of 3 per cent to 177.3 GWh through energy-efficient investment, plus a 12 per cent increase in renewable energy (being through direct power purchase agreements, green utilities and renewable energy certificates) and across the portfolio.

While new ways of working have led to a direct reduction in our property requirements and associated emissions, we recognise that these emissions have simply been shifted. Throughout 2022, we have begun measuring additional categories of Scope 3 emissions including waste, employee commuting and downstream leased assets. See page 75.

Read the principles and methodology for measuring our environment data at **sc.com/environmentcriteria**

For further details on our environmental performance see page 489 and our ESG data pack at **sc.com/esgdatapack**

Read the independent environmental assurance at **sc.com/environmentalassurance**

We are also committed to reducing waste. In 2022, we reduced our overall waste by 37 per cent, and our waste per employee by 39 per cent to 19.2kg, achieving our target to reduce waste to 40kg per employee per year three years ahead of schedule. This was primarily due to new ways of working reducing employee presence in our buildings.

Improving our office efficiency

We have created a rolling asset replacement strategy for lighting in our offices. We now aim to only install LED and circadian lighting, and any new fit-out or project, small churn-related changes or upgrades always include improved lighting.

Water availability is a growing challenge in many of our markets. Although we did not face any issues sourcing potable water in 2022, we continue to take a responsible approach to managing water across the Group.

We continue to work towards our target to recycle 90 per cent of our waste by 2025. We have commenced the True Zero Waste programme across our top 20 buildings by size and expect to see the first results next year.

During 2023, we will continue to accelerate our True Zero Waste certification programme across more offices. This certifies 90 per cent of waste diverted from landfill or incineration and will require further investment and education in waste management and avoidance. Additionally, we will certify more single-use-plastic free buildings and promote more sustainable practices.

Our suppliers – reducing Scope 3 upstream

With approximately 11,700 suppliers, we recognise our contribution to climate impacts through the goods and services we procure and understand that severe weather events could result in material disruptions to our supply chain that may potentially impact our ability to serve our clients.

From 1 April 2022 all new and renewing material third-party corporate services arrangements in-scope for Business Continuity Management controls are subject to climate risk assessment as part of third-party continuity plans.

Through our Supplier Charter, we encourage our suppliers to support and promote standards in environmental protection and to manage and mitigate environmental risks.

In 2022, we continued to make progress against our supply chain sustainability agenda. We saw an approximately 58 per cent decrease in our flight emissions in the period from October 2021 to September 2022, against our target to achieve and maintain flight emissions at 28 per cent lower than our October 2018 to September 2019 baseline, and continued to offset these.

In partnership with an independent climate consultancy, we continued improving the accuracy of our methodology and estimated our supplier emissions. Due to a limited number of suppliers able to report emission figures to the Group, our methodology relies primarily on emission factors combined with an increasing volume of data reported by suppliers via the CDP climate change survey and emission figures reported by suppliers to the Group. We expect that both supplier emission calculations and our methodology will continue to evolve over time. Using these insights, we identified and engaged our key highest-emitting suppliers to better understand and align on sustainability actions, metrics and goals.

The process for Scope 3 upstream supplier emissions measurement has been developed and embedded into our wider annual reporting process, with emissions provided for Purchased goods and services, Capital Goods, Upstream transport and Other Business Travel. These emissions are based on the previous year's actual spend, hence a one year time lag: 2022 emissions relate to 2021 expenditure.

Furthermore, we launched a global project to define strategies to address emissions related to Scope 3 Categories 1 (Purchased goods and services), 2 (Capital goods), 4 (Upstream transportation and distribution) and 6 (Business travel). Our targets cover reducing our emissions related to Upstream transportation and distribution and Business travel by 28 per cent against 2019 levels by 2023.

Simultaneously, for Purchased goods and services and Capital goods categories, we plan to engage our suppliers (covering circa 67 per cent of spend) to set science-based targets in the next five years.

In 2022, to build internal understanding of our supply chain sustainability aspirations and drive united engagement for our net zero goals, we delivered training and awareness sessions which were attended by approximately 450 participants from across the organisation.

Scope of emissions	2022 (tCO_2e)	2021 (tCO_2e)	2020 (tCO_2e)
Scope 1 direct emissions (combustion of fuel)	**2,071**	2,902	3,988
Scope 2 energy indirect emissions (purchase of electricity)	**47,363**	82,761	113,870
Total Scope 1 and 2[1]	**49,434**	85,662	117,858
Scope 3 other indirect emissions			
Purchased goods and services (other)[2]	**380,732**	330,244	–
Purchased goods and services (global data centres)[3]	**706**	43,132	29,562
Capital goods[2]	**34,496**	47,217	–
Upstream transportation and distribution[2]	**20,300**	20,949	–
Waste generated in operations[4]	**498**	–	–
Business travel (air travel)	**39,107**	3,654	33,930
Business travel (miscellaneous other than flights)[2]	**2,654**	4,994	–
Employee commuting[3]	**61,917**	–	–
Downstream leased assets (corporate real estate)[4]	**8,594**	–	–
Downstream leased assets (leased aircraft)[4]	**1,671,867**	–	–
Investments[2, 5]	**58,500,000**	45,200,000	–
Total Scope 3 emissions	**60,720,871**	45,650,190	63,492
Total emissions	**60,770,305**	45,735,852	181,350

1 We use an independent third-party assurance provider to verify our greenhouse gas (GHG) emissions. In 2022, our measured Scope 1 and Scope 2 emissions, as well as waste and water consumption, were assured by Global Documentation Ltd, ensuring the accuracy and credibility of our reporting.
2 The reporting period for carbon emissions is 1 October to 30 September. This only differs for category 1: Purchased Goods, category 2: Capital Goods, category 4: Upstream Transportation and Distribution, Category 6: Miscellaneous travel and category 15: Investments where the period 1 Jan to 31 December on a one year lag is used.
3 The decrease in emissions from data centres was due to the offset of REC's (Renewable Energy Certificate) against the total energy consumption. REC's are a type of Energy Attribute Certificate that represents the environmental attributes of the generation of a one-megawatt hour (MWh) of energy produced by renewable sources ie the proportion of power sourced from a national grid that is produced using renewable energy sources.
4 Emissions for Category 5: Waste generated in operations, Category 7: Employee Commuting and Category 13: Downstream Leased Assets was measured and reported for the first time in 2022.
5 These are financed emissions of our CCIB lending portfolio.

For further details on our Scope 3 vendor emissions see our ESG data pack at **sc.com/esgdatapack**

Read our Supplier Charter at **sc.com/suppliercharter**

Our clients – reducing our financed emissions

We aim to support our clients in their own transitions to net zero and see our role in supporting this alignment to the Paris Agreement's goal as a critical part of our climate response plans. We aim to become net zero in our financed emissions by 2050, with interim 2030 targets for our highest-emitting sectors.

In 2022, we made progress towards this goal, and set out to measure, manage and reduce operational and financed emissions via the implementation of our net zero pathway. In 2021, we announced that we expect all clients (beginning with those in high-carbon sectors) to have a strategy to transition to a low-carbon business model. Since then, we have focused on assessing clients in sectors where we have set 2030 net zero targets (Oil and gas, Metals and mining and Power). We have also developed an initial methodology for assessing the credibility of client transition plans. We expect this area to evolve, and will look to adapt our methodology accordingly.

Our methodology draws on information gathered from our client Climate Risk Assessments (see page 88) and considers the guidance on Credible Transition Plans by the Glasgow Financial Alliance for Net Zero (GFANZ) and the UK's Transition Plan Taskforce. In 2022, we tracked the existence of a transition plan for our corporate clients, and by the end of 2023 intend to have a view of credibility of those transition plans for our largest exposures. We acknowledge that targeting net zero will not be a linear pathway, especially for a bank which operates primarily in the emerging markets and recognises its role in helping to support a just transition. As such, in the shorter term, our financed emissions may increase as we focus on funding our clients' transition journeys toward reaching net zero emissions.

Standard Chartered joins PCAF

During 2022 the Group joined the Partnership for Carbon Accounting Financials (PCAF). Joining PCAF will help us to take a consistent approach to assessing and reporting emissions for its financed and facilitated transactions.

PCAF is a global partnership of financial institutions to develop and implement a harmonised approach for assessing and disclosing the greenhouse gas (GHG) emissions of their loans and investments and is becoming the market standard approach.

PCAF has developed GHG accounting methodologies that can be applied by financial institutions who have exposure to listed equity and corporate bonds, business loans and unlisted equity, project finance, mortgages, commercial real estate and motor vehicle loans. PCAF currently represents financial institutions with total financial assets in lending and investments in excess of $40 trillion dollars.

Calculating financed emissions

PCAF define financed emissions as the GHG emissions from loans and investments provided by financial institutions to their clients i.e. the proportion of our clients' emissions we finance. To calculate our baseline projections, we measure three types of financed emissions using three methodologies:

- **Revenue-based carbon intensity:** a measurement of the quantity of GHG emitted by our clients per USD of their revenue.
- **Absolute financed emissions:** a measurement of our attributed share of clients' GHG emissions.
- **Production-based intensity:** a measurement of the quantity of GHG emitted by our clients per USD of their production capacity.

Our methodology is based on global standards, including those set by the Science Based Target initiative (SBTi), the Net Zero Banking Alliance (NZBA) and PCAF.

$$\text{Revenue based intensity} = \frac{\sum \left(\frac{\text{Client exposure}}{\text{Client EVIC}} \times \text{Client emissions} \right)}{\sum \left(\frac{\text{Client exposure}}{\text{Client EVIC}} \times \text{Client revenues} \right)}$$

$$\text{Absolute financed emissions} = \sum \left(\frac{\text{Client exposure}}{\text{Client EVIC}} \times \text{Client emissions} \right)$$

$$\text{Production-based intensity} = \sum \frac{\left(\frac{\text{Client exposure}}{\text{Client EVIC}} \times \text{Client emissions} \right)}{\text{Client per unit of production}}$$

EVIC stands for economic value including cash and is the sum of the client's debt plus equity. If the client is listed, that equity is the client's market capitalisation. The numerical value of the clients EVIC will impact the measurement of all three financed emission methodologies. If, for example, the market capitalisation of a listed client increases (through the client's share price increasing), the financed emissions will decrease on an absolute financed emission, revenue based intensity and production based intensity basis.

Further, for revenue based intensity, when client revenues increase (for example, commodity based clients experiencing higher commodity prices) the revenue based emissions intensity will decrease.

It is noted that there is a one-year lag on data used for financed emissions. This is a result of the time taken for our clients to report their financial and carbon emission information. Therefore, the Group's baseline as released in 2021 utilised the 2020 year-end balance sheet date for client exposures, financial and carbon information, and the 2022 updated financed emissions utilises the 2021 year-end balances. We still refer to these as the 2022 and 2021 updates.

Exposure

Supporting our Corporate, Commercial and Institutional Banking (CCIB) clients with the transition

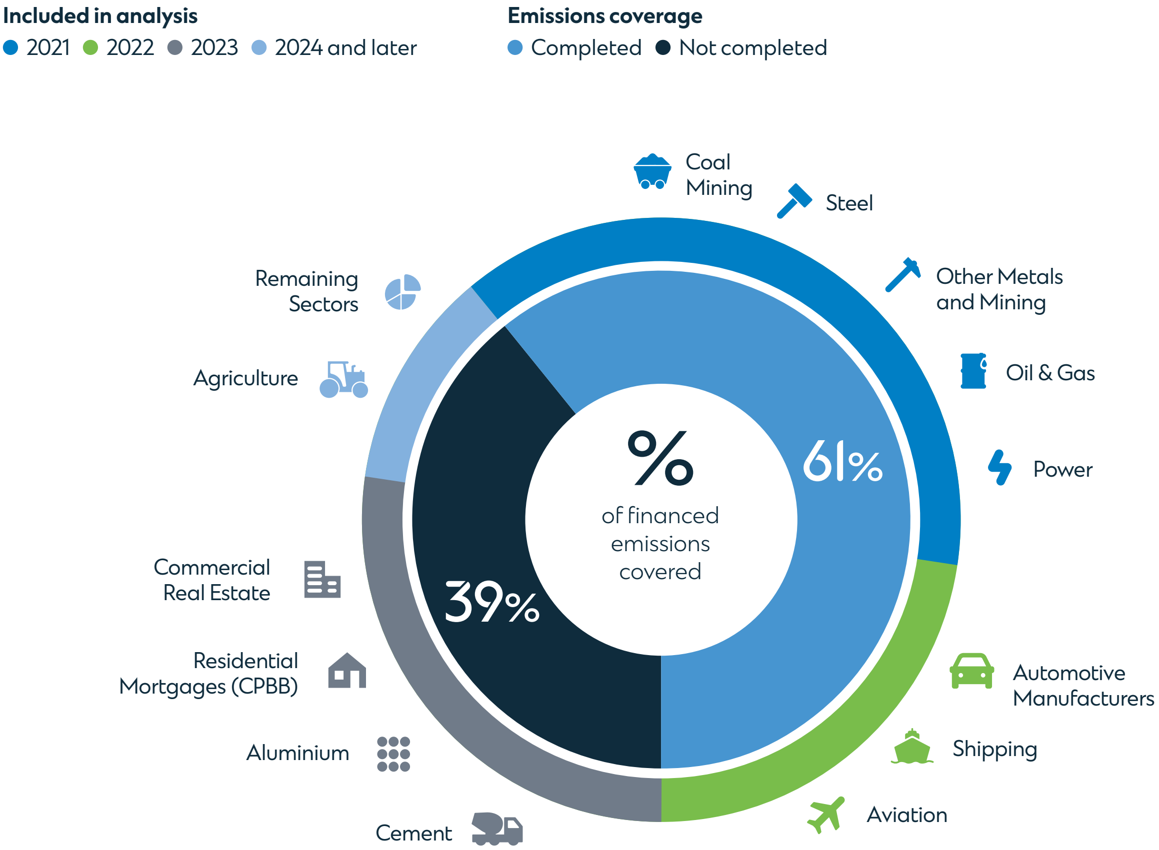
In our net zero whitepaper, released in 2021, we provided details of our financed emissions for the 2021 year, using the 2020 balance sheet. Our first baseline emissions measured 45.2 $MtCO_2e$ (covering 77 per cent of the CCIB exposure portfolio for which the Group could source financial information), and set out our approach to achieve emissions reduction by 2030 in our most carbon-intensive sectors of:

- 63 per cent in Power (Scopes 1 and 2 intensity)
- 33 per cent in Steel (Scopes 1 and 2 intensity)
- 33 per cent in Other metals and mining (ex. Coal Mining) (Scopes 1 and 2 intensity)
- 30 per cent in Oil and Gas (Scopes 1, 2 and 3 intensity)
- 85 per cent in Coal Mining (Scopes 1, 2 and 3 absolute)

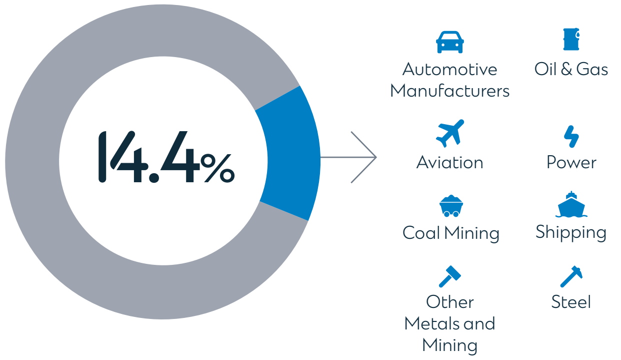
The following section sets out our progress made against these targets during 2022, and builds on this foundation with the announcement of three further sectoral baselines and targets being Automobile Manufacturers, Aviation, and Shipping. With the addition of these further three sectors, we have set targets for eight sectors in total. The emissions of the CCIB lending book across all counterparties in all sectors is estimated to be 58.5$MtCO_2e$. These total emissions are where the Group is able to obtain client financial information, being the clients' EVIC. In 2022, the Group was able to source client data for 87 per cent of the CCIB lending portfolio to calculate the 58.5$MtCO_2e$. Of these emissions, 61 per cent is due to the emissions of the counterparties in the eight high-carbon sectors for which the Group has set targets. These eight sectors represent 14.4 per cent of the CCIB lending book as of 30 September 2022.

In 2023, we plan to add a further four sectors into our analysis, and beyond that to incrementally improve the portfolio coverage as market data on emissions becomes more widely available. Analysing our exposure to high-carbon sectors (i.e. sectors that are responsible for the majority of the GHG emissions in the atmosphere) is the starting point of our financed emission calculations. In order to identify which of our lending is to high-carbon sectors, we use the Task Force on Climate-related Financial Disclosures (TCFD) sector categorisation, namely: energy; transportation; materials and buildings; and agriculture, food and forest products. The most material sub-sectors to the Group for which baselined targets have been set are presented below.

Percentage of financed emissions covered %



High-carbon sectors as a % of total CCIB lending



We have extended our financed emissions analysis and disclosure on our exposure to high-carbon sectors.

Sectors are identified and grouped as per the International Standard Industrial Classification (ISIC) system and exposure numbers have been updated to include all in-scope ISIC codes used for target setting among the seven high-carbon sectors.[2]

The maximum exposures shown in the table include Loans and Advances to Customers at Amortised cost, Fair Value through profit or loss, and committed facilities available as per IFRS 9 – Financial Instruments in $million. Green and other sustainable finance loans which support the transition to the net zero economy are also included. The full exposure does not provide an indication of how many clients have net zero pathways in alignment with our own, and hence can be banked through the transition of their businesses from a higher-carbon present to a lower-carbon future. As reporting efforts harmonise around green, sustainable and transition taxonomies, we will evolve our reporting accordingly.

Loans and advances and undrawn balances to high-carbon sectors [2]

Sector	Loans and advances (drawn funding) $m 2022[1]	Loans and advances (drawn funding) $m 2021[3]	Undrawn commitments and financial guarantees $m 2022[1]	Undrawn commitments and financial guarantees $m 2021[3]
Automotive manufacturers	**3,439**	3,168	**3,036**	3,675
Aviation	**2,497**	2,846	**1,276**	1,114
Coal mining	**69**	133	**8**	10
Steel	**1,681**	1,838	**1,007**	837
Other Metals and mining	**2,847**	2,021	**3,237**	3,729
Oil and gas	**6,641**	7,077	**13,926**	14,750
Power	**4,918**	4,916	**3,843**	5,594
Shipping	**5,456**	5,596	**1,510**	1,491
Total balance	**27,548**	**27,595**	**27,843**	**31,200**

Maturity and expected credit losses of exposure to high-carbon sectors[2]

Sector	2022[1] $m Loans and advances (drawn funding)	Maturity buckets Less than 1 year	Maturity buckets More than 1 to 5 years	Maturity buckets More than 5 years	2022[1] $m Expected credit loss
Automotive manufacturers	**3,439**	2,855	534	50	**–**
Aviation	**2,497**	120	916	1,461	**65**
Coal mining	**69**	5	31	32	**12**
Steel	**1,681**	1,456	216	8	**38**
Other Metals and mining	**2,847**	2,330	312	205	**45**
Oil and gas	**6,641**	2,506	2,203	1,931	**276**
Power	**4,918**	1,495	1,434	1,988	**117**
Shipping	**5,456**	801	2,988	1,668	**51**
Total balance	**27,548**	**11,567**	**8,635**	**7,344**	**603**

1 This is as at 30 September 2022

2 The ISIC codes used by the Group above are as follows:
Automotive manufacturers (Manufacture of motor vehicles and Motor Finance); **Aviation** (Passenger air transport), **Coal** (Coal Mining), **Steel** (Iron and Steel basis Industries and casting of iron and steel), **Other Metals and Mining** (Iron Ore Mining, Gold and Precious Metals, Copper & Zinc, Stone quarrying clay and sand pits, Mining & Quarrying NEC; Support activities for other mining and quarrying, Casting of non-ferrous metals, Aluminium, Non-ferrous metal basis industries, Metal products services, Manufacture of fabricated metals); **Oil & Gas** (Extraction of Oil, Oil rig operators, Support activities for petroleum and natural gas extraction, Extraction of natural gas, Petroleum refineries, Manufacture and repair of mining, Oilfield & gasfield and related machinery and equipment); **Power** (Electricity generation and distribution, Water Supply & distribution, Collection of non-hazardous waste); **Shipping** (Sea and coastal freight water transport, Support services to water transport/NEC, Sea and coastal passenger water transport, Gas Manufacture & distribution)

3 2021 balances are as at 31 December

Measurement

Measurement and progress of our financed emissions: sectoral deep dives

Sector	Absolute Financed Emissions $MtCO_2e$ 2022[1]	Absolute Financed Emissions $MtCO_2e$ 2021[8]	Intensity Financed Emissions $kgCO_2e$ 2022[1]	Intensity Financed Emissions $kgCO_2e$ 2021[8]	Change YTD 22 vs YTD 21	2030 target	Target based on
Standard Chartered Group	**58.5**[7]	**45.2**					
Oil and gas	**10.2**	13.7	**2.8**	3.0	-8.3%	-30%	Revenue Emissions Intensity
Power	**6.3**	7.7	**2.1**	3.7	-43.6%	-63%	Revenue Emissions Intensity
Coal mining	**2.3**	3.3			-30.3%	-85%	Absolute Emissions
Metals and mining	**0.4**	0.4	**0.9**	1.0	-7.4%	-33%	Revenue Emissions Intensity
Steel	**2.7**	2.7	**1.9**	2.2	-12.0%	-33%	Revenue Emissions Intensity
Transport	**13.9**	2.7	**–**	–	**415%**		
Auto Manufacturers[2]	**4.3**		**160g CO_2e/Vkm**		NA	-49%	Production Emissions intensity[5]
Aviation[3]	**2.2**		**1,152g CO_2e/ Rtk**		NA	-34%	Production Emissions intensity[5]
Shipping[4]	**7.4**		**+2.6% delta**		NA	0%	Production Emissions intensity[5]
Other[6]	**22.7**	**14.7**			**NA**		

1 2022 financed emissions are calculated based on 31 December 2021 data
2 Vkm means vehicle per km
3 Rtk means per revenue tonnes km
4 An alignment delta is an asset by asset plot against a set curve, either below (being negative which means less CO_2 per asset than the curve) or above (being positive which means more CO_2 per asset than the curve). In this instance the assets are ships and how they plot against the International Maritime Organisation curve
5 Sector specific intensity being CO_2 per distance traveled
6 'Other' includes manufacturing, wholesale and retailers, commercial real estate, aluminium and cement sectors
7 The exposure to clients is from the Group's systems, however, the ability to find counterparty EVIC's and carbon disclosed is evolving and currently relies on third party inputs and individual searches for financial information. EVIC information is usually found via external aggregators, internal risk systems and individual financial information searches. For emissions, this is done through external aggregators and where not available; regression analysis and proxy information is used
8 2021 financed emissions are calculated based on 31 December 2020 data

Standard Chartered Group total

Our total financed emissions in 2022 are 58.5 $MtCO_2e$, up from 45.2 $MtCO_2e$ in 2021. This represents an increase of 29 per cent. This increase is not unexpected and reflects a combination of: sector deep dives, which capture full sector value chain emissions; methodological improvements based on evolving industry best practice; and expanded coverage of our emissions footprint based on increasing data availability. These factors contributing to the 2022 reported group emissions figure are therefore not a reflection of an inherent increase in our clients' underlying emissions footprints. Over time, we will seek to capture and report on emissions reductions versus those attributed to methodology changes and expanded coverage of sector emissions.

- **Expansion in scope** – prior to conducting our sector deep dives as articulated in our net zero pathway, we took a top-down corporate level approach in calculating the baseline. In particular, for the transport sector, our corporate level approach accounted for only Scope 1 and 2 emissions (e.g. solely the emissions from their direct manufacturing and administrative activities). Through the transport sector deep dives we were able to do a full mapping of the sector value chain from a bottom up perspective, which included the underlying asset level emissions. Therefore, emissions have been counted for each underlying vehicle produced, aircraft flown and ship sailed, in addition to the manufacturing and administrative activities. This significantly increased our baseline emissions in 2022 from 2.7 to 13.9 $MtCO_2e$.
- **Increased data coverage** – we continue to improve our data coverage. In 2022, our client coverage of financial (EVIC) information increased YoY from 77 per cent to 87 per cent. This increased data availability also increased our baseline emissions.
- **Financial volatility** – offsetting the prior two factors, increases in commodity prices increased profitability and resulted in higher share prices in these sectors, both of which increased EVICs, therefore decreasing absolute financed emissions for the Group.

Further, for revenue emissions intensity (as applicable to the Oil and gas, Power, Steel and Other metals and mining sectors), this increased profitability decreased revenue-based carbon intensity (as the ratio of emissions to revenue earned decreased). In 2023, we will be moving to production-based intensity metrics for these sectors which will reduce the impact of market volatility on our emissions profile.

We acknowledge that our ambition to achieve net zero in our financed emissions by 2050 will not be a linear decreasing pathway given the above factors.

Individual high-carbon sectors

We measured progress against our emission targets in three forms: **absolute financed emission** (Coal mining and a baseline for Oil and gas), **revenue-based carbon intensity** (Oil and gas, Power and Metals and mining), and **production-based intensity** (Auto manufacturers, Aviation and Shipping).

- Oil and gas has shown movement in revenue-based intensity as well as the absolute financed emission baseline. There was a decrease in absolute emissions, due to increasing EVICs and a portion of the 2021 population (Gas-related ships) moving to the Shipping transport sector.
- Coal mining exposure decreased to less than $100 million; this is a run-down book with no new coal mining loans made in the year.
- Steel financed emissions remain widely flat across 2021–2022, decarbonisation of steel will be a long-term journey with limited short-term impact.
- Power on an economic intensity basis saw a significant decrease, primarily attributed to macroeconomic factors of increased commodity prices passed onto customers with resulting higher revenues. The Power portfolio does however have approximately 25 per cent of its exposure to renewable energy counterparties, which is also bringing this intensity metric down.

We continue to refine our approach to measuring production targets. In 2023, noting the shortcoming of economic intensity, these sectors will be measured using production-based intensity metrics (CO_2 per KWh or tonne of steel produced).

Oil and gas

The decarbonisation of this sector is central to global efforts to reach net zero, and is particularly relevant within the markets in which we operate as around half of the sector's global emissions originate in Asia, Africa and the Middle East. Oil and gas represents the single biggest contributor to our total absolute financed emissions, representing 17 per cent of the total.

Oil and gas value chain in scope

Oil & Gas Companies	Service companies	Other Oil & Gas companies
Scope 1, 2 and 3	Scope 1, 2	Scope 1, 2

Our portfolio

Balance $bn	2022 financed emissions	Target	Target type
6.3	10.2 $MtCO_2e$	–30% (2020–2030)	Revenue emission intensity

Progress

In our net zero whitepaper, we targeted an emissions reduction in the Oil and gas sector of 30 per cent (Scopes 1, 2 and 3 intensity) by 2030.

During 2022, we revised the measurement of our Oil and gas sector emissions from a revenue-based carbon intensity to absolute financed emissions. This better reflects the sector emission profile and provides alignment with the emerging consensus of peer banks as to the best way in which to measure and set targets for the sector. This effectively creates a carbon budget which is intended to decrease over time, which further helps meet the expectations of our key stakeholders. Our new absolute baseline is 10.2$MtCO_2e$ and we will disclose targets for this baseline by the Group's 2023 Annual General Meeting.

In 2022, using the existing intensity target, we achieved an 8 per cent reduction year-on-year. This reduction was primarily due to macroeconomic factors, including an increase in clients' underlying corporate value (EVIC) due to increases in commodity prices linked to the war in Ukraine and rising energy prices. This has resulted in a proportionate reduction in our share of financed emission contributions.

Calculation methodology/Science-based scenario selected

For the Oil and gas sector, our calculations are based on the International Energy Agency (IEA) Net Zero Emission by 2050 (NZE) and the Current Policies Scenario (CPS).

In the NZE scenario, the share of fossil fuels in global energy falls from around 80 per cent in 2020 to 20 per cent in 2050, and the residual usage of fossil fuels by 2050 is primarily related to goods where carbon is embedded (e.g. plastics), or production facilities fitted with CCUS (Carbon capture, utilisation and storage). Any remaining usage of fossil fuels is limited to sectors where low-emissions technology options are scarce. Scope 2 emissions are projected using the power generation emissions pathway. Scope 3 downstream emissions make up around 90 per cent of total emissions in the Oil and gas sector and have been calculated assuming that all fuel is burnt and there is no impact from CCUS.

Changes in baseline method

For 2022, we have updated the Oil and gas sector emission measurement from revenue-based carbon intensity to absolute financed emission to better reflect sector emission profile.

Power Generation

The Power sector sits at the forefront of the energy transition, with many industries relying on electrification to achieve net zero by 2050. However, this will not be possible without a sufficient supply of low-carbon electricity. The private sector is well-established as the leading source of finance for power generation in most economies around the world.

Power Generation value chain in scope

Generators Coal Gas Renewables	Power distributors	Other utility providers
Scope 1, 2	Scope 1, 2	Scope 1, 2

Our portfolio

Balance $bn	2022 carbon intensity	Target	Target type
4.0	2.07 $KgCO_2e$	–63% (2020–2030)	Revenue emission intensity

Progress

We have set ourselves the target to reduce emissions in the Power Generation sector by 63 per cent (Scopes 1 and 2 intensity) by 2030. In 2022, we achieved a 44 per cent reduction, primarily driven by increases in commodity prices which are passed onto customers by power producers, thereby increasing the revenue earned by the producer.

Increases in the producer's revenue and EVICs decreases our proportion of financed emissions, both on an absolute and economic intensity basis. Absolute reductions in emissions are therefore primarily because of macroeconomic factors. As a caveat, the Group continues to grow our financing provided to renewable power producers, which now represents approximately 25 per cent of the power portfolio and contributes towards this intensity decrease.

Calculation methodology

Scope 1 is the most material component of the Power sector's emissions. By contrast, Scope 2 is insignificant and relates to energy used to operate power plants which cannot be isolated from the overall industry electricity consumption. Scope 3 is not included as there is no agreed approach to its quantification in this sector.

Changes in baseline method

We intend to update our measurement basis of the power sector from a revenue-based intensity measure to a production-based measure in 2023. We believe this will provide a more accurate measure of our counterparty CO_2 emissions, which will be per unit of power produced (KWh).

Metals and mining

The Metals and Mining sector provides raw materials that support much of the global economy. The sector contributes around 12 per cent of global CO_2 emissions (Scope 1 and 2), of which Asia, Africa and the Middle East contribute more than 75 per cent.

Our net zero whitepaper detailed our targets to achieve an emissions reduction of 33 per cent for Steel (Scopes 1 and 2 intensity); 33 per cent for Other Metals and Mining (ex. Coal mining) (Scopes 1 and 2 intensity); and 85 per cent for Coal mining (Scopes 1, 2 and 3 absolute).

Metals and mining value chain in scope

Coal mining	Steel production	Other metals
Scope 1, 2 and 3	Scope 1, 2	Scope 1, 2

Our portfolio

Sector	Balance $bn	2022 financed emissions	Target	Target type
Steel	1.4	1.9	-33%	Revenue emissions intensity
Other Metals and Mining	0.7	0.9	-33%	Revenue emissions intensity
Coal Mining	<0.1	2.3	-85%	Absolute financed emission

Progress

In 2022, we achieved a 30 per cent reduction in the absolute emissions associated with our Coal mining portfolio, from 3.3 to 2.3 $MtCO_2e$. This has been achieved by allowing the periodic run-down of our loan book in this sector.

For Steel and Other Metals and Mining, we achieved a 11 per cent reduction in the revenue intensity target. This decrease was primarily due to increases in commodity prices reducing our proportion of the client's emissions. Price increases resulted in an increase in client revenue which therefore reduced our share of emissions.

Calculation methodology

Mining projections

We have used a Baringa scenario to calculate Scope 1 emissions from coal mining. The Power sector has been followed for Scope 2 emissions and Scope 3 emissions have been based on coal production adapted from the IEA's Net Zero Emissions scenario.

Steel producer projections

Emissions for the steel sector are often quoted or published in a way that partially includes Scope 2 and/or Scope 3. In our methodology, we differentiate Scope 1 from Scopes 2 and 3 to support clearer, more precise calculations. Scope 3 emissions are not currently calculated due to limited data availability; however, we continue to engage our clients and standard setters to develop a suitable approach to calculating Scope 3 emissions for steel.

Changes in baseline method

We intend to update our measurement basis of the Metals and mining sector from revenue-based intensity measures to a production-based measure in 2023. We believe this will provide a more accurate measure of our counterparty CO_2 emissions which will be provided by unit of metal produced (e.g. tonne of steel).

Thermal coal

We will only provide financial services to clients who:

By 2024
are less than 80% dependent on thermal coal (based on % revenue)

By 2025
are less than 60% dependent on thermal coal (based on % revenue)

By 2027
are less than 40% dependent on thermal coal (based on % revenue)

By 2030
are less than 5% dependent on thermal coal (based on % revenue)

Progress

In October 2021, we enhanced our Power Generation and Extractive Industries Position Statements to test our clients' dependency on thermal coal at client entity level and at group level (tested at group level previously). Since then, we identified 37 client entities that derive 100% of their revenue from thermal coal. Of these, 14 entities have been fully exited in 2022 with the remainder in progress, subject to contractual commitments.

All our criteria on thermal coal is tested on an annual basis via our Environmental and Social Risk Assessments. Where a client triggers a threshold but approaches us to provide Transition Finance we will consider our involvement on a case-by-case basis, including instances where a client is reducing greenhouse gas emissions through the early retirement of coal power assets.

Expanding our financed emissions coverage

In line with our aim to measure, manage and reduce our financed emissions, in 2022, we continued to expand the coverage of our calculations and are pleased to announce three further sectoral targets covering transportation.

By 2030, we aim to reduce emissions in the transportation sector:

- 34 per cent in Aviation (production intensity)[2]
- Reduce our alignment delta in Shipping from +2.6 per cent to 0 per cent[1]
- 49 per cent in Automotive manufacturers (production intensity)[2]

1 Alignment with the International Maritime Organisation (IMO) emissions trajectory curve

2 Sector specific intensity being CO_2 per Km distance traveled

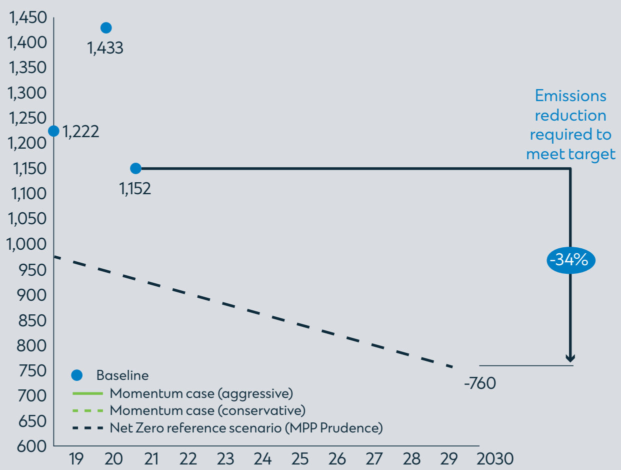
Aviation

The aviation sector includes all activities related to domestic and international air travel. It is responsible for over 2 per cent of global energy-related CO_2 emissions, as per the IEA Tracking report 2022.

Our 2022 portfolio emissions baseline is 1152 gCO_2e/Rtk (revenue tonne kilometre). Reaching net zero in this sector will be challenging; however, we believe we can make progress towards net zero by leveraging new fleet technology, sustainable aviation fuels (SAF) and engaging ambitious counterparties.

We have set ourselves the target to achieve a 34 per cent reduction in production intensity[2], from our baseline.

Emission intensity (gCO_2e/RTK)



Calculation methodology

The emissions are calculated based on Mission Possible Partnership (MPP) Prudence (1.5C scenario) by counting aviation fuel burn by each aircraft to which asset-backed finance has been provided. The calculation uses a well-to-wake formula which includes all emissions from the point of oil extraction to being burnt by the aircraft engines. Therefore, Scopes 1, 2 (for the corporate) and 3 (emissions for each aircraft) are included for each counterparty funded.

For each aircraft, we receive total km travelled, estimate total fuel burnt on a well-to-wake basis (based on total distance travel and aircraft engine type) and add onto this a load (weight) factor of specific aircraft to calculate Revenue Tonnes per Kilometre.

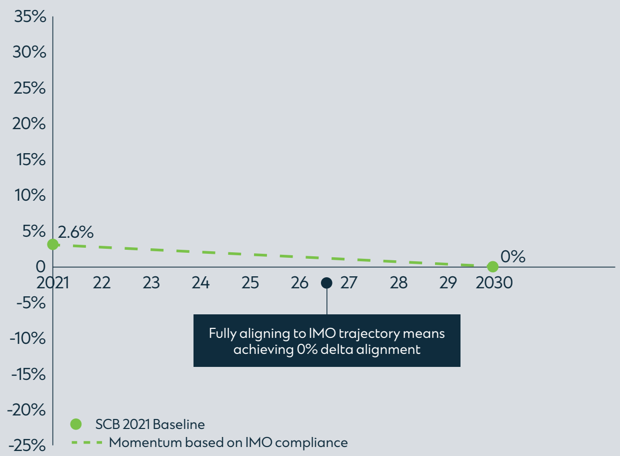
Shipping

The shipping sector consists of moving goods or passengers by water and is responsible for 2.9 per cent of global emissions.[1]

Our shipping portfolio has a baseline 'alignment delta' of +2.6 per cent in 2022. Achieving the current International Maritime Organisation (IMO) target of zero delta is feasible and future regulations are likely to drive the industry to net zero. Key levers for the sector include:

- Support transition through investment in retrofit, alternative fuels and greener vessels (e.g. young and dual fuel vessels).
- Deepen relationships with ambitious counterparties and engage others.

Alignment delta
(calculated against current IMO trajectory)



Calculation methodology

Shipping emissions are calculated by counting fuel oil burn for each ship to which asset-backed finance has been provided.

Each owner or lessee is required to report to a regulator the distance its ships have travelled during the year, as well as fuel consumed per vessel. Some vessels consume more energy based on their type of cargo.

IMO conversion factors are used to convert fuel burnt to CO_2 emissions, with these emissions divided by distance travelled and Dead Weight Tonnage (the loaded weight of a ship) to provide the gCO_2e/Vkm (vehicle kilometre).

The IMO also has a 2050 trajectory. This is not yet 1.5 degree compliant, however the Poseidon Principles, which are shipping specific, requires that banks measure and report their 'alignment delta' and provide a trajectory for each type of vessel in a different weight category to that trajectory.

1 IMO, 2020. Fourth IMO GHG Study. https://www.imo.org/en/OurWork/Environment/Pages/Fourth-IMO-Greenhouse-Gas-Study-2020.aspx

2 Sector specific intensity being CO2 per Km distance travelled

Automotive manufacturers

Automotive manufacturers includes industries associated with the production, wholesaling, retailing and maintenance of motor vehicles. The sector is responsible for 17 per cent of global emissions.

Our portfolio emissions baseline was 160 gCO_2e/Vkm in 2022. A focus on financing the growth of the electric vehicle industry is key to success in this sector.

We have set ourselves the target to achieve a 49 per cent reduction in production intensity,[1] from our baseline.

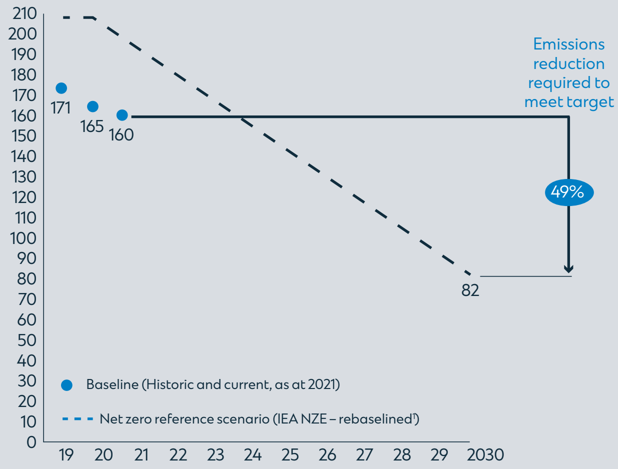
Calculation methodology

There is currently no automotive sector-specific target. Therefore, the target is based upon the IEA net zero 1.5C scenario.

The total emissions calculated are the Scope 1 and 2 emissions of the original equipment manufacturers (OEM), being the manufacturing carbon cost)+ Scope 3, being the lifetime tailpipe emissions x vehicles produced + OEM emissions from supply chain.

This is divided by the total kilometres travelled of vehicles produced to calculate gCO_2e/Vkm.

Emission intensity (gCO_2e/vkm)

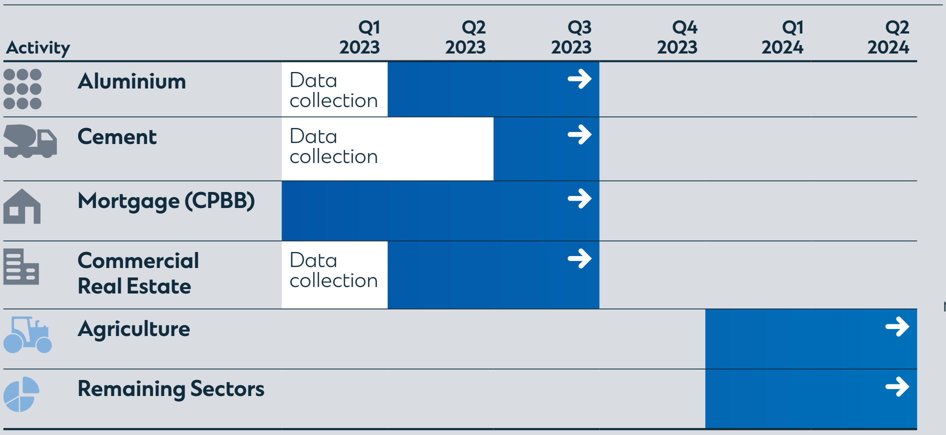


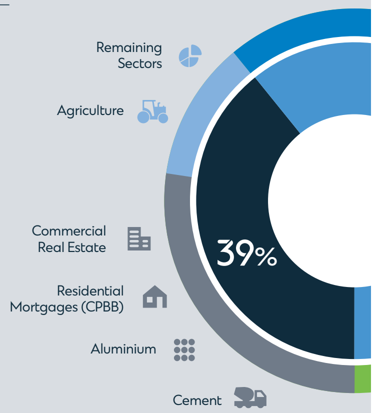
1. Augmented to be new light duty vehicles only, CO_2 to CO_2e, scope 3 TTW to scope 1-3 excl. WTT

What comes next

As a member of the NZBA, we are committed to measure and set targets against all our high-carbon sectors within three years.

Enhancements: Targets to be set in the future





Enhancements to existing targets

We have made, or will be making, the following changes to the way we set targets. This is to better reflect our progress against reductions without these being impacted by changes in commodity prices influencing revenue intensities.

CPBB mortgage emissions

Within our CPBB segment, we set a target to measure and report mortgage emissions with a view to setting targets by December 2023. During 2022 we completed baseline emissions measurement for Singapore, Hong Kong and Korea, covering more than 80 per cent of the consumer mortgage portfolio.

1 Sector specific intensity being CO_2 per Km distance travelled

Catalysing finance and partnerships for transition

In recent years, sustainability has moved from a predominantly risk-based initiative to become a value driver for many banks as they seek opportunities to mitigage climate change and its effects, and tackle social issues through the provision of finance.

Our Opportunity 2030 report (**www.sc.com/opportunity2030**, published in 2020) identified a $10 trillion investment opportunity in contributing to the SDGs, including clean energy. It is this opportunity which we are targetting through our low-carbon products and services.

With our strong emerging markets footprint, we recognise the role we have to play in facilitating a just transition, directing capital and specialised support to the regions that need it most to support sustainable economic growth. More than 90 per cent of our sustainable financing is directed at communities within the Asia, Africa and the Middle East region (see **sc.com/SFImpactReport** for more detail).

We have focused on strengthening our capabilities in transition finance throughout 2022, including deploying a dedicated Transition Acceleration Team within the CSO organisation to support clients in high-carbon sectors. This team includes specialists with industry knowledge to advise our clients in their individual sustainable finance journeys.

We have set ourselves targets to achieve Sustainable Finance income of $1 billion by 2025, and mobilise $300 billion of Sustainable Finance between 2021 and 2030.

We have set ourselves a target to mobilise $300 billion of Sustainable Finance by 2030. This includes the facilitation of green and social bond raising, provision of funding commitments to green and social causes as outlined below, advisory services to support our clients on their own journeys to net zero and facilitation of Sustainability Linked Loans.

In 2022, we mobilised $23.4 billion through our sustainable financing activities, bringing our cumulative sustainable finance total towards this target to $48 billion since 2021. This target update covers the time period from 1 January 2021 to 30 September 2022. Note the decline in our capital markets activity is consistent with the overall market for green, social and sustainable issuances in 2022. Further our Project Export Finance (PEF) portfolio was impacted by supply chain issues and market sentiment.

1 Mobilisation of Sustainable Finance is defined as any investment or financial service provided to clients which supports: (i) the preservation, and/or improvement of biodiversity, nature or the environment; (ii) the long-term avoidance/decrease of CO_2 emissions, including the alignment of client's business and operations with a 1.5 degree trajectory (known as transition finance); and (iii) a social purpose.

2 Lending transactions are measured as per the loan commitment/ underwritten amount provided to the counterparty. This lending meets the requirements of the Group's Green and Sustainable Product Framework.

Sustainable Finance mobilised[1]

2021	2022	2021–2030
$24.6bn	$23.4bn	$300bn

Product	2022 $mn	2021 $mn	Cumulative progress $m
Balance-sheet related transactions provided[2]			
Green/Transition Project Export Finance (PEF) lending	985	1,647	2,632
Social/Sustainable PEF lending	872	1,290	2,162
Financing Solution (FS) and Leveraged and Acquisition Finance (LAF) lending	2,599	2,427	5,026
Sustainable linked loans (SLL)[3]	5,201	8,544	13,745
Transition finance	144		144
Green mortgages[4]	3,500		3,500
Business banking Small and Medium Enterprise (SME) lending[5]	535	499	1,034
Micro finance	778	618	1,396
Capital Market/Advisory[6]			
Green/Transition bonds	2,899	3,961	6,860
Social/Sustainable bonds	3,593	4,688	8,281
Mergers & Acquisition (M&A)/ Advisory[7]	2,279	905	3,184
Total sustainable finance mobilised[8]	**23,385**	**24,578**	**47,964**
Of the above			
CCIB	18,572	23,461	
CPBB	4,813	1,117	
	23,385	**24,578**	

3 SLLs are measured as the committed/underwritten amount as provided to the counterparty. SLLs provide funding to counterparties with KPIs linked to either green or social targets, and if those targets are met the interest rate charged is reduced by a certain percent and increases if the targets are not met. SLLs are not specific use of proceed instruments and the funding raised may not be used for green and/or social purposes but rather for general business purposes.

4 Green mortgages are lending from Consumer, Private and Business Banking (CPBB) that meets a specific energy rating. During the year, these mortgages were reviewed and identified by CPBB as meeting the requirements of the Group's Green and Sustainable Product framework.

5 Business banking; SME and Microfinance lending which is the provision of finance to the Development Assistance Committee (DAC) lower- and middle-lower-income countries as per the Organisation for Economic Co-operation and Development (OECD). The inclusion of business banking is linked to the Access to Finance sub-theme within the Group's Green and Sustainable Product Framework incorporating Employment generation, and programmes designed to prevent and/or alleviate unemployment, including through the potential effect of SME financing and microfinance. With the inclusion of business banking, the Entrepreneur (Lending to SMEs and Microfinance) aspirations would be double counted and these aspirations have therefore been retired.

6 Capital market bonds are measured by the proportional bookrunner share of facilitated activities as determined by third-party league table rankings based on the level of services provided.

7 M&A/Advisory represents sole financial adviser, measured by the total deal size divided by the number of advisers on the deal.

8 Mobilised $23.4bn of Sustainable Finance is for YTD Sept 2022 and $48bn delivered between 2021-2022 includes full year 2021 and YTD Sept 2022.

In pursuit of this, throughout 2022 we continued to expand and develop our suite of sustainable products in line with our Sustainable Finance product frameworks. These frameworks, developed in collaboration with Sustainalytics, a leading provider of ESG and corporate governance research, are reviewed annually.

Following the launch of our new Transition Finance Framework in 2021, we updated our Green and Sustainable Product Framework and expanded the list of eligible activities.

In CCIB, new product launches included Sustainable Fiduciary Deposits, sustainability-linked sale and leaseback for aviation finance, and ESG structured products with rates underlying.

Within CPBB, we connected retail clients with access to sustainable finance offerings, launching new products including structured notes, sustainable deposits and Green Mortgages. Throughout 2022, we increased the number of markets where we offer Green Mortgages to six, through successful product launches in Vietnam, South Korea and Malaysia.

In total, we now have 31 sustainable finance products spanning both our CCIB and CPBB client segments. By reviewing the income potential from this growing suite of Sustainable Finance products and services, alongside our client base and the estimated scale of the opportunity, we believe that we are on track towards our target of achieving $1 billion of Sustainable Finance income[1] by 2025.

In 2022, we reported $0.5 billion Sustainable Finance related income against this target, and increased our Sustainable Finance asset base by 45 per cent to $13.5 billion between July 2021 and September 2022. This increase was largely due to the identification and tagging of $3.8 billion in Green Mortgages, primarily within the Hong Kong market.

The majority of our Sustainable Finance asset base ($10.2 billion of the $13.5 billion) has been extended to a variety of green projects which help lower carbon emissions, such as renewable energy projects, commercial real estate and funding for the development of rail projects.

Our social lending makes up the remaining $3.3 billion of our total Sustainable Finance asset pool and encompasses categories such as healthcare, education and access to finance.

Our Sustainable Finance Frameworks

Our Green and Sustainable Product Framework governs our Sustainable Deposits products and suite of Sustainable Trade Products, and sets out what qualifies as 'green', 'social' or 'sustainable'.

The Sustainability Bond Framework governs our debt products, providing transparency and guidance on the use of proceeds and the impact of the green, social and sustainable bonds issued by the Group.

We have outlined our approach to defining Transition Finance in our Transition Finance Framework[4]. This Framework is informed by the IEA NZE 2050 scenario.

Sustainable Finance income

Product[1] ($m)	2022[3,4]	2021	YOY[2]
Transaction Banking	**80**	**32**	150%
Trade & Working capital	60	25	140%
Cash Management	20	7	186%
Financial Markets	**326**	**241**	35%
Macro Trading	54	21	157%
Credit Markets	268	217	24%
Financing & Securities Services	4	3	33%
Lending & Portfolio Management	**102**	**88**	16%
	508	**361**	41%

1 SF income is defined as a portion of the Groups income, generated by products and services as approved by the Sustainable Finance Governance Committee. This includes, interest and margin earned on assets as disclosured in the Green and Sustainable assets, and fees from advisory and hedging activities for clients' ESG products.

2 YoY = year-on-year variance which is better/(worse) comparing 2022 to 2021.

3 CPBB income will be added to this product suite in subsequent reporting periods.

4 Our Transition Finance Framework can be found at: https://av.sc.com/corp-en/content/docs/Standard-Chartered-Bank-Transition-Finance-Framework.pdf.

Green Assets[1]

Theme ($m)	Sept'22 $m	June'22 $m	June'21 $m	SDG
Clean Transport	**541**	532	527	
Energy Efficiency	**507**	164	–	
Manufacture of components for renewable energy technology	**393**	42	–	
Energy-efficiency technology	**84**	122	–	
Transport	**30**	–	–	
Green Building	**7,014**	6,326	3,436	
Green Building	**3,216**	2,826	3,436	
Mortgage Portfolio HK	**3,785**	3,491		
Mortgage Portfolio SG	**13**	8		
Pollution Prevention and Control	**102**	110	–	
Renewable Energy	**2,122**	2,425	1,526	
Grid expansion	**59**	63	104	
Hybrid Wind & Solar	**154**	237	174	
Hydropower	**25**	27	20	
Manufacture of components for renewable energy technology	**274**	450	481	
Solar	**785**	976	269	
Waste to Energy	**111**	94	51	
Wind	**714**	577	414	
Sustainable Water and Wastewater Management	**10**	29	13	
	10,295	9,585	5,502	

Social Assets[1]

Theme ($m)	Sept'22 $m	June'22 $m	June'21 $m	SDG
Access to Water	**42**	36	32	
COVID-19	**39**	37	197	
Critical Care Equipment	**21**	4		
Healthcare Facilities	**3**	15		
Hygiene Products	**6**	9	197	
Pharma and Medical Goods	**4**	4		
Protective Equipment	**4**	4		
Healthcare infrastructure	**105**	152	140	
Hospital	**101**	147	140	
Hospital Equipment	**4**	5		
Road Infrastructure	**57**	46	105	
Access to Finance	**2,930**	3,013	3,122	
Business Banking	**2,587**	2,640	2,618	
Micro Finance	**341**	373	465	
Fund finance	**–**	–	165	
SME loans	**2**	–	–	
	3,173	3,284	3,760	
Total Sustainable Finance Assets	**13,468**	12,869	9,262	

Sustainable liabilities[1]

	Sept'22 $m	June'22 $m	June'21 $m
Total bond issuances	**2,083**	1,983	1,095
Total sustainable deposits (CCIB)	**3,154**	3,056	1,943
Total sustainable CASA (CCIB)	**335**	182	–
Total sustainable CASA and deposits (CPBB)	**217**	118	10
	5,789	5,339	3,048

1 Amounts included in the table are as at September 2022, June 2022 and June 2021 from left to right and have been taken from the Sustainable Finance Impact Report (sc.com/SFImpactreport). September 2022 has been prepared under the same basis as the Impact Report and reviewed by Sustainalytics.

See **sc.com/SFimpactreport** for more highlights from our Sustainable Finance portfolio in 2022

A shared ambition – working in partnership

We have identified several opportunities for the Group to play an active role in shaping global standards ranging from net zero to carbon markets. Along these lines, we are actively involved in the leadership of several standard-setting or standard-influencing efforts.

For instance, we are active participants of the Glasgow Financial Alliance for Net Zero (GFANZ) Principles Group, an ambitious programme to generate the commitment, investment and alignment needed to drive forward the transition to net zero. Together with the CEO of Macquarie Group, our CEO is the Co-Chair of the GFANZ Working Group on Capital Mobilisation to Emerging Markets and Developing Economies, and throughout 2022, our Group Head, Conduct and Financial Crime and Compliance has chaired the Net Zero Banking Alliance (NZBA) – the industry-led banking element of GFANZ.

Our Group Chairman has co-chaired the United Nations' Global Investors for Sustainable Development (GISD) Alliance, which has set ambitious objectives to scale up long-term finance and investment in sustainable development; and our Global Head, Sustainable Finance has continued to hold the position of Chair of the Equator Principles Association. In 2023, we intend to support the Equator Principles Steering Committee as our term as Chair comes to an end. We are also joining the Roundtable on Sustainable Palm Oil as a member of the Board of Governors.

In addition, we are members of the United Nations Environment Programme Finance Initiative and the Climate Bonds Initiative, as well as one of the initial members of the Task Force on Climate-related Financial Disclosures (TCFD) and signatories of the Poseidon Principles, a global framework for assessing and disclosing the climate alignment of financial institutions' shipping portfolios.Our Global Head of Sustainability Strategy and Net Zero represents the Group on SBTi's Financial Net-Zero Expert Advisory Group (EAG).

Our Head of Carbon Markets Development is a Board member of the Integrity Council for the Voluntary Carbon Markets (IC-VCM), which is focused on developing a high-quality international carbon market. The IC-VCM carried out a consultation on its Core Carbon Principles over the summer, receiving over 350 responses and 5,000 individual comments. Our Group CEO sits on the Distinguished Advisory Group of the IC-VCM and will aim to be involved in the development and trading of carbon markets around the world.

Meanwhile, we increased our representation at COP27 and the G20 and were actively involved in the launch of several groundbreaking initiatives on the margins of each; these include the launch of the Africa Carbon Markets Initiative (ACMI) and Egypt's Nexus for Water, Food & Energy (NWFE) at COP27, the $20 billion commitment to advance Indonesia's Just Energy Transition Partnership (JETP) at the G20, and the $15.5 billion commitment to the Vietnam JETP.

The Group participates in various industry initiatives, forums and roundtables, including the Climate Financial Risk Forum (CFRF) and Global Association of Risk Professionals (GARP) roundtable, to ensure we benchmark our risk management capabilities and stay abreast of changes.

Similarly, we are engaged at local and regional levels to share insights, comment on regulatory consultations, and better understand the regulatory landscape and practices across our footprint.

Investing in Climate Research

Our four-year partnership with Imperial College London covers long-term research on Climate Risk, advisory on shorter-term, internally focused projects to enhance Climate Risk capabilities and training of our colleagues, Management Team and Board.

In 2022, we sponsored a research project on 'Investing in Nature to Tackle Biodiversity Loss and Enhance Food Security', which explored the risks and opportunities facing the global agricultural sector from climate change.

- Part 1 expanded on the known risks of climate change on the agriculture sector by examining the failings of major climate models, as well as the immediacy of the significant impacts of climate change on the agriculture sector.
- Part 2 explored the potential for nature-based solutions to tackle the interlinkages between agriculture, land-use, and climate change.
- Part 3 focused on the financial opportunities surrounding natural assets and sustainable agriculture.

In addition, we worked with Imperial College London on three advisory projects during 2022, to develop a methodology to assess the impact of Climate Risk on sovereign ratings; develop Physical Risk report cards for sovereigns; and enhance the energy consumption calculation methodology and emission factor database for mortgage portfolios in our key markets.

Mitigating Environmental and Social Risk

While transitioning to a net zero economy creates clear opportunity, it also comes with risk. But before we can manage the risk, first we must be able to identify, assess its size and monitor it.

In the front line, our Environmental and Social Risk Management team within the Chief Sustainability Office aims to drive growth while managing the environmental and social (E&S) risks associated with financing related to our CCIB clients. Our approach is embedded directly into our credit approval process and supports us to work with our stakeholders to identify, manage, mitigate and monitor the potential impacts that stem from our financing decisions.

Our Position Statements, approved by the Group Responsibility and Reputational Risk Committee (GRRRC), outline the standards we apply to assess whether to provide financial services to our clients, and help us to identify and assess E&S risks related to our CCIB clients.

We use these statements – which draw on International Finance Corporation (IFC) Performance Standards, the Equator Principles (EP) and global best practice – to assess whether to provide financial services to clients operating in sensitive (including high-carbon) business sectors. In addition, we have specific guidance for clients operating in sectors with a high potential environmental or social impact. Our list of prohibited activities can be found at **sc.com/prohibitedactivities**.

In 2022, we reviewed 1,170 clients and 550 transactions that presented potential E&S risks. If we find a material E&S issue, we take steps to proactively engage the client to mitigate identified risks and impacts, and support and guide our clients to improve their E&S performance over time.

In relation to climate, we encourage all clients in the Power generation, Metals and mining, and Oil and gas sectors to have a strategy to transition their business, in line with the goals of the Paris Agreement. We review a client's approach to transition using the output from our client Climate Risk assessments. In particular, we utilise a client's Transition Risk mitigation score, which considers both quantitative inputs (e.g. emissions measurement data and reduction targets), and qualitative overlays through direct client conversations to assess management focus and commitment.

We aim to support and guide our clients to a low-carbon pathway and offer them sustainable financing as the main levers to help us achieve our net zero targets. We will also be assessing our exposure to emissions-intensive clients and/or assets and will seek to replace these over time by adding new low-carbon-intensity clients and/or assets to our portfolio.

This does not mean walking away from our existing clients, but instead working with them to finance investment in low-carbon methods and technologies, particularly across Asia, Africa and the Middle East where investment could have the biggest impact. However, for clients who do not align with our Position Statements, we may look to withdraw financial services and exit the relationship if we cannot work with them to align over time.

Group Climate Risk Appetite Statement

"The Group aims to measure and manage financial and non-financial risks from climate change, and reduce the emissions related to our own activities and those related to the financing of clients in order to support alignment with the Paris Agreement"

We recognise how important it is to get this right, so in support of our Sustainability Aspirations, we updated our E&S Risk Management Framework based on our 2021 Position Statement refresh, and we expanded our capacity, establishing a team within our Global Business Service centre in Warsaw to conduct enhanced E&S due diligence on clients. In addition, all relationship managers and credit officers are offered training in assessing E&S risk, as well as having access to detailed online resources. 4,944 colleagues received E&S related training in 2022.

In 2022, we prioritised our approach to biodiversity by undertaking a pilot biodiversity risk assessment. This included a loan book analysis to identify impacts and dependencies from biodiversity-related risks at a sector, country and financial services level. We are continuing to develop our approach to biodiversity, expanding on the review conducted this year to gain a clearer view of the biodiversity risk associated with the Group's activities.

In 2023, we plan to update our Position Statements covering all sensitive sectors, with the requirements to become effective the following year.

Read more about our Position Statements at **sc.com/positionstatements**

Read more about our prohibited activities at **sc.com/prohibitedactivities**

Read more about our reporting against the Equator Principles at **sc.com/equatorprinciples**

Climate Risk appetite metrics

Risk Type	Metrics Reported	Climate Risks Reported
Credit Risk – CPBB	Concentration of consumer mortgage exposure with high gross physical (flood) risk across the Group's seven key markets	Physical risks: flood risk
Credit Risk – CCIB	Net nominal exposure concentration to clients with High Transition and Physical Risk, and Low Readiness	Physical Risk and Transition Risk
Traded Risk	Climate risk is incorporated within Traded Risk Stress Risk Appetite	Physical Risk
Reputational & Sustainability Risk	Net nominal exposure concentration to clients with High Temperature Alignment and Low Transition Readiness to monitor misalignment to Paris Agreement	Temperature alignment – the degree of projected warming up to 2030 under an orderly scenario
Country Risk	Concentration of Gross Country Risk (GCR) exposure for countries exposed to extreme transition and physical risks	Physical and Transition Risk based on internal country Climate Risk index

Supporting our frontline teams, we have a dedicated second-line Climate Risk team. Our Climate Risk Appetite Statement (RAS) is approved annually by the Board, and is supported by Board and Management Team level risk appetite metrics across Credit – CCIB and CPBB, Reputational and Sustainability Risk (RSR), Traded Risk and Country Risk.

The metrics are approved by the Group Risk Committee (GRC) (for Management Team level risk appetite metrics) and the Board (for Board level risk appetite metrics) annually. Monitoring of adherence to risk appetite metrics commenced in January 2022 and any breaches are reported to the GRC and Board Risk Committee (BRC).

We are expanding the scope and coverage of our risk appetite metrics for enhanced risk identification and management. Additional metrics to address our public targets across key sectors and a stress loss metric built on scenario outcomes have been identified and are being monitored for inclusion in risk appetite reporting in 2023. The focus for 2023 will be to increase the coverage of existing metrics and introduce new risk appetite metrics.

The uncertainties surrounding how and when Physical and Transition Risk will impact mean that no tool or methodology is perfectly able to estimate risks from climate change now or in the future. However, we need to move quickly so we are developing methodologies, engaging with clients and integrating Climate Risk into our mainstream risk management activities and assessments. We will seek to adapt our approach as the impact from Climate Risk becomes clearer and the tools and methodologies to gather reliable data mature.

We have toolkits to quantitatively measure climate-related Physical and Transition Risk and in 2022, we continued to enhance our understanding of climate-related risks, and significantly strengthened our stress testing and scenario analysis capabilities for a range of management scenarios that are more plausible. We continue to engage with our corporate clients to understand their Transition and Physical Risks, as well as their plans to prepare for climate change.

The data we captured helped us develop our own client-level climate-risk assessments for both existing and new clients, improve our internal climate modelling capabilities and strengthen the risk measurement and monitoring of the portfolios. Despite significantly advancing in these areas, quality and availability of data is a pervasive issue. While we are focusing on improving the data quality, improvements are likely to take several years. In view of the paucity of data and little to no transition or physical risk related historic data for model testing, several assumptions and limitations must be made while building these models. The limitations and challenges continue to exist which are discussed throughout our disclosures.

For more details on how we apply scenario analyses and consider time horizons, please see **pages 90 to 95.**

For more detail on how we recognise Climate Risk within our ERMF, the risks identified, as well as the processes and toolkits used to do this, see **pages 96 to 112**.

Assessing the resilience of our strategy using scenario analysis

To assess climate-related risks and opportunities in the short-, medium-, and long-term we use scenario analysis to consider how risks and opportunities may evolve under different situations.

Over recent years, we have progressively strengthened our scenario analysis capabilities and developed our infrastructure and capabilities to incorporate Climate Risk into data, modelling, and analysis. Despite significantly advancing scenario analysis capabilities over the past three years, the modelling of Climate Risk impact over a 30-year period has been expectedly challenging across multiple dimensions, including scenario data and pathways, availability of client-specific data, and modelling limitations.

Notwithstanding these challenges, our work to date, using certain assumptions and proxies, indicates that our business is resilient to all Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and International Energy Agency (IEA) scenarios that were explored. For more details on the limitations pertaining to the scenario analysis, please see page 94.

With the aim to enhance our internal scenario analysis capabilities in line with our Risk Appetite Statement, in 2022 we assessed the impact of Transition Risk on our CCIB corporate client portfolio based on three IEA scenarios and three Phase 2 scenarios from the NGFS, and participated in the Monetary Authority of Singapore Industry-Wide Stress Test. We also assessed the impact of sea-level rises under various Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) scenarios to explore the Physical Risk impact on the Consumer, Private and Business Banking (CPBB) residential mortgage portfolio over short- and long-term time horizons for internal risk management purposes.

The results of these analyses are being used to further inform strategy and business planning, set Risk Appetite, identify portfolios with elevated risk concentration, and establish linkages to enhanced credit risk assessments.

While we have continued to use external models to support scenario expansion and modelling of Transition and Physical Risks, in 2022 we built on this foundation and developed internal model-building capabilities supported by an external vendor. The outputs of these models will be used to support IFRS9 impact analysis, stress testing runs and various risk management processes. Our aim is that these internal models will provide greater transparency when compared to vendor models and enable us to run various scenarios and calibrate the models as required. We aim to continuously improve these models throughout 2023 to cater for shorter, more plausible scenarios that can inform our business strategy and financial planning.

The following section describes the scenarios we use, their inputs, assumptions, limitations and key insights.

Scenarios used at Standard Chartered

Transition Risk scenarios

In 2022, we adapted the following scenarios to our CCIB clients:

IEA Scenarios:

- **Net Zero Emissions by 2050** scenario, which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO_2 emissions by 2050.
- **Sustainable Development** scenario, which specifies a pathway to ensure universal access to affordable, reliable, sustainable energy by 2030 (SDG 7.1); substantial reduction in air pollution (SDG 3.9) and effective action to combat climate change (SDG 13).
- **Announced Pledges** scenario, which assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions (NDCs) and longer-term net zero targets, will be met in full and on time.

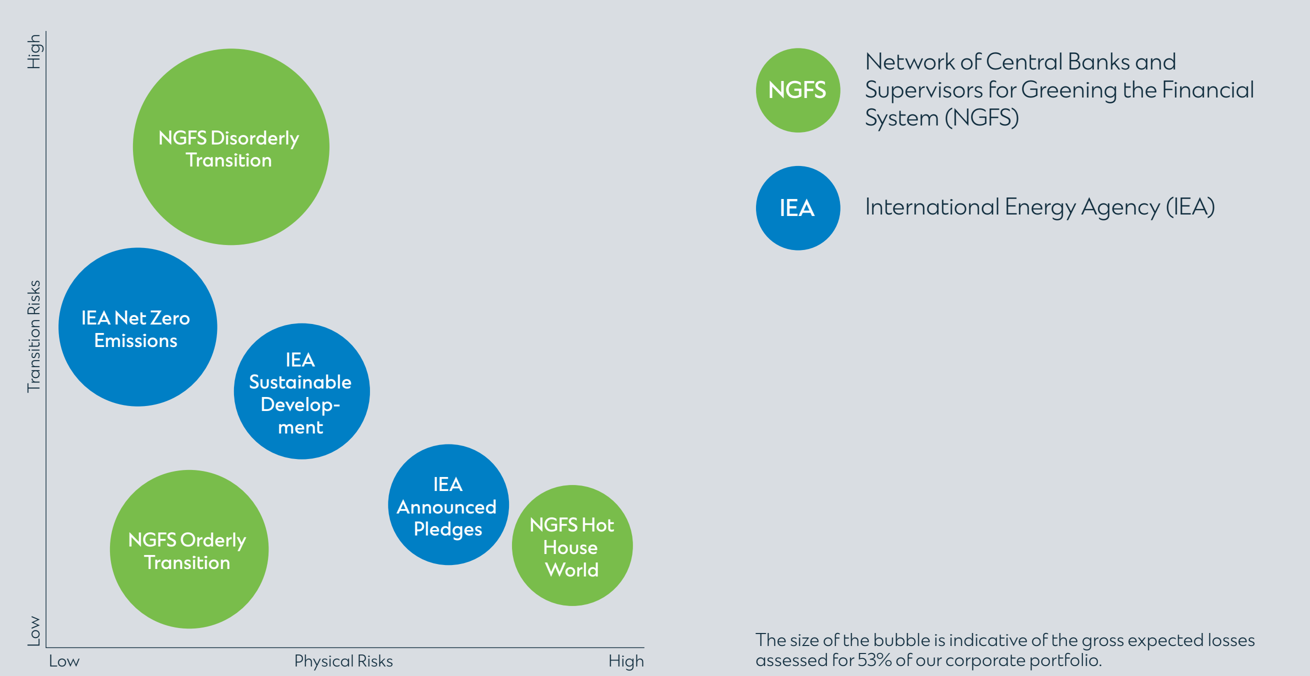
NGFS Phase 2 framework:

This maps scenarios in three different worlds with two scenarios produced under each category:

- **'Hot House' world** scenarios, also noted as 'No Additional Policies', include only currently implemented or pledged policies, which at a global level are insufficient to halt significant global warming resulting in severe Physical Risk.
- **Orderly** scenarios assume climate policies are introduced early and become increasingly stringent, with both physical and transition risks relatively subdued.
- **Disorderly** scenarios explore higher Transition Risk due to policies being delayed or being divergent across countries and sectors.

Each of the three IEA and NGFS scenarios are characterised by different levels of Transition Risk, driven by various features in each scenario.

Scenarios used in Standard Chartered Scenario Analysis



The size of the bubble is indicative of the gross expected losses assessed for 53% of our corporate portfolio.

Features of the IEA and NGFS scenarios used in Standard Chartered scenario analysis

	IEA			NGFS		
	Net Zero Emissions by 2050	**Sustainable Development**	**Announced Pledges**	**Orderly Transition**	**Disorderly Transition**	**No Additional Policies**
Transitional Risks[1]	**High**	**High**	**Moderate**	**Limited**	**High**	**Limited**
Scenario objective	To show what is needed to achieve net zero energy-related and industrial CO_2 emissions by 2050	Explores pathway to achieve universal energy access and meet goals to combat climate change	Show where current NDCs get world towards 1.5ºC target – highlights ambition gap against Paris Agreement	Early and orderly transition towards a low-carbon future	Delayed and disorderly transition with global action commencing only in 2031	Physical risk is high as no new climate policies are introduced beyond those implemented by end-2021. Severe flood event assumed in first half of 2022
Temperature rise[2]	**1.5°C**	**1.7°C**	**2.1°C**	**1.6°C**	**1.8°C**	**3.0°C**
Carbon price[3] **in 2050**	**109**	**95**	**71**	**725**	**670**	**4**
Oil price increase (2050 vs 2021, %)	**-62%**	**-29%**	**-9%**	**-13%**	**-9%**	**76%**
Gas price increase (2050 vs 2021, %)	**-49%**	**-48%**	**-48%**	**-76%**	**-87%**	**-76%**

1 http://www.unepfi.org/wordpress/wp-content/uploads/2018/04/EXTENDING-OUR-HORIZONS.pdf
2 http://www.unepfi.org/wordpress/wp-content/uploads/2018/07/NAVIGATING-A-NEW-CLIMATE.pdf
3 https://av.sc.com/corp-en/content/docs/emissions-whitepaper.pdf

Physical Risk Scenarios

Our Physical Risk tool, provided by Munich Re's Location Risk Intelligence platform, uses standardised scenarios and set time horizons to assess future risk from acute and chronic physical risks. The forward-looking risk indices are derived based on the RCP scenarios published by the IPCC. Given the academic challenges with forward-looking Physical Risk scenarios, it is not possible at this point to customise these as we have done for Transition Risk scenarios.

Forward-looking physical risks, scenarios and time horizons used in our Physical Risk assessments

NATHAN climate hazard indices	Description of current and projected climate hazard scores	RCP Scenario	Time horizon
Tropical Cyclone (TC)	Tropical Cyclone zones	4.5, 8.5	2050, 2100
River Flood	River Flood zones	4.5, 8.5	2050, 2100
Sea-Level Rise	Sea-Level Rise zones	2.6, 4.5, 8.5	2100
Heat Stress	Heat Stress Index based on range of high-temperature indicators	2.6, 4.5, 8.5	2050, 2100
Precipitation Stress	Precipitation Stress Index based on heavy precipitation indicators	2.6, 4.5, 8.5	2050, 2100
Fire Weather Stress	Climatological index for wildfire hazard	2.6, 4.5, 8.5	2050, 2100
Drought Stress	Drought Stress Index based on Standardised Precipitation-Evapotranspiration Index (SPEI)	2.6, 4.5, 8.5	2050, 2100

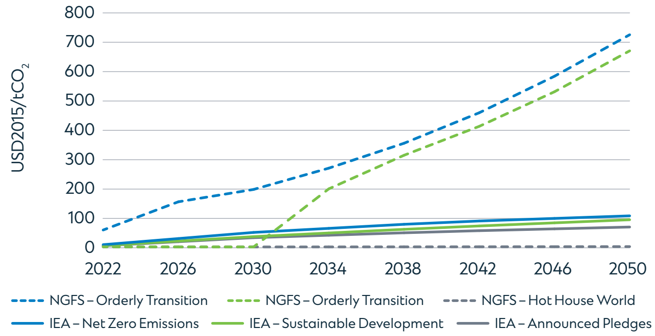
Key scenario parameters that inform Group scenarios

Global carbon price

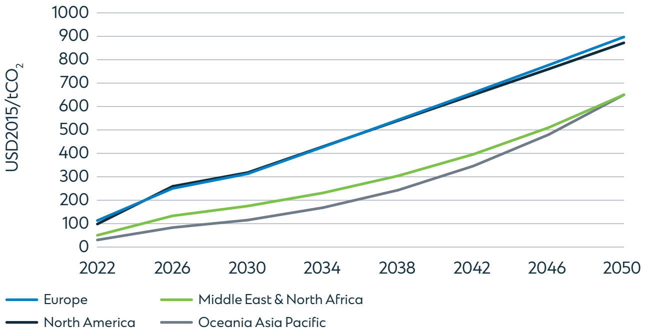
In the NGFS orderly transition scenario, the global carbon price rises progressively to above ~$700 by 2050 as the transition progresses. By contrast, in the NGFS Disorderly Transition scenario, the global carbon price is very low throughout the 2030s, and then rises steeply in line with the extreme decarbonisation effort required in the late 2030s onwards. In the IEA scenarios, the global carbon price is significantly lower compared to NGFS scenarios and rises to ~$100 by 2050 only in the Net Zero Emissions scenario.

Carbon prices can vary significantly across regions. In the Middle East and North Africa, and Oceania and Asia Pacific, the trend of carbon prices in an orderly scenario is gradual over the 30-year horizon, peaking at around $650. North America and Europe on the other hand experience a more rapid pick up in carbon prices between 2020 and 2025 to approximately $250, after which they gradually increase to reach a price of just under $900 by 2050.

Global carbon price used in the NGFS and IEA scenarios and applied at Standard Chartered



Regional carbon price used in the NGFS orderly transition scenario and applied at Standard Chartered

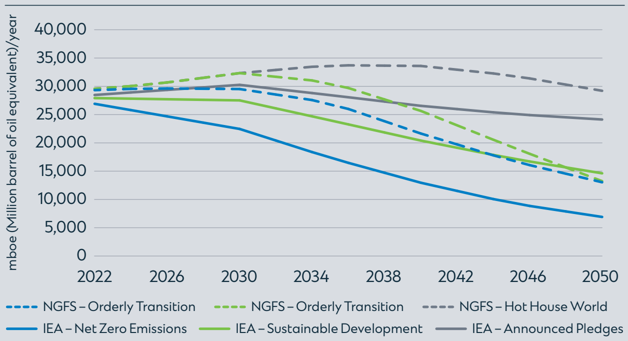


Oil and gas

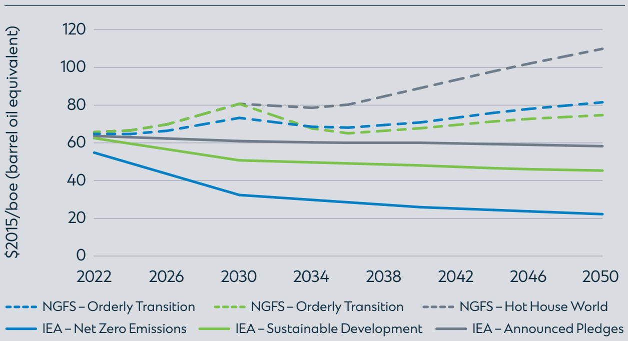
Oil demand varies depending on the scenario pathway taken. In the NGFS 'Hot House' world scenario, the oil demand remains like the present day across the time horizon, whereas in both NGFS Orderly and NGFS Disorderly Transition scenarios, oil demand begins to fall after 2030 and drops by about half by 2050. By contrast, in the IEA Announced Pledges scenario, the oil demand shows a marginal decline to the present day, whereas in both IEA Net Zero Emissions and IEA Sustainable Development, oil demand begins to fall after 2030 and drops by about half by 2050.

The oil price is expected to be impacted. Under both NGFS Orderly and NGFS Disorderly Transition, the oil price continues to increase steadily by 2050. In the NGFS Disorderly scenario, there is an initial increase before it peaks by 2030 and after which it follows the Orderly Transition scenario. In the 'Hot House' world scenario, the oil price is expected to increase continuously to above $100 by 2050. By contrast, in the IEA Announced Pledges scenario, the oil price remains similar to the present day across the time horizon, whereas in both IEA Sustainable Development and IEA Net Zero scenarios, the oil price continues to fall and drops by about half by 2050.

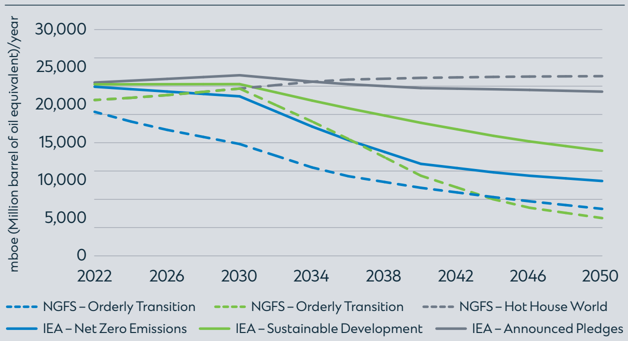
Global oil demand



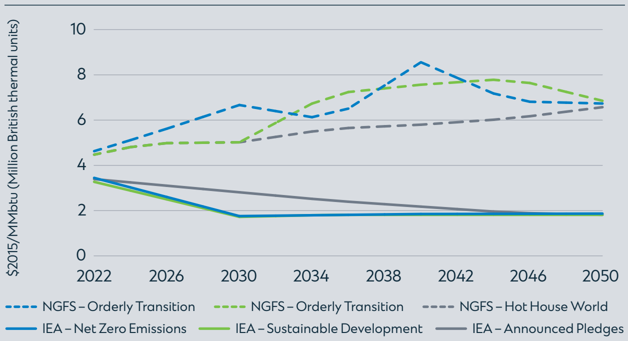
Global oil price



Global gas demand



Global gas price



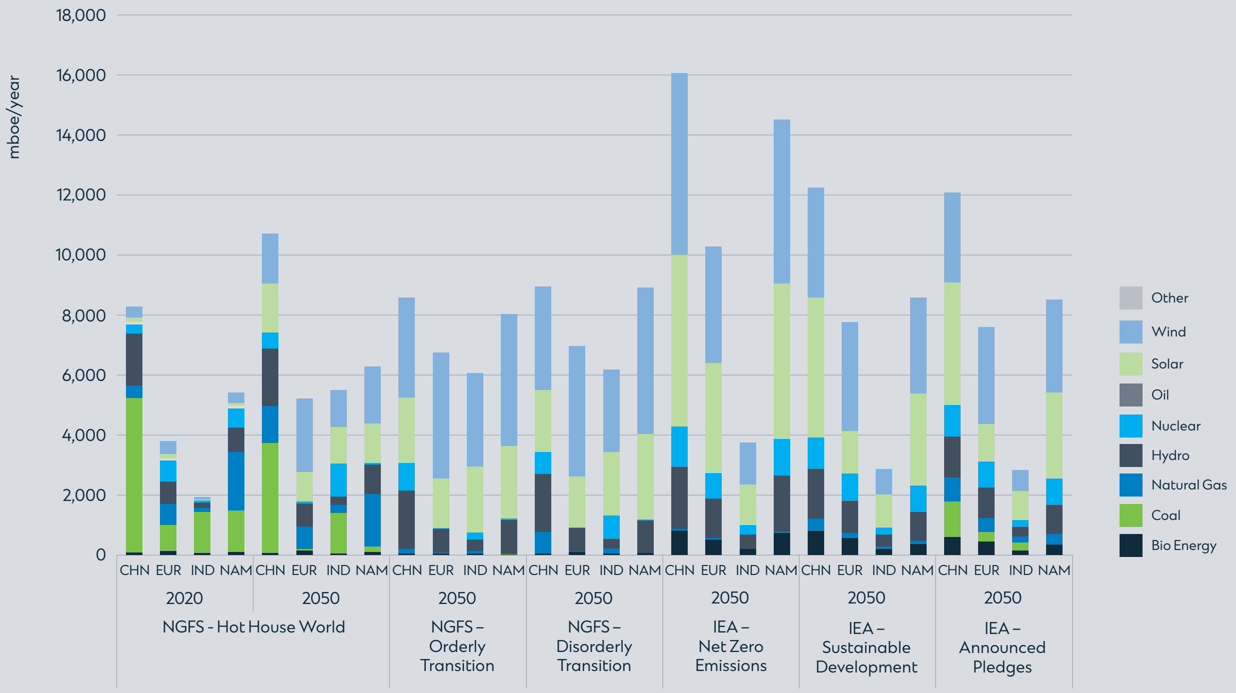
Regional Power Generation

Power sector decarbonisation is not uniform across all regions in our scenarios, reflective of current market conditions and regional need for energy. It also considers that population growth and economies expand at different rates.

Both the NGFS Orderly and NGFS Disorderly Transition scenarios are characterised by a highly decarbonised power sector in 2050 with a significant expansion in renewables. Similarly, IEA Net Zero and IEA Sustainable Development scenarios show significant expansion in renewables.

In the NGFS 'Hot House' world scenario, renewables are projected to increase to meet the growing demand, while the total hydrocarbon power production remains relatively stable. Similarly, in the IEA Announced Pledges scenario, renewables increase to meet reduction in hydrocarbon power production.

Regional power production by energy mix used in the NGFS and IEA scenarios, applied by Standard Chartered Group



Limitations

Despite the efforts in gathering data, significant gaps still exist, and we have not been able to run a Transition Risk scenario for CPBB. We have a plan to close these data gaps, but it is likely to take several years, including periodically working with third parties, use of proxies and engaging clients to gather more information.

The impact of the scenarios has so far been based on a simplified approach, primarily focusing on the credit risk of the Group's portfolios, static balance sheets and conducted at a counterparty level for CCIB clients and postcode level for Consumer Mortgages. Significant increase in credit risk (SICR) thresholds are not incorporated while estimating credit risk losses for climate scenario analysis.

Many of the assumptions and methodologies that underpin scenario analysis rely significantly on nascent methodologies as well as a dependence on first generation external models and data challenges. Most of these limitations are shared across the industry. Levels of disclosure, climate preparedness and policies to limit emissions are often observed to be less mature in some emerging market regions.

As more solution providers come to the market and banks start extensively using them to build internal understanding and capabilities, the transparency and sophistication of modelling methodologies and assumptions will likely increase.

Transition and Physical Risk scenario analysis results

Modelled results demonstrate the clear benefits of early action to mitigate climate change.[1] The modelled results across the IEA and NGFS scenarios have been carried out for approximately 53 per cent of our corporate portfolio, primarily reflective of the gross transition risks, while client-level transition plans have not been factored into the analysis.

Relatively lower loss estimates in the NGFS 'Hot House' world and the IEA Announced Pledges scenarios reflect the nascent modelling capabilities on assessing Physical Risk impact to client asset locations, and second-order impacts such as on the supply chain. The impact from each of the scenarios on aggregate gross expected credit loss in the NGFS and IEA scenarios is shown in the bubble charts on page 91.

In comparison to other stress tests conducted across our portfolios, these estimates are relatively muted.

The result of the IEA Net Zero scenario is more critical, with severe loss projection over a 30-year horizon compared to the other two IEA scenarios. The increase in carbon price, drastic decrease in oil and gas demand and oil price, along with the emergence of a highly decarbonised power sector by 2050 impacts Oil and gas, Commodity traders and the Transportation sectors.

The IEA Announced Pledges scenario shows the least severe loss projection over a 30-year horizon. The scenario depicts a negligible increase in carbon price and almost no change in oil demand and price by 2050. The combination of these factors results in a moderate loss projection.

The IEA Sustainable Development scenario depicts a moderate increase in carbon price. Oil demand almost halves and oil price reduces by ~30 per cent over current levels. The combination of these factors results in higher losses for the Oil and gas, Commodity Traders and Automobile sectors.

The results for the NGFS Orderly Transition scenario are driven by an increase in carbon price and drop in oil and gas demand. The steady increase in carbon price from 2021 to 2050 leads to an overall increase in defaults, driven by the decrease in revenue and profitability levels due to an increase in carbon price related costs.

By contrast, the NGFS Disorderly Transition scenario sees fast-growing carbon prices after 2030, which impacts company Probability of Defaults (PDs) and leads to an increase in loss projections. The Commodity Traders, Oil and gas and Automobiles sectors are the most impacted in this scenario.

The concentration of the Group's portfolio exposure for the top eight residential mortgage portfolios exposed to extreme sea-level rise risk was computed using the Munich Re model's outputs. It has been observed to remain stable at 2 per cent for RCP 4.5 and 8.5 scenarios and at 1 per cent under the RCP 2.6 scenario.

Developing our capabilities

We have identified several areas for future development:

- Improved data availability and ability to gather data across our corporate and retail clients (e.g. client-level emission intensity, physical locations of assets, power consumption patterns). Through our client-level climate risk questionnaires (covering approximately 65 per cent of our total corporate exposure in 2022) we gather information on client-level transition plans, including potential client outreach for clients with high Transition Risk and low transition mitigation levels.
- Continued improvement in scenario design and modelling capabilities, with an established roadmap to develop this capability in-house and build internal models.
- In line with plans to develop internal modelling capabilities, engage an external vendor and/or partner with our academic adviser (Imperial College London) to design a range of scenarios (e.g. short-term, bespoke scenarios targeted to our portfolios and markets, and consideration of second-order impacts).
- Despite these limitations, our intention is to focus on how Climate Risk management can inform portfolio management and support opportunity identification with clients on their transition and adaptation pathways.

Qualitative review of climate risks and opportunities in annual business strategy and financial planning

In 2022, Climate Risk was considered as part of our formal annual corporate strategy and financial planning process. In addition, we developed management scenarios with an aim of strengthening our business strategy and financial planning to support the Group's net zero journey.

We use both qualitative and quantitative aspects focusing on revenue reliance from clients in high-carbon sectors and/or locations in regions most exposed to Physical Risk, considering adequacy of mitigation plans. Where applicable, results are then independently reviewed by regional and client-segment Chief Risk Officers (CROs) and the Climate Risk team. Climate Risk impact is also included in the Risk review of our corporate plan, which is considered by the Board as part of their approval of the overall Corporate Plan. The 2023 Corporate Plan includes an increase in loan impairment due to the impact from Climate Risk.

In most cases, the physical and transition risks identified were assessed to be well controlled in the short term. We are not actively targeting growth in most of the high-carbon sectors and are instead prioritising sustainable finance products to clients in high-carbon sectors to decarbonise their business models. Growth ambition is shifting to lower-carbon sectors such as clean technology. Our sustainable finance priorities, including new emerging products such as sustainable deposits, carbon trading and ESG Advisory, and dedicated transition frameworks, seek to respond to transition risks in the short term, strengthening our resilience towards a 2°C or lower transition scenario. However, longer-term transition risks were highlighted, particularly for the Africa and Middle East (AME) region, given its dependency on fossil fuels; and longer-term physical risks were deemed to be most relevant for the Asia region.

1 The modelled results across the IEA and NGFS scenarios have been carried out for approximately 53% of our corporate portfolio reflective of primarily the gross transition risks while client-level transition plans have not been factored into the analysis. Relatively lower loss estimates in the NGFS 'Hot House' world scenario and the IEA Announced Pledges scenario reflect the nascent modelling capabilities on assessing Physical Risk impact to client asset locations and second-order impacts such as that on the supply chain. The impact from each of the scenarios on aggregate gross expected credit loss in the NGFS and IEA scenarios is shown in the bubble charts on page 91. In comparison to other stress tests conducted across our portfolios, these estimates are relatively muted.

Mitigating the financial and non-financial risks from climate change

We are exposed to Climate Risk through our clients, our own operations and from the sectors and markets we support.

Preparations to manage Climate Risk as a Prudential Financial risk began in 2019. At that time, our Group Chief Risk Officer took responsibility for Climate Risk and the requirements set out in the Prudential Regulation Authority's Supervisory Statement 3/19. Climate Risk was also incorporated into our Group-wide risk taxonomy through the ERMF (where it is defined as 'the potential for financial loss and non-financial detriments arising from climate change and society's response to it').

Since then, we have designed an approach that begins to integrate Climate Risk with other Principal Risk Types (PRTs) within our central ERMF, based around two principles:

- **Treat Climate Risk like a traditional risk type.** Climate Risk may lead to financial losses and non-financial detriments, much like Credit Risk, and should be managed as such to limit the Group's exposure to detriments. This means embedding Climate Risk considerations into our existing risk identification and management processes, governance, reporting, scenario analysis (including stress testing), strategy and financial planning.
- **Recognise and build for where Climate Risk is different.** Unlike traditional risk types, Climate Risk is likely to crystallise over much longer time horizons and is inherently difficult to quantify. Its unique features and a need for granular forward-looking measurements require the use and development of new tools and methodologies to quantify and analyse the implications.

Climate Risk taxonomy

Climate Risk		The potential for financial loss and non-financial detriments arising from climate change and society's response to it.
Sub-risk types		
Physical Risk		Risks arising from increasing severity and frequency of climate- and weather-related events. These events can damage property and other infrastructure, disrupt business supply chains, and impact food production. This can reduce asset values, potentially resulting in lower profitability for companies. Indirect effects on the macroeconomic environment, such as lower output and productivity, exacerbate these direct impacts.
	Acute	Specific event-driven weather events, including increased severity of extreme weather events, such as cyclones, hurricanes, floods or wildfires.
	Chronic	Longer-term shifts in climate patterns, such as changing precipitation patterns, sea-level rise, and longer-term drought.
Transition Risk		Risk arising from the adjustment towards a carbon-neutral economy, which will require significant structural changes to the economy. These changes will prompt a reassessment of a wide range of asset values, a change in energy prices, and a fall in income and creditworthiness of some borrowers. In turn, this entails credit losses for lenders and market losses for investors.

Climate Risk is considered an Integrated Risk Type because it manifests though impacted Principal Risk Types (PRTs) or overarching risk types. Principal risks are those risks that are inherent in our strategy and business model and are also formally defined in the ERMF. We have identified seven PRTs that are most materially impacted by potential climate risks and describes transmission channels for Climate Risk manifesting as financial and non-financial risk.

Existing risk classification and Climate Risk transmission channels in the context of the Group's existing risk types.

Climate Risk manifests through existing risk types

Credit CCIB

Disruption to client business models or operations from both Transition and Physical Risk events may increase operating expenditure as well as cause disruption to revenue. A client's profitability can be impacted due to a reduced demand in high-carbon products or services, impacted asset/collateral valuations and increasing capital expenditure driven by regulatory carbon penalties and investment in new technology aimed at encouraging transition to a low-carbon economy. The impact to profitability can thereby affect their capacity to generate the income required to repay debt, or the capital and collateral required to back the loan.

Credit CPBB

Physical risks, such as rising sea levels and increasingly severe flood events, could damage property and impact collateral valuations, or through direct damage or loss of insurance, could also adversely affect repayment ability and leading to potential increases in credit losses. Furthermore, increased default risk and losses may arise through changes to the economic environment as the economy transitions towards lower emissions.

Operational and Technology

Climate-related risks manifest when acute or chronic physical risks, such as flooding or storms disrupt our own properties (including branches, offices, data centres), client service resilience, third-party corporate service arrangements and material supply chain arrangements.

Country

Climate-related risks may adversely impact sovereigns' economic strength and impact their ability to raise taxes and increase their cost of borrowing, directly impacting their overall creditworthiness. Physical risks from increasing frequency and severity of extreme climate change-related weather events may lead to the degradation of existing infrastructure, large-scale disruptions, displacement of assets and mass migration, while transition risk arises from a sovereigns' efforts to transition towards a low-carbon economy which leads to policy, market and technology shocks.

Reputational and Sustainability

Potential for stakeholders to view the Group negatively due to actual or perceived actions or inactions related to our stated climate, ESG and net zero ambition. Increasing expectations on banks from governments, regulators, NGOs, investors and individuals brings heightened reputational risks.

Compliance

Risk of failing to comply with current and emerging Climate Risk regulations globally. For example, the Prudential Regulation Authority's Supervisory Statement SS3/19 and the Monetary Authority of Singapore's Environmental Risk Management guidelines.

Traded

Acute Physical Risk events or an extremely disruptive transition can cause sudden changes in the fair value of assets driven by commodity price changes. Additional impact may result due to trigger sales, sudden and negative price adjustments where Climate Risk is not yet incorporated into prices.

Treasury

Disruption from weather events and adverse impacts due to the transition to a low-carbon economy, on client business models and financial stability of clients that provide us liquidity, can impact capital adequacy and/or liquidity levels needed to ensure financial stability during periods of stress.

Principal Risk Types: Financial Non-financial

Physical Risk Transition Risk

Across each risk type, we provide some early-stage prototype metrics that provide quantitative estimates of gross transition and gross physical risks using the toolkits explained above and are used to inform risk management for each of the PRTs integrated with climate-related risks. Depending on the PRT, metrics are used for risk-management activities and processes spanning across stress testing, transaction assessments, client reviews, portfolio assessments, risk-appetite metrics and management information. For all the metrics presented, there are challenges with availability of reliable data, and methodologies that are simplistic and first-generation, placing some reliance on proxy information. As methodologies and learnings emerge, we intend to progressively refine and update our approach, and to extend the coverage of client or product groups captured.

Our climate toolkit – processes for identifying and assessing Climate Risk

While the outputs and findings inform our risk management decisions, it is important to be aware of the limitations when assessing Climate Risk. Approaches to quantifying Climate Risk are nascent and data availability and coverage present challenges. This is particularly true in emerging markets where Climate Risk-related disclosure and preparedness can be less advanced. This places some reliance on proxy information and we will refine our evaluations and methodologies progressively as the availability and quality of data improves.

To enable us to gather more data and manage and monitor Physical and Transition risks actively, we continue to conduct case level reviews for enhanced due diligence on high 'Climate Credit' and 'Climate and RSR' for our corporate clients.

The toolkits are used to identify and assess:

- **Physical Risk:** current-day and longer-term time horizons (2050, 2100) under representative concentration pathway (RCP) scenarios 2.6, 4.5 and 8.5, for acute weather events (e.g. storms, floods or earthquakes) and chronic sea-level rise.
- **Transition Risk:** translates orderly, disorderly and 'hot-house' world transition scenario variables from NGFS and Net Zero Emissions by 2050, Sustainable development and announced pledges scenario variables from IEA to financial impact at a client level. See page 94 for more detail on how we use these scenarios and their limitations.
- **Temperature alignment:** provides a temperature score to indicate client- and portfolio-level global warming potential up to 2030.

Overview of our Climate Risk toolkit and application

Advisor or Data Provider	Asset Class or Operations	Metrics	Scope	Time Horizon	Scenario	Application
Munich RE (Physical Risk)	• Corporate • Retail mortgages • The Group's offices, branches and data centres	Location-based hazard and risk scores	• Tropical Cyclone • River • Flood • Sea-Level Rise • Heat Stress Index • Precipitation Stress Index • Fire Weather Stress (climatological index) • Drought Stress Index	Current day, 2050, 2100	RCP 2.6, 4.5, 8.5	Assessing Physical Risk for: 1. Client assets and operating locations as well as property collateral. 2. Retail mortgages – portfolio concentrations by hazard type. 3. The Group's location strategy for operations – branches, offices and data centres, other sites. 4. The toolkit also helps inform the Group's risk appetite across all risk types.
BlackRock (Transition Risk)	• Corporate	Temperature Alignment	• Generate a company's TA score to measure its impact on the climate through a dedicated methodology	2030	2 degrees only	Reputational and Sustainability Risk assessment for CCIB clients in high carbon-emitting sectors
BlackRock (Transition Risk)	• Corporate • Sovereigns	• Financial impact • Equity valuations • Sovereign bond valuations	• Using Standard Chartered data and configurations, run BlackRock's Aladdin Climate Transition Risk models to translate transition scenario variables to impact on company financials and probabilities of default[1]	Up to 2050	Scenarios for categories orderly, disorderly and hot-house world, e.g. NGFS Phase 2, IEA	Transition Risk assessment over various scenarios for corporate and sovereign clients are used for: 1. Client-level review as part of credit decision-making. 2. Portfolio concentration measures including risk appetite. 3. Scenario analysis and stress testing.
Baringa (Transition Risk)	• Corporates • Sovereigns	• Financial impact • Temperature Alignment (TA)	• IEA scenario expansion • Detailed stakeholder walk-through session to review and interpret the results.	Up to 2050	Scenarios for categories orderly, disorderly and hot-house world, e.g. NGFS Phase 2, IEA	Transition Risk assessments over various scenarios for corporate and sovereign clients are used for: 1. Client-level reviews as part of credit decision-making. 2. Portfolio concentration measures including Risk Appetite. 3. Scenario analysis and stress testing.
S&P Global (Transition Risk)	• Provides additional climate data	Emissions information across clients (including history) Corporate client asset-location data	Absolute emissions (tonnes of CO_2e) and emissions intensities by revenue (tonnes of CO_2e/$ million) for Scope 1 and 2 and where available for Scope 3 emissions. (Client-level emissions were only available for about 37 per cent of corporate clients, so sector average proxies were used for the remaining entities.) Geolocation for clients	Current Day and Historic	N/A	Inputs into the Group's client-level risk assessment for corporate clients and net zero modelling.
Imperial College London (Physical Risk, Transition Risk)	• Academic advisory and research partnership	1. Long-term research on Climate Risk. 2. Advisory on shorter-term, internally focused projects to enhance Climate Risk capabilities. 3. Training and education of our colleagues, Management Team and Board.		N/A	N/A	1. The Group has partnered with Imperial College London to produce a three-part series on 'Future of Food' research, exploring the risks and opportunities facing the global agricultural sector from climate change.
Deloitte (Physical Risk, Transition Risk)	• Corporates • Sovereigns	Forecasting the financial impact	• Transition Risk • Physical Risk • Climate scenario expansion	Up to 2050	NGFS scenarios for orderly transition, disorderly transition, and hot-house world	We are developing our own internal Climate Risk models to reduce reliance on vendor models and increase transparency and control in the assessment of the impact of Climate Risk. Once the models have gone through our model risk management governance and approval process, the outputs will be used to support management in their assessment of the impact of climate risk on IFRS 9 expected credit losses, stress testing runs, and related risk management processes.

1 The inclusion of the Aladdin Climate analytics, provided by BlackRock, contained in this report should not be construed as a characterisation regarding the materiality or financial impact of that information. The Aladdin Climate analytics include non-financial metrics that are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data.

The Aladdin Climate analytics are not fixed and are likely to change and evolve over time. The Aladdin Climate analytics rely on comparatively new analysis and there is limited peer review or comparable data available. BlackRock does not guarantee and shall not be responsible for the content, accuracy, timeliness, non-infringement, or completeness of Aladdin Climate analytics contained herein or have any liability resulting from the use of the Aladdin Climate analytics in this report or any actions taken in reliance on any information herein. Some results are disclosed in this report to illustrate our steps in beginning to quantify the impact of Climate Risk. We fully intend to develop and mature our application of Climate Risk assessment over the coming years.

Physical Risk Transition Risk

Processes for managing Climate Risk

Integrating climate-related risks into overall risk management

Climate Risk is recognised in the Group ERMF as an integrated risk type, i.e. it manifests through existing risk types and is managed in line with the impacted risk type frameworks. We manage Climate Risk according to the characteristics of these PRTs and are embedding climate-risk considerations into the relevant frameworks and processes for each. In 2022, we have continued to build Climate Risk into existing risk-management processes, to enhance our ability to identify, assess and monitor across risk types.

We continuously look for ways to refine and update our approach as methodologies and learnings emerge, including the expansion of client or product coverage where possible.

The areas where we have made progress to embed Climate Risk considerations within business and across PRTs are listed below.

Process to embed Climate Risk considerations

Principal Risk Type	Framework/ Policies/ Standards	Risk Appetite	Reporting	Further Details
Credit Risk – CCIB	Y[1] (Effective July 2022)	Y	Y	• The Climate Risk Standard, effective from 1 July 2022, mandates all new and existing corporate clients (CG 1-12) with an advised limit greater or equal to $20m to be assessed for Climate Risk considerations. • A new technology solution called the ESG Navigator has been deployed to assess Climate Risk considerations for all in scope clients since July 2022. • Throughout 2022 we have covered ~80 per cent of high Transition Risk sectors (i.e. Oil and gas, Mining and Power) and ~65 per cent of the Group's total corporate exposure. • By 2023, we aim to achieve 80 per cent coverage of the Group's total corporate exposure and extend Climate Risk-related considerations to deepen credit underwriting and broaden linkages, account management and client engagement.
Credit Risk – CPBB	Y	Y	Y	• In our progress for 2022, we have expanded Physical Risk assessments to additional markets within Consumer Mortgage (Bangladesh, Vietnam, Jersey) and new products (Business Banking Client Mortgage) and Medium Enterprises (ME). These are over and above the Top 8 markets for the Group covered in 2021. • The metrics are refreshed on a quarterly basis and reported to key governance committees.
Country Risk[2]	Y	Y	Y	• Our methodology for Physical and Transition Risk Sovereign Rankings now includes external benchmarks as key inputs and factors in Transition Risk mitigation measures being put in place by sovereigns. • We have partnered with Imperial College to develop Physical Risk Report Cards for key sovereigns in Asia, which provide a detailed breakdown of the scores, along with key takeaways and historic climate disaster statistics. We intend to expand this to other countries.
Reputational and Sustainability Risk	Y	Y	Y	• Adherence to net zero RA thresholds for our Phase 1 high-carbon sectors will be monitored as part of management information. The Climate Risk Decision Framework (CRDF) which helps assess climate-related reputational risk for clients in high transition sectors is now embedded within the Group Reputational Risk Standards. The framework details a set of referral triggers to the Group Climate Risk team to consider for enhanced due diligence and rating change methodology. • We aim to become net zero in our financed emissions by 2050 and have set interim targets for specific high-carbon sectors. This will be extended to other sectors through 2023.
Operational and Technology Risk	Y	In-progress[3]	Y	• All new property sites onboarded within the Group are assessed for Physical Risk vulnerabilities. Material Third-Party Corporate Service arrangements in scope for Business Continuity Management controls are subject to Climate Risk assessment as part of third-party continuity plans.
Traded Risk	Y (Effective May 2022)	Y	Y	• The Traded Risk stress testing framework has been updated to cover market impacts from Climate Risk including an assessment of Transition Risk and two Physical Risk scenarios as part of the global Traded Risk scenarios inventory. These flow into existing Traded Risk Board-level RA metrics.
Compliance Risk	Y	N[4]	N[4]	• We have an established process to maintain oversight of climate risk-related regulations across footprint markets centrally.
Treasury Risk	N[3]	N[4]	N[4]	• We consider Capital requirements as part of the Group Internal Capital Adequacy Assessment Process (ICAAP). On the liquidity side, we have leveraged our client-level Climate Risk assessments to assess climate risk-related vulnerabilities and readiness of our top corporate liquidity providers.

1 Relevant Framework/Policies/Standards, RA metrics and Risk Reporting are available/implemented.

2 Integral component of the ERMF.

3 Plans are in place to integrate Climate Risk into the Framework/policies/standards, RA and Risk Reporting.

4 Plans to integrate Climate Risk into the Framework/policies/standards, RA and Risk Reporting will be developed.

A deeper dive into each risk type is provided in the following section.

Credit Risk

For many banks, Credit Risk presents the largest proportion of risk they face on their books. The industry has developed sophisticated management frameworks, which provide a baseline level of effective mitigation from risks. However, these industry-wide, existing processes have not yet evolved to account for the unprecedented level and type of risk that climate change brings, and additional climate risk-specific analysis is required as the tools and methodologies mature.

Consumer, Private and Business Banking (CPBB) Credit Risk

For CPBB, we have made progress in embedding Climate Risk into mainstream portfolio management in 2022. Our approach is currently more advanced for the Consumer Mortgage business, which is CPBB's largest portfolio and for which there are identifiable and measurable risks applicable to the residential property collateral. Across CPBB, our risk identification and measurement focuses on acute and forward-looking physical risks (storm, flood, wildfire, and sea-level rise) across key markets.

In 2021, this covered approximately 65 per cent of the total CPBB consumer business book. In 2022, this was expanded to three additional markets for Consumer Mortgages and select markets for other CPBB products (Business Banking Client Mortgages and Medium Enterprises, representing 3 per cent and 1.6 per cent of the consumer business book respectively).

We use the output of the Physical Risk assessments of our Consumer Mortgage property locations to inform discussions during our credit portfolio quarterly reviews, and to periodically monitor concentration exposure to the perils identified above.

Within the Consumer Mortgage business, we have developed internal guidance on physical Climate Risk management for all our markets. The recommendations covered through this include the establishment of a zoning policy with differentiated criteria according to the level of exposure concentration to physical risk, the setting of risk mitigations where appropriate, as well as accounting for government-led adaptation measures on Physical Risk if it has not been considered before. A key design step has been to set up the framework for a holistic approach, catering for market forces when establishing the zoning policy, including the setting of appropriate trigger monitoring and escalation measures.

We currently offer differentiated loan-to-value for select ESG focused structured products, which align with the Bank's Green and Sustainable Product Framework.

The focus for 2023 will be to further develop our approach for assessing the physical and transition impact of unsecured consumer lending products such as credit cards and personal loans and initiate work on measuring Transition Risk vulnerabilities of our Consumer Mortgage portfolios. We aim to utilise proxied financed emissions for our key markets to begin model transition risk for consumer mortgages. We recognise that the data limitation will continue to persist given the lack of property-level data on energy consumption and limited energy label coverage in the key markets we operate in. To improve the accuracy of our financed emissions measurement capabilities, we partnered with Imperial College to refine our energy consumption derivation methodology, including the enhancement of our emissions factor database for major markets.

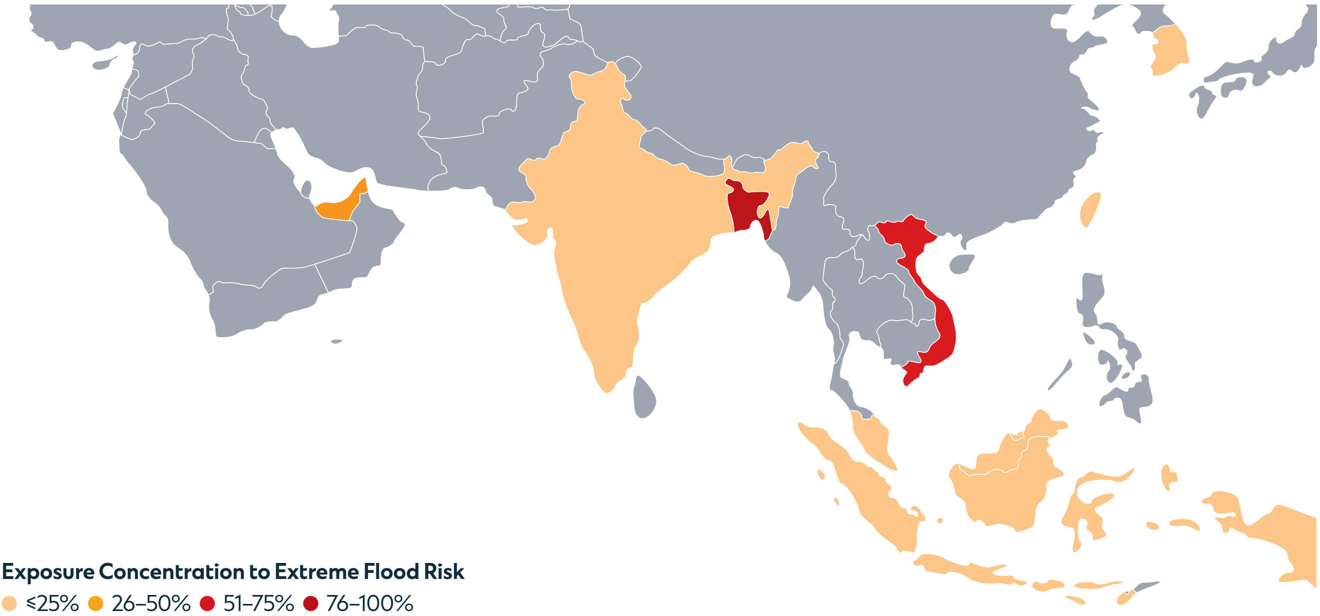
We undertake quarterly scenario analysis for the eight key Consumer Mortgage portfolios, focusing on sea-level rise across 3 RCPs (2.6, 4.5, 8.5) in the year 2100.

Assessment of gross Physical Risk profile for Consumer Mortgages showing outstanding exposure subject to very high gross Physical Risk*

	Outstanding exposure at very high gross Physical Risk %									
Physical risk event	**Korea**	**Hong Kong**	**Taiwan**	**India**	**Malaysia**	**Singapore**	**UAE**	**Indonesia**	**Others**	**Globally**
Flood (Acute)	14%	45%	12%	23%	6%	3%	30%	21%	52%	26%
Sea-level rise (Chronic – RPC 8.5)	1%	4%	0%	1%	0%	0%	36%	2%	1%	2%

* Data as of Sep 22

Analysis of Consumer Mortgage portfolio showing outstanding exposure subject to very high gross Flood Risk



Exposure Concentration to Extreme Flood Risk
≤25% 26–50% 51–75% 76–100%

	Korea			Hong Kong			Taiwan			India		
Physical risk event	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend
Flood (Acute)	14.2%	13.8%	↓	45.0%	45.0%	↔	11.6%	11.8%	↔	22.0%	23.0%	↔

	Malaysia			Singapore			UAE			Indonesia		
Physical risk event	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend	Q4-21	Q3-22	Trend
Flood (Acute)	6.0%	5.7%	↓	2.8%	3.1%	↑	30.1%	30.4%	↔	19.7%	20.5%	↔

Note: Increase is called out for markets showing a rise of >5% year-on-year in flood risk exposure concentration.

Caution about the metrics

The metrics are based on outputs from Munich Re's natural catastrophe model and the results do not factor in existing adaptation measures, governmental policies to protect and build for changing weather, and structural adaptation (e.g. age and quality of construction, or flood defences and dams protecting the property). Over time, sovereigns and policymakers are expected to drive market trends such as investment in adaptation financing, technological advancements, innovative risk transfer and mitigation approaches to combat the potential impacts of climate change. Presently, we do not see any significant stress over the short-term horizon on account of Physical Risk in our Consumer Mortgage and Business Banking Mortgage portfolios.

Corporate, Commercial and Institutional Banking (CCIB) Credit Risk

Our client-level Climate Risk Questionnaire (CRQ) helps us assess the potential financial risks from climate change using both quantitative and qualitative information across five key pillars. The assessment presents a consolidated view of how the individual company has performed with regards to overall Climate Risk, how it sits within the sector as well as a regional view against benchmarks.

Physical Risk for our corporate client locations is assessed using Munich Re's NATHAN tool, which helps us evaluate the impact from current and acute risks of operating asset locations as sourced from S&P's Trucost asset location data.

A view of Transition Risk across a variety of global transition pathways is derived using a climate change scenario modelling tool as well as a temperature alignment tool.

We have also identified relevant climate policy inputs at a sector and regional level and assessed the specific impact timeframe that an entity may face, to provide an understanding of Transition Risk applicable to each client. Their outputs are fed into our client-level Climate Risk Questionnaires (CRQ) to help to create a multi-dimensional consolidated assessment of Climate Risk.

By the end of 2022, we had embedded assessments in our existing credit process for clients covering approximately 85 per cent of high Transition Risk sectors (i.e. Oil and gas, Mining and Power) and 65 per cent of the Group's total corporate exposure (c. 2,100 clients assessed).

Where climate change is expected to manifest into a financial risk in the near-term, we may find it appropriate to apply warning signals, such as risk triggers through an enhanced due diligence conducted by the Group Climate Risk and Credit Risk teams. In 2023, we intend to look at implementing guidance to allow adjustments to credit grading scorecards and additional monitoring mechanisms, for example through our Early Alert process. One of our key focus areas is to develop a pilot framework to help inform these credit decisions and we aim to embed this framework by December 2023.

Our Climate Risk client-level assessment for Credit Risk and data sources

Standard Chartered's corporate client Climate Risk assessment framework				
Governance and Disclosures	**Gross Physical Risk**	**Physical Risk Adaptation**	**Gross Transition Risk**	**Transition Risk Mitigation**
Identify any acknowledgment of climate change related risks in public reports, defined targets, management incentives alignment with Climate Risk, TCFD aligned disclosures. It helps to review the level of Climate Risk management a company has in place, as well as assess how the market can perceive their sophistication of climate disclosures.	Modelled output to assess the current day and forward-looking risks to client's operating locations across a number of climate related hazards.	Acknowledgment and assessment of Physical Risk to client's business, its supply chain and on assets from a forward-looking perspective, quantification of Physical Risk impact, adaptation measures to date, adaptation measures in plan, including insurance coverage.	Identify Transition Risk of a company based on the client's reliance on fossil fuels as part of product/service mix, potential financial impact under various climate scenarios as well as potential macro and micro-climate risks via the tracking of climate transition policies across all footprint regions and sectors. Additionally, we look at how the entity performs across these areas, with respect to the average of the sector in which they operate, to identify divergences from sector transition expectations.	Acknowledgement of Transition Risk and a display of credibility of a client's business and supply chain focused on assessing their emissions reporting, emissions reductions targets and progress, plans to reduce reliance on fossil fuels, capital expenditure or investment in low carbon technologies, adaptability for change in consumer demand as well as strategy plans towards implementing internal carbon pricing or other offset related mechanisms.
Data sources				
TCFD disclosures, CDP, ESG, Sustainability reports, annual reports	S&P (asset level data), Climate Change Scenario Model and Munich Re's NATHAN & Climate tool	TCFD disclosures, CDP, ESG, Sustainability reports, annual reports	S&P for client-level emissions data, temperature alignment model and climate change scenario model	TCFD disclosures, CDP, ESG, Sustainability reports, annual reports

In 2023, we aim to refresh existing assessments as well as expand our coverage to c.4,000 clients covering 80 per cent of the overall corporate net nominal exposure. Additionally, as part of our ongoing agenda to accurately measure the total impact from Climate Risk, we have started to develop an approach for assessing the Climate Risk of our clients' collateral across property, shipping and aviation and will begin incorporating this into our Climate Risk assessments when finalised. For the shipping and aviation sectors, we assess the vulnerability to transition risk of the underlying collateral asset itself (aircraft or carriers), whereas for property collateral, Physical risk related vulnerabilities are prioritised.

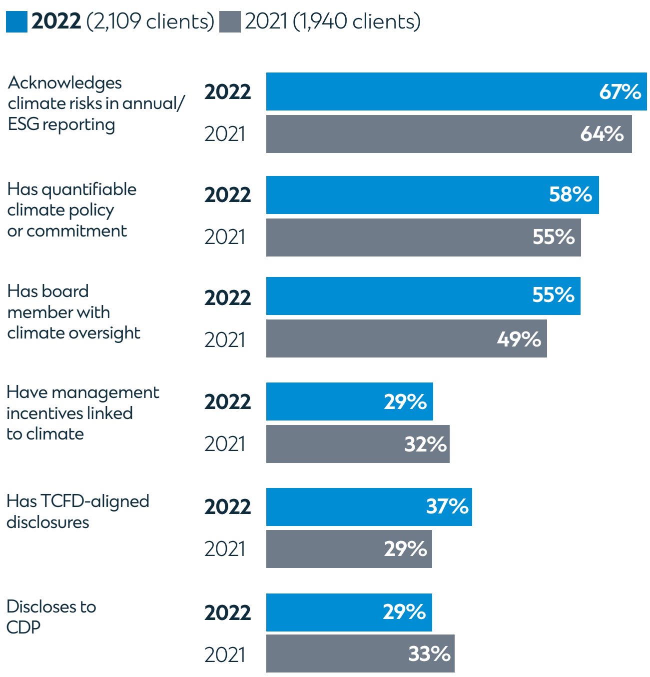
The client assessments not only help form a view of the overall Climate Risk vulnerabilities and readiness for clients but provide a tool for data gathering and analysis of the underlying themes that drive Climate Risk and its mitigations. The following section gives insights gained from all completed Client Risk assessments performed over 2022 (2,100 entities covering approximately 65 per cent of corporate net nominal exposure), compared with the previous year (covering 1,940 entities), to highlight the direction of travel across our portfolio. The charts indicate the percentage of clients within our assessed portfolio performing Climate Risk management activities.

* Data as of Nov 22

Governance and disclosures

This pillar of our client assessment seeks to understand how climate-related responsibilities are managed within an organisation with a stronger score indicating a greater degree of client readiness. Two-thirds of clients now acknowledge Climate Risk as a financial risk to their direct operations and/or supply chain, while only 58 per cent have a quantifiable climate policy or commitment in place. These have both increased since our 2021 assessment, reflecting an increase in our coverage, as well as a positive movement from companies to disclose their climate-related risks, moving to over half of assessed clients.

Results from our client-level Climate Risk assessment on governance and disclosure*

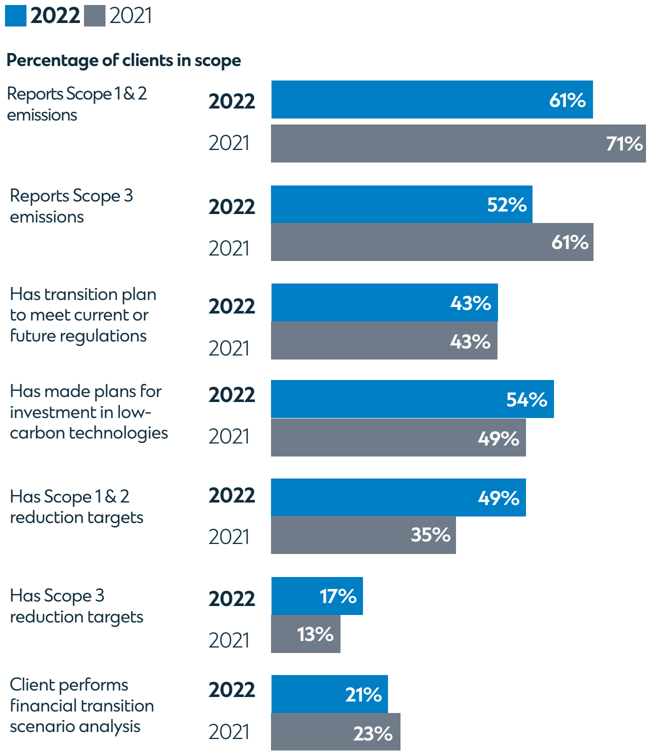


* Data as of Nov 22

Transition Risk readiness

This pillar of the CRA covers the intent, progress and capability of the client to mitigate the risks in transitioning to a net zero economy. There has been a drop in the percentage of clients reporting Scope 1, 2 & 3 emissions. Despite this, the number of clients that have set Scope 1, 2 & 3 emissions reduction targets has grown, showing a positive trend towards setting quantifiable commitments to action against climate change. This is encouraging as it shows quantifiable steps taken by corporates to act on their transition plans.

Results from our client-level Climate Risk assessment on transition readiness*



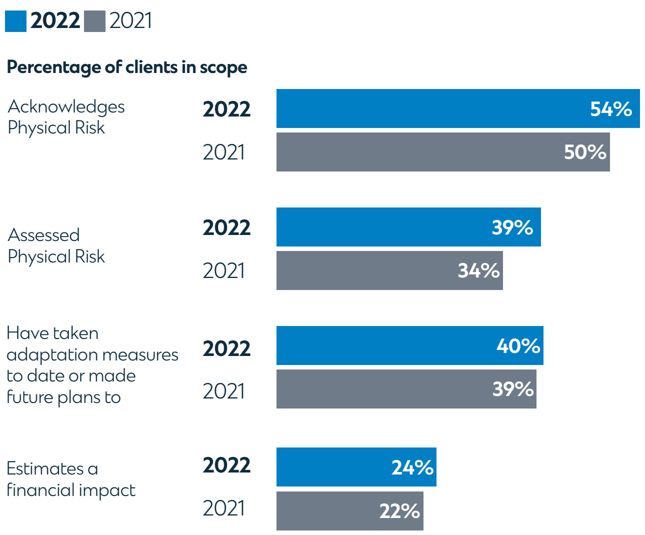
* Data as of Nov 22

Physical Risk readiness

Through this pillar, we are seeking to assess if clients have quantified the financial impact of physical risks and understand if they are taking proportionate adaptation actions.

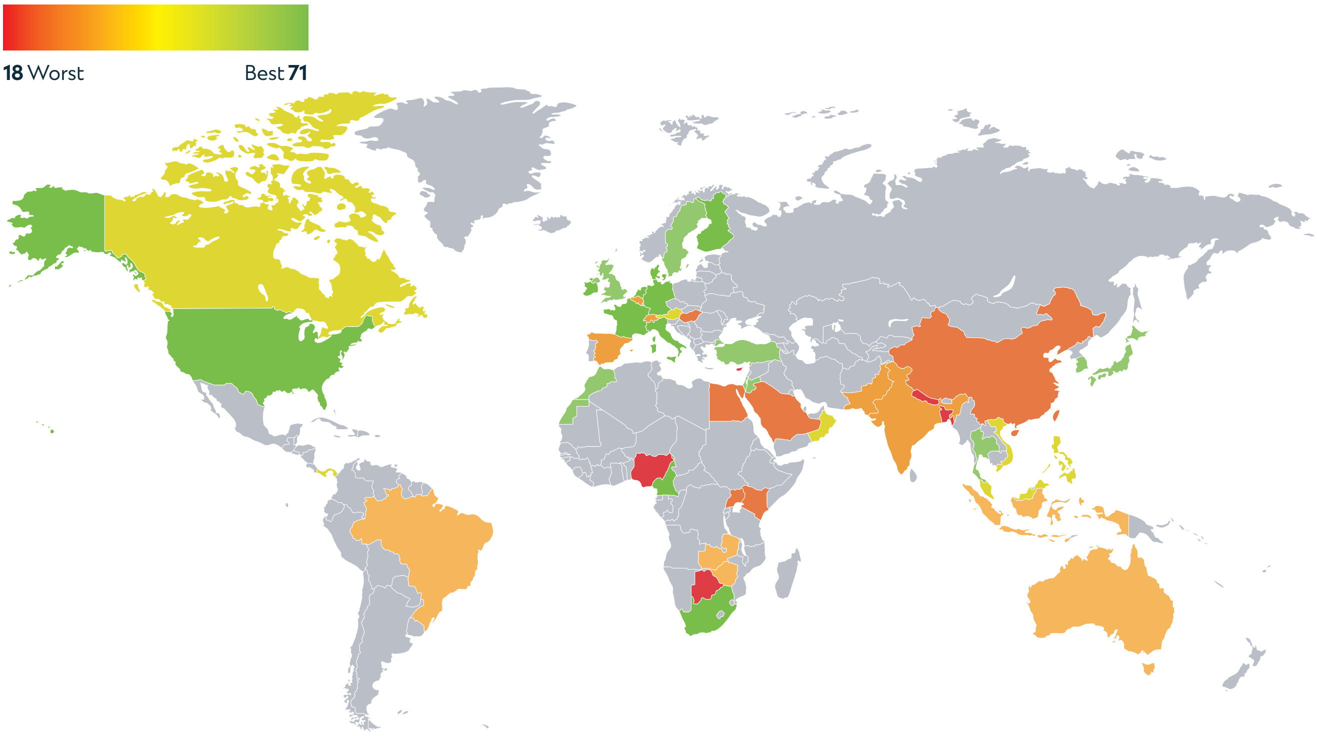
We have seen a positive movement in the number of clients acknowledging the impact that physical risks could have on their direct operations, up to 54 per cent, while those adopting adaptation measures against these risks has only climbed by 1 per cent. This is not surprising, as we have seen little progress in industries towards physical adaptation measures given the long-term and large-scale nature of mitigants.

Results from our client-level Climate Risk assessment on Physical Risk readiness*



How do different regions fare in their risk and preparedness?

Client-level Climate Risk assessment scores by region



2022 Assessment*	Number of clients	Overall score	Governance & disclosures	Gross Physical Risk	Physical Risk adaptation	Gross Transition Risk	Transition Risk Mitigation
Asia	1,335	41%	40%	66%	27%	42%	36%
Africa & Middle East	386	37%	31%	67%	21%	38%	27%
Europe & Americas	388	57%	63%	81%	47%	46%	58%
Total	**2,109**	**43%**	**43%**	**69%**	**29%**	**42%**	**38%**

2021 Assessment	Number of clients	Overall score	Governance & disclosures	Gross Physical Risk	Physical Risk adaptation	Gross Transition Risk	Transition Risk Mitigation
Asia	1,238	40%	36%	67%	27%	36%	36%
Africa & Middle East	340	38%	34%	69%	25%	33%	32%
Europe & Americas	360	51%	53%	78%	39%	37%	50%
Total	**1,938**	**42%**	**39%**	**70%**	**29%**	**35%**	**38%**

* Data as of Nov 22

The average overall score in our client-level Climate Risk assessment has remained at around 43 per cent in 2022. This is despite our increased coverage of clients with high Climate Risk scores.

Scores were on average better in developed economies and regions (EU, US, UK) and on average lower in the emerging markets (AAME), and this observation was seen consistently across the assessment pillars. This is driven by the increased level of climate policy and regulation in the developed economies and regions; however, clients in these markets are also subject to higher expectations and scrutiny as a result.

Physical Risk adaptation scored the lowest across all five questionnaire sections, indicating a low readiness of corporates to potential climate-related events, while gross Physical Risk scores decreased to 69 per cent in 2022 from 70 per cent in 2021. This is driven by an increased assessment coverage in our Asia region, where there is a higher frequency of physical risk hazards (e.g. storms and flooding).

Overall levels and consistency in the availability of climate information from public disclosures is still low, and in many cases absent, which highlights the importance of carrying out direct engagement with our clients.

Benefits from the client engagement

We learned a lot from undertaking the client assessments, and so did our clients. The benefits included:

- Improvement of our data coverage, especially where this was not publicly available, and strengthening the quality of our risk assessments and modelling capabilities. The client-level risk assessments are now being integrated into the CCIB Credit Risk underwriting process.
- Clients were interested in seeing their Climate Risk profiles, as well as the tools and methodologies we use to quantify their Transition Risk. They were also interested in how to improve their climate-related reporting and disclosures.
- Internal capability-building of our client bankers and risk teams, with all affected frontline staff required to complete internal climate-risk training.

Vulnerable sectors to Climate Risk

Climate change impacts almost all the sectors within the economy. However, we note that there are certain sectors that are more vulnerable to climate risks under different Transition Risk and Physical Risk scenarios.

Our approach to Transition Risk assessment is data-led, covering a broad range of sectors and at a company level where data is available and use of proxies in absence of granular information. We use a climate-change scenario model, which helps us to assess potential credit-grade movements for our corporate clients over a 30-year time horizon for a range of scenarios ranging from NGFS scenarios as well as the IEA scenarios. This is based on a sample of 2,388 corporate client entities covering 53 per cent of corporate good book on net nominal basis. We have used the MSCI Market Classification to assign countries or regions as developed or emerging markets.

Caution about the metrics

Scenario-based potential credit downgrades are one approach for estimating future Transition Risk. The probability of default metrics that inform potential credit downgrades capture the potential impact to clients' financials under different transition scenarios.

The potential credit downgrades estimated do not factor in the transition mitigation plans that our clients and the Group will undertake over the next 30 years and represent the gross risks we are exposed to.

The results indicate a 'what if' analysis, and not a 'what is likely to happen' view. As climate action increases globally, clients, sovereigns and banks are likely to take additional mitigation measures to manage transition risks.

A 30-year period inherently brings challenges around forecasting likely outcomes, due to the uncertainties associated with the speed and direction of transition, including breakthrough technological developments, sovereign policies and management responses.

Projected potential average minor notch credit grade downgrade by 2050 based on our climate scenario analysis of the in-scope sample corporate portfolio*

	Developed Markets						Emerging Markets					
	IEA Net Zero Emissions	IEA Sustainable Develop-ment	IEA Announced Pledges	NGFS Orderly	NGFS Disorderly	NGFS "Hot House"	IEA Net Zero Emissions	IEA Sustainable Develop-ment	IEA Announced Pledges	NGFS Orderly	NGFS Disorderly	NGFS "Hot House"
Automobiles and components	0	0	0	1	2	1	0	0	0	1	2	1
Construction	0	0	0	1	2	1	0	0	0	1	2	1
Consumer durables and apparel	0	0	0	1	1	1	0	0	0	1	2	1
CRE	0	0	0	0	1	1	0	0	0	0	1	1
Metals and mining	1	1	0	2	3	1	1	0	0	2	2	1
Oil and gas	9	7	3	8	8	1	7	5	3	5	5	1
Telecom	0	0	0	0	0	0	0	0	0	0	1	1
Transportation	2	1	1	2	3	1	1	1	0	3	3	1
Utilities	1	0	0	1	1	0	0	0	0	0	1	0
Total portfolio	**1**	**1**	**0**	**2**	**2**	**1**	**1**	**0**	**0**	**1**	**2**	**1**

* Data as of Nov 22

Insights

Climate risks are likely to impact our portfolios disproportionately, depending on the region and sector. Fossil fuel dependent sectors that are most sensitive to emissions reduction policies are likely to see larger credit downgrades over a 30-year period. Oil and gas, Metals and mining, Transportation, Automotive and Commercial Real Estate are the sectors most impacted in the NGFS scenarios, while the oil and gas sector is likely to be most impacted under the IEA scenarios. Compared with our 2021 disclosures, the impact is relatively muted given the scenario selection and underlying scenario pathways being more benign as provided in the NGFS and IEA scenario datasets.

Sectors exposed to Transition Risk

The vulnerable industries list identified below is based on the expected increase in potential additional costs driven by adopting new technology, changing energy mix towards renewables and associated technology adoption costs as well as an application of a carbon price over a long-term horizon which will eventually impact the companies' ability to remain profitable in the long run.

Sectors most impacted by Transition Risk include:

Oil and gas, including coal and the manufacture of refined petroleum products. Industry efforts to decarbonise are currently supported by switching to gas, biofuels, hydrogen and renewables, as well as leveraging technologies such as Carbon Capture and other emissions abatement projects. The oil and gas sector plays a central role in global efforts to decarbonise, with several of our clients having already committed to decarbonisation targets, most with carbon intensity targets for Scope 1 and Scope 2 emissions. Another linked sector that is likely to be impacted is the Commodity Traders linked to upstream and downstream supply chains for Oil and gas.

Power: Our focus remains on selectively financing grid expansion and renewable energy, recognising that these are key enabling technologies that support the transition towards greener sources of power. Switching to abated gas will be key in the short-term to support the transition away from thermal coal.

Metals and mining: This sector provides raw materials that support much of the global economy including those required for building and scaling clean energy technologies at the rate required in the NZ scenario. The sector contributes around 12 per cent of global emissions (Scope 1 and 2), of which Asia, Africa and the Middle East contribute more than 75 per cent. Structural changes in demand, combined with financial and regulatory pressures, are driving increased awareness of the need for companies in this sector to decarbonise operations. Some of our clients have already committed to net zero targets and we are working with them to reduce their emissions through financing transition technologies.

Transportation: This covers a range of sub-sectors that primarily rely on the burning of fossil fuels such as gasoline and diesel to deliver its direct and indirect services. Burning fuels directly results in the release of CO_2 and other emissions into the atmosphere and contribute significantly to Scope 3 emissions on many other industries.

These sub-sectors consist of:

- **Aviation,** such as airlines and air transport entities themselves, aircraft manufacturers as well as air transport services, such as airports and ground staff.
- **Shipping,** such as freighting services as well as entities that maintain and operate ports and terminals.
- **Automobiles,** including the production and manufacture of automobiles and their components, as well as any related service companies.

Sectors exposed to Physical Risk

Below vulnerable industries are shortlisted based on expected physical damage to the industry over a longer time horizon.

Real Estate activities: One of the sectors that is most likely to be impacted is Real Estate activities. Given the nature of the asset-backed lending, an increased frequency and severity of acute weather events and increase in chronic risks will significantly increase damage costs that the Real Estate portfolio will be exposed to if adaptation measures taken are not significant.

Manufacture of food and agricultural products: Agriculture is highly vulnerable to climate change and therefore from the impact higher carbon emissions can have on local climate and the environment. Dry summers or heavy rainfall seasons could dramatically impact crops, leading to significant fluctuations in profitability and risks for companies throughout the supply chain.

The impact in developed markets is found to be higher than that in emerging markets. This is driven by higher regional carbon prices in developed markets which lead to a higher number of defaults over the next 30 years.

Reputational and Sustainability Risk

Climate Risk is considered within the Reputational and Sustainability Risk Framework, for our corporate clients, through an assessment of a client's ability to meet their own climate related commitments, as well as satisfy the Group's public ambitions and position statements as well as its responsibilities for ESG risk management.

We have continued to perform additional client-level due diligence leveraging our Climate Risk questionnaires where possible to identify additional Reputational Risk from climate-related factors.

This additional due diligence is conducted by the Group Climate Risk team for (i) clients in our high Transition Risk and Phase 1 net zero sectors (Oil and gas, Power, Metals and mining), (ii) clients with a coal nexus[1] as well as (iii) those that have been assessed at client level as high Climate Risk. Given the lack of attribution for Physical Risk events, the assessment concentrates on Transition Risk. The assessment focuses on three pillars covering both client and transaction level aspects:

Client level

- Temperature alignment scoring and a comparison to the client's peers.
- Client-level transition readiness and robustness of plans from Climate Risk Questionnaires or through desktop assessments

Transaction level

- Emissions impact of transactions considering both internal and regional contexts.

* Data as of Nov 22

1 As defined by the Group's public Position Statement to only provide financial services to clients who, by 2030, are less than 5% dependent on thermal coal (based on % revenue).

- Of the case reviews completed, an increase in Reputational Risk rating was suggested for ~13 per cent of transactions. These consisted of companies in both the oil and gas and manufacturing sectors, primarily looking to procure coal or other high-carbon emitting products for manufacturing, production or wholesale purposes. In addition, some entities with high temperature alignment scores and no clear transition plan were raised as having additional risk and rating increases recommended.

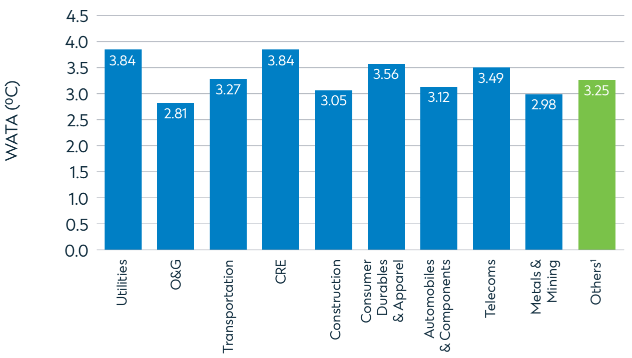
The above-mentioned due diligence is in addition to wider existing environmental and social (E&S) risk management processes as well as our oversight against our Position Statements and Prohibited Activities list. During 2022, we have enhanced this E&S process through the Environmental & Social Risk Assessment (ESRA) to identify clients and transactions which may be more susceptible to reputational risk by assessing clients' level of commitment and strategy to manage climate change as well as their level of alignment to international standards of greenhouse gas emissions reporting.

This is intended to ensure a greater level of oversight of clients' readiness to manage climate change and the limitations on business activities that could result in a significant shift in stakeholder views (from both environmental and social impact) and/or negative perception by investors and the market.

Where negative perception exists or there is exposure to clients that do not comply with E&S criteria, reviews are conducted at a client level to identify root causes and propose mitigation plans, which are agreed with the relationship manager. These may involve client engagement, commitment from clients to take corrective action in the context of their business, or may result in potential run down if corrections cannot be achieved.

Additionally, where specific criteria in Position Statements are not fully met or there are individual clients that do not comply with the enhanced E&S criteria, these may be deemed to have high/very high reputational risks and are escalated to the Group Responsibility and Reputational Risk Committee (GRRRC) for client and transactional determinations.

Weighted average temperature alignment (WATA) – 2030 by client sectors



1 The weighted average of approximately 20 other sectors to which the Group has the lowest net nominal exposure

We have also set a Risk Appetite for our exposure concentration to clients with a high-temperature alignment combined with low-transition readiness.

We use temperature alignment as a metric to inform our client-level Climate Risk assessment, which is part of the Reputational and Sustainability Risk reviews for clients and transactions as mentioned above. Temperature alignment is one way to consider a company's impact on climate change and an approach to estimate the emissions profile of our clients. It is calculated based on emission intensities and volume of hydrocarbons produced. It maps the company's forward-looking carbon intensity and hydrocarbon production outlook (where applicable) against a temperature alignment score.

We assessed the weighted average temperature alignment (WATA) of 2,388 corporate client entities (covering 53 per cent of corporate good book on net nominal basis) by high-carbon sector, projected to 2030. As part of our 2023 modelling roadmap, we are also looking to develop an in-house methodology to model temperature alignment and overall reduce reliance on third-party modelling capabilities.

Caution about the metrics

- Temperature alignment is an emerging concept, and industry-wide standards on methodology are still evolving. We expect our approach to evolve in line with best practice.
- Client-level emissions were only available for about 37 per cent of corporate clients, so sector average proxies were used for the remaining entities. In 2023, we aim to refresh existing assessments as well as expand our coverage to c.4,000 clients. The client assessments not only help form a view of the overall Climate Risk vulnerabilities and readiness for clients but provide a tool for data gathering and analysis of the underlying themes that drive Climate Risk and its mitigations. Additionally, expanded coverage from the existing vendor engagement will help to bridge the data gaps.

Insights

- Our overall average is 3.25ºC, indicating that our portfolio is largely in line with the current global emissions and temperature trajectory.
- Compared to other sectors within our portfolio, Utilities and CRE have a higher temperature alignment compared to other sectors, given the dependence on high-carbon emitting production, but our portfolio temperature alignment for these sectors is below the sector average.
- Compared to the previous year, average sector temperature alignment scores have increased across most of the sectors. This increase is driven by improvements in both emission data coverage for our clients (i.e. reduced use of proxies) and changes in the third-party temperature alignment scoring methodology. A maximum increase of 26 per cent for CRE is observed where WATA score has increased from 3.1 in 2021 to 3.8 in 2022. Telecommunication (26 per cent increase) and Consumer durables and apparel (24 per cent increase) are other notable sectors with an increase in WATA.

Country Risk

The Group has developed a set of Physical and Transition risk rankings, to identify from a set of 165 sovereigns globally that are deemed most vulnerable and least ready to adapt and mitigate climate-related Physical and Transition risks.

- The Physical Risk rankings are based on a set of publicly available scores such as ND-Gain Country Index and GermanWatch Climate Risk Index, as well as S&P Global Ratings and Moody's Investors Service.
- The Transition Risk rankings are based on an internally developed methodology which comprises a combination of both climate and macroeconomic data.

The two pillars underlying this assessment include the Sovereigns' Gross Transition Risks (such as reliance on carbon-intense sectors, import and export of fossil fuels, gap to fill to meet 2030 Nationally Determined Contributions targets) and Transition Risk Mitigations established (such as low-carbon energy production in place, imports of low-carbon technology, governments' ability and credibility to support the transition). The two pillars are further combined to obtain a measure of Net Transition Risk for each market.

Based on their aggregated Physical and Transition risk scores, sovereigns are split into decile-based rankings. These rankings are a qualitative input to the Group Country Risk reviews for sovereign credit grades and limits, inputs to various climate-related stress tests and computation of Country Risk Benchmarks and Risk Appetite. They are also used as proxies for missing client asset location information in Climate Risk Assessments.

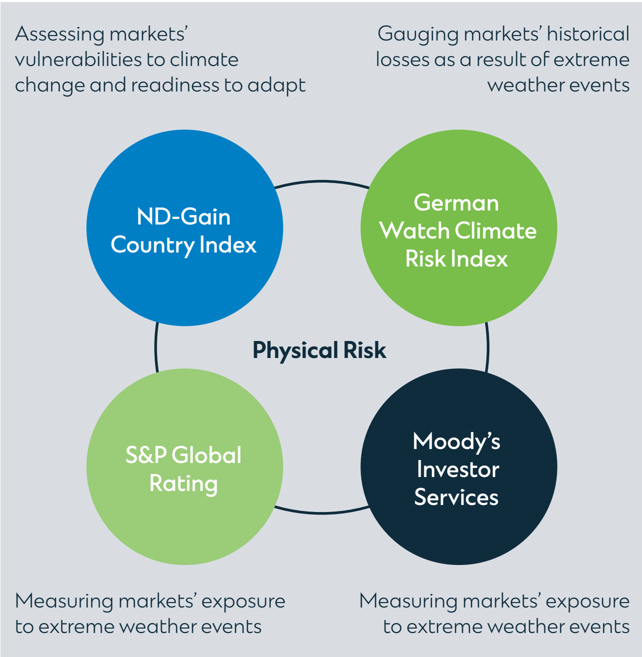
Insight

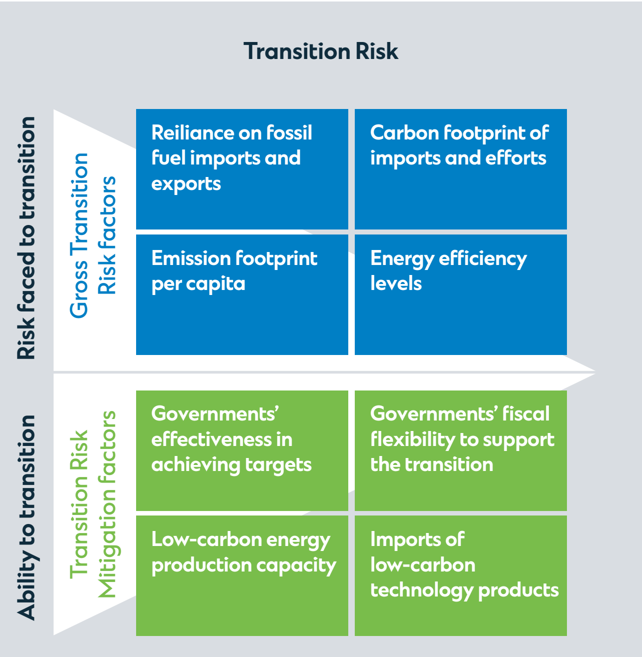
- For Physical Risk, the bulk of exposure is located in sovereigns which score in the top half (buckets 1 to 5), with over 2 per cent in the two lowest categories (buckets 9 and 10).
- Similarly, for Transition Risk, the bulk of exposure is located in sovereigns which score in the top half, with less than 1 per cent in the two lowest categories (buckets 9 and 10).
- This indicates that the Group is overall well positioned in managing its climate-related physical and transition risks. The combined exposures in the two worst categories are also well below the Group's current Risk Appetite escalation levels.

Caution about the metrics

- The rankings are informed by external indices.
  - Physical Risk rankings are based on four scores (ND-Gain Country Index/GermanWatch Climate Risk Index/S&P Global Ratings/Moody's Investors Service)
  - Transition Risk rankings are based on Gross Transition Risk and Transition Risk Mitigation factors, with data sourced from World Bank/OECD/S&P/International Monetary Fund/Fitch Ratings
- The computation inputs are based on latest available data which may be dated. Proxies have been used where data for the sovereign is not available.
- The ranking uses equally spaced decile scores and provides the results in an ordinal manner. While the simplicity helps in adoption and provides the relative position of the sovereigns, other systems may provide more information.

Physical and Transition Risk rankings methodological deep dives





Gross Country Risk (GCR) exposure distribution as at 31 December 2022 across the Physical Risk categories

Category	1 (Best)	2	3	4	5	6	7	8	9	10 (Worst)
Exposures %	11.21	27.08	20.61	4.71	18.17	8.30	1.83	5.83	1.14	1.12

Gross Country Risk (GCR) exposure distribution as at 31 December 2022 across the Transition Risk categories

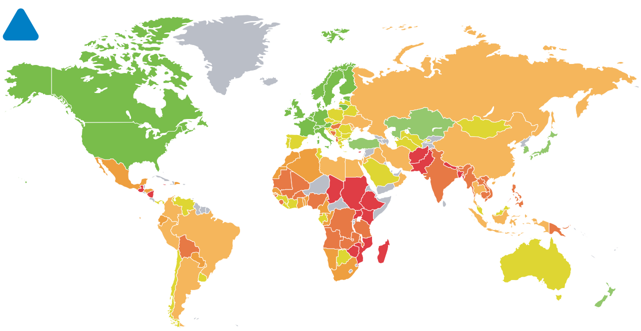
Category	1 (Best)	2	3	4	5	6	7	8	9	10 (Worst)
Exposures %	3.07	13.72	25.11	26.27	16.20	6.85	7.49	0.74	0.37	0.18

Physical and Transition risk rankings distributions

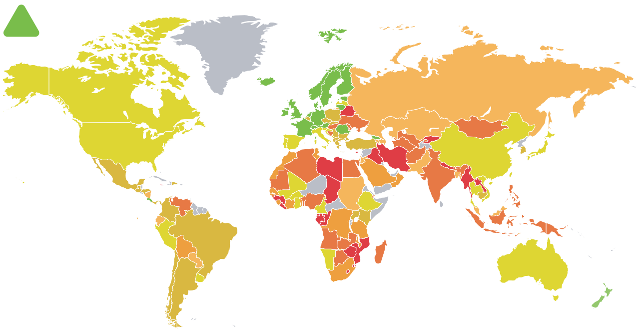
Bucket distribution

1 5 10

Physical Risk



Transition Risk



Operational and Technology Risk

Standard Chartered's own operations

We perform granular Physical Risk assessment across all our own operating sites (offices, branches and data centres). From a risk management and mitigation perspective, all new properties (branches, offices) onboarded within the Group are assessed for Physical Risk vulnerabilities. A key development this year has been that all material Third-Party Corporate Service arrangements in scope for Business Continuity Management controls are subject to Climate Risk assessment as part of third-party continuity plans.

We analysed approximately 1,000 of our operating locations across branches, offices, data centres and other sites to assess the gross Physical Risk profile.

Caution about the metrics

The metrics are based on outputs from Munich Re's natural catastrophe model and do not assume adaptation measures such as building quality, hazard protection infrastructure (such as flood defences) or government adaptation policies.

Insight

- Outputs from the Munich Re Location Risk Intelligence platform show that 22 per cent of the Group's locations globally are in locations of extreme flood risk, 15 per cent with extreme storm risk and none at risk from wildfire.
- Longer-term risk (up to 2100) from sea-level rise under RCP 8.5 are minimal, being below 5 per cent.
- Not surprisingly, given our footprint, a higher proportion (26 per cent for flood, 20 per cent for storm) of the Group's locations in Asia are subject to extreme physical risks. A total of 16 per cent of locations in Europe & Americas are subject to flood risks, which is entirely driven by the locations in America.
- In the locations where weather events such as storms or cyclones are frequent, the buildings are built with this in mind.
- Mitigation options include property insurance and operating a diversified location strategy, splitting delivery and therefore reducing concentration risk.

Assessment of gross Physical Risk at our own operating locations*

			Operating locations at extreme Physical Risk (%)			
Physical risk event	Time horizon	Scenario	Korea	UAE	Indonesia	Globally
Flood (Acute)	2022	N/A	26%	10%	16%	22%
Wildfire (Acute)			0%	0%	0%	0%
Storm (Acute)			20%	1%	5%	15%
Sea-level rise (Chronic)	2100	RCP 8.5	1%	4%	0%	2%
Number of operating locations			**734**	**223**	**37**	**994**

* Data as of Nov 22

Traded Risk

We manage the Climate Risk of Traded Risk exposures as part of the Traded Risk stress-testing framework. Climate risks are incorporated within Traded Risk Stress Risk Appetite.

Climate-related stress scenarios are designed to include Transition Risk effects from climate change policies and shocks to markets due to supply and demand disruption from physical climate events.

Positions booked in the trading and fair value banking books are in scope, with a time horizon for stress shocks of between three days and one year depending on underlying market liquidity.

From a risk management and mitigation process, two physical climate stress scenarios – 'Hurricane Season' and 'Winter Cold Wave' – were introduced after considering the impact of extreme weather events on commodities prices and own account and client portfolio concentrations. Additionally, an existing global stress scenario, 'Global Inflation', was updated to incorporate the impact of transition effects from climate change policies, notably inelastic carbon energy supplies.

	Description
Traded Risk: Market Risk stress loss from physical climate event	Potential stress loss to trading and fair value banking book exposures from extreme weather events, including increased impact and intensity of hurricanes and severe winter
Traded Risk: increase in Counterparty Credit Risk stress exposures from physical climate event	Potential increase in counterparty credit stressed exposures from extreme weather, including increased impact and intensity of hurricanes and severe winter

Compliance Risk

We have established a process for tracking various Climate Risk-related regulatory developments and obligations set by financial service regulators at Group and regional/country level, with roles and responsibilities set out in the Climate Risk Policy.

Regulatory requirements or enhancements needed are recorded through workplans across various teams. The workplans are coordinated and monitored through various working groups by having the relevant accountable executives participate in the relevant forums.

The processes of implementing regulations or addressing regulatory feedback is also monitored and challenged by the relevant governance committees.

Many regulators across our footprint have proposed or set supervisory expectations on climate/environmental risk management. Those expectations are broadly aligned in principle, but local implementations could vary. We have actively worked with industry bodies and regulators to promote consistency in policy making around the globe.

Over 2022, we have developed horizon-scanning capabilities for climate-related regulations as well as a global register. We on-boarded external counsel to assist with horizon-scanning of ESG-related regulations for both Group and 13 of our key markets in standard regulatory scanning and identification. Aggregating inputs from both external counsel and internal markets, a global obligations register has been established to provide a complete view of the current obligations and upcoming regulatory requirements. We have documented an operating model clarifying roles and responsibilities across the Group and our markets to establish clear ownership of sustainability regulations.

Basel Committee

Principles of effective climate risk management in Jun 22 and FAQ Dec 22

UK – BoE/PRA

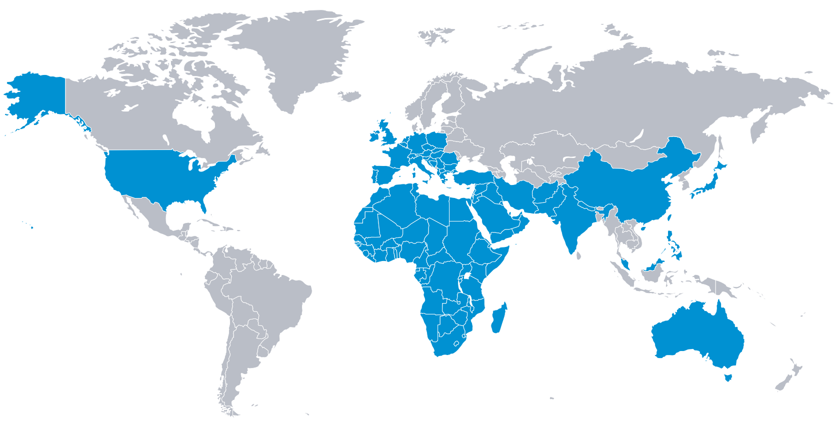
Supervisory Statement on Enhancing climate risk management (SS3/19)

BoE 21 stress testing including climate impact

US – OCC, FDIC, Fed

OCC, FDIC and Fed consultations in Feb, May and Dec 22 on climate risk management

Fed announced pilot climate stress testing in 23



EU – ECB

Supervisory guide on climate and environmental risk management in Nov 20, effective immediately

ECB-led climate stress testing

ECB report on state of readiness of EU banks

AME region

Central Bank of Kenya guidelines on climate risk in Oct 21

Dubai FSA to isssue draft guidelines on climate risk in Sep 21

Central Bank of Oman adopted the Basel principles in climate risk management in Dec 21

India – RBI

Survey on climate risk and sustainable finance in March 22 followed by a discussion paper in Sept 22. RBI-led climate scenario analysis expected

Australia – APRA

Climate change financial risk management guidelines in Nov 21

Climate scenario analysis conducted in 22

Singapore – MAS

Guidelines on environmental risk management published in Dec 20, effective Q2 22

Climate impact included in 2022 industry-wide stress testing excercise

Malaysia – BNM

Guidelines on environmental risk management published in Dec 20, effective Q2 22

Climate impact included in 2022 industry-wide stress testing excercise

Philippines – BSP

Draft environmental risk management guidelines in Sep 21

Draft circular on climate risk stress testing Aug 22

Hong Kong – HKMA

Supervisory Manual on climate risk management published in Dec 21, effective Dec 22

Pilot climate stress testing conducted in 2021

Japan – JFSA

Guidelines on climate risk management in Jul 22

China – CBIRC

Green Finance guidelines issued in Jun 22

Nepal – BoN

Guidelines on climate risk management in Feb 22

Treasury Risk

From a capital perspective, Climate Risk considerations have been part of our Internal Capital Adequacy Assessment Process (ICAAP) submissions since 2019. Our approach for assessing the Climate Risk impact on capital adequacy has improved from qualitative judgements to quantitative simulations with the availability of tools and greater understanding of our portfolio.

For the 2022 ICAAP submission, we moved towards a more quantitative approach comparing the worst (annualised) five-year loss period from all three NGFS scenarios to the projected peak losses from the 2022 Group ICAAP. The Late Action scenario was identified to drive the maximum difference in losses; however, this was lower than credit losses experienced under the ICAAP macroeconomic stress scenario, concluding that additional capital add-on was not required for Climate Risk. The severity and potential impact on our clients' loan impairment level under climate scenarios was lower than the ICAAP scenario and we determined that an additional capital buffer was not required.

The approach for incorporating climate related credit risks into the Group's ICAAP is set to continue using scenario driven analysis to best judge the financial impact of Climate Risk. It is envisaged however that as understanding of Climate Risk management and potential forward-looking scenarios develops, this may lead to evolution in our approach and assessment including using a wide range of scenario outcomes to determine any potential capital related impact in the future.

From a Liquidity Risk perspective, we conducted a proof-of-concept analysis to assess climate risk-related vulnerabilities and readiness of approximately 77 per cent of the corporate liquidity portfolio, leveraging the client outreach and data gathering exercise being undertaken on the asset side. The analysis showed that exposure concentration in the 'high transition risk and low readiness' bucket is broadly comparable to what we see for our top corporate client exposures on the asset side. Liquidity providers with high transition risk are from the Oil and gas, Pharma, Transport storage – others and Utilities sectors. We will continue to enhance our analysis capabilities and exposure coverage through 2023, including embedding climate related liquidity considerations within our Internal Liquidity Adequacy Assessment Process.

Governance of our Sustainability Agenda

Climate change and its associated risks, opportunities and organisational implications are overseen by the Group's Board, Management Team and multiple supporting sub-committees.

The structure of the Group's Board and Management Team can be found on **pages 138 to 145**.

Standard Chartered PLC Board

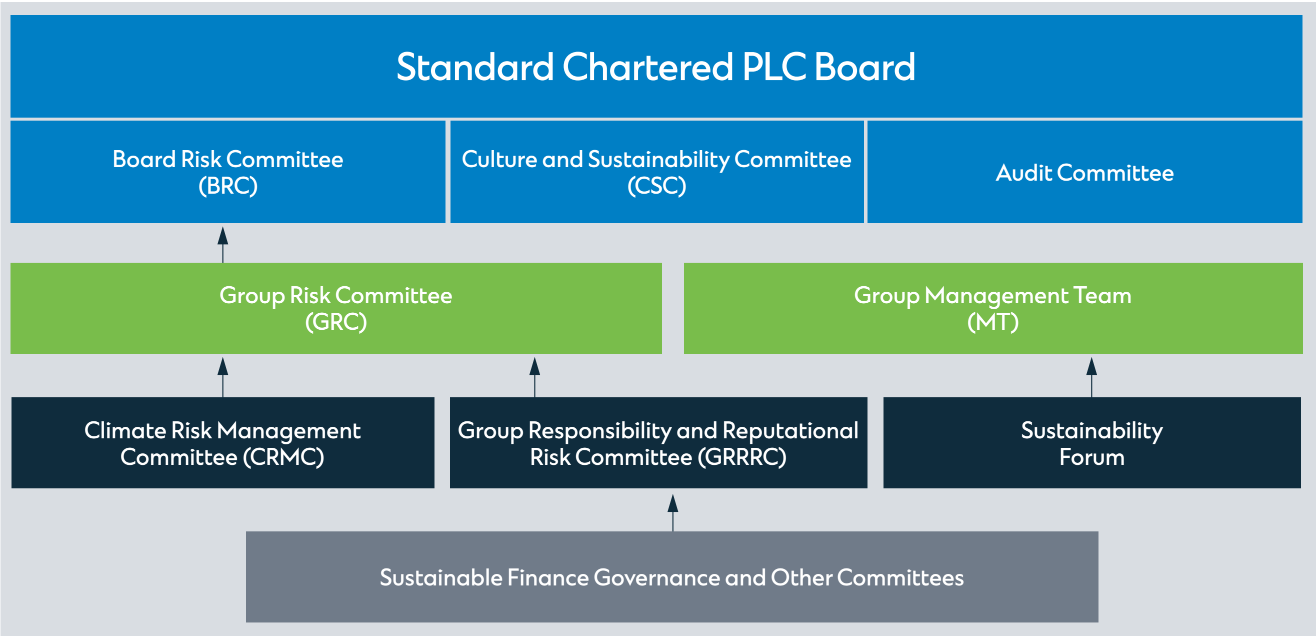
The Board is responsible for the long-term success of the Group and its supporting committees consider climate-related risks and opportunities when reviewing and guiding strategic decisions.

Since 2019, the Board has approved a Climate Risk Appetite Statement (RAS) annually to reflect both our aim to measure and manage the financial and non-financial risks arising from climate change, and to reduce emissions related to the Group's own activities and those associated with the financing of clients seeking to align with the Paris Agreement. In November 2021, we introduced a suite of Risk Appetite (RA) metrics and thresholds to monitor and manage the exposure concentration in our portfolio across key risk types.

Throughout 2022, Board activities have included reviewing and guiding strategic decisions on our approach to reach net zero financed emissions by 2050.

For more information on our governance structure please see **page 184** in the Directors' remunerations report.

Structural overview of Standard Chartered PLC's climate-related governance



Management Team

Each member of the Group Management Team is responsible for strategically driving climate considerations within their geography, business segment or function in line with our net zero pathway.

In response to the Prudential Regulation Authority's (PRA's) Supervisory Statement 3/19, 'enhancing banks' and insurers' approaches to managing the financial risks from climate change', and responsibility for identifying and managing financial risks from climate change sits with the Group Chief Risk Officer (CRO) as the appropriate Senior Management Function (SMF) under the Senior Managers Regime (SMR). The Group CRO is supported by the Global Head, Enterprise Risk Management (ERM) who has day-to-day oversight and central responsibility for the Group's second line of defence against Climate Risk.

The Global Head, ERM has also appointed a dedicated Managing Director, Global Head of Climate Risk and Net Zero Oversight. Risk Framework Owners for the impacted Principal Risk Types (PRTs) and integral component of the Enterprise Risk Management Framework (ERMF) are responsible for embedding Climate Risk requirements within their respective risk types.

Governance committees and steering groups

Several committees within the Group support the Board and Management Team on the management and monitoring of climate change and its associated impacts.

Governance committees and steering groups with responsibility for climate-related issues

Governance body	Chair	Climate-related agenda frequency and inputs	Key purposes and responsibilities related to climate	Climate-related topic 2022
Board	Standard Chartered PLC Group Chairman	Twice during 2022. Climate Risk updates delivered via Group CRO Reports	• Oversee the Group's overall net zero approach. • Responsible for the net zero pathway shareholder advisory vote proposal.	• Discussed and reviewed the Group's net zero pathway, approved its approach and reviewed the progress on delivery. • Completed training focusing on how Climate Risk is being embedded across the three lines of defence.
Board Risk Committee (BRC)	Independent non-Executive Director	Three times a year. Climate Risk updates to BRC in Group reports seven times a year, delivered via Group Chief Risk Officer's Reports Quarterly Climate Risk information provided as part of the Risk Information Report, covering key metrics based on the concentration of transition and physical risks in our portfolio.	• Provide oversight of the Group's key risks on behalf of the Board and is the primary Risk Committee at the Board level that oversees Climate Risk. • Consider the Group's Risk Appetite and make recommendations to the Board on the Risk Appetite Statement (RAS). • Assess risk types (including Climate Risk) and the effectiveness of risk management frameworks and policies. • Provide oversight and challenge of the design and execution of climate-related stress testing.	• Reviewed, discussed and challenged the Group's Management scenario analysis. • Reviewed and recommended Group Climate RAS to the Board. • Reviewed Climate Risk Information Report (RIR) quarterly. • Monitored adherence to RA metrics including any relevant breaches.
Culture and Sustainability Committee (CSC)	Independent non-Executive Director	Four times in 2022.	• Oversee the Group's overall sustainability strategy. • Monitor the development and implementation of the sustainability framework to align with the Group's net zero approach.	• Discussed ESG benchmarking and indices progress, including via CDP climate change survey. • Reviewed Group Sustainability Strategy (including climate). • Discussed Board engagement protocols on sustainability.
Audit Committee	Independent non-Executive Director	Once in 2022 (Q4). This will be quarterly from 2023.	• Responsible for oversight of the Group's quantitative reporting metrics.	• Reviewed proposal to integrate TCFD-aligned disclosures and metrics into Annual Report and agreed this approach.
Group Risk Committee (GRC)	Group Chief Risk Officer (CRO)	Three times during 2022. Climate Risk updates in Group CRO and CRIR reports 11 times per year.	• Ensure the effective management of Group risk in support of the Group's Strategy. • Oversee implementation of the Enterprise Risk Management Framework. • Review Risk Appetite and approve Management Team level Risk Appetite metrics and thresholds for Principal Risk Types (PRT) and integrated risks, including Climate Risk.	• Received update on Climate Biennial Exploratory Scenario Round 2. • Received update on Climate Risk embedding and the Climate Risk profile as part of the Risk Information Report. • Approved the Management Team level Climate RA metrics and monitored adherence to these.

Governance body	Chair	Climate-related agenda frequency and inputs	Key purposes and responsibilities related to climate	Climate-related topic 2022
Climate Risk Management Committee (CRMC)	Group CRO	Three times in 2022. (CRMC commenced in July 2022) and will be held six times a year in 2023. Note: Prior to its formalisation as a Committee, there were also three Climate Risk Management Forum (CRMF) meetings held in 2022. Climate Risk Information Report (RIR) tabled quarterly, covering key metrics based on the concentration of transition and physical risks in our portfolio.	• Oversee development and implementation of the Climate Risk framework. • Oversee all aspects of risk management practices for climate-related financial and non-financial risks, including leadership and oversight in developing and effectively implementing the Group's Climate Risk management framework. • Provide structured governance around engagement with relevant PRTs impacted by or linked to Climate Risk.	Drove delivery of: • Climate stress testing and management scenario analysis. • Progress associated with integrating Climate Risk across all impacted risk types. • Climate risk-related disclosures, including those discussed in this report. • Climate Risk research with Imperial College London. • Regulatory feedback and supervision. • Climate-related management information and RA metrics. • Approach to delivering training and upskilling staff on Climate Risk across the Group.
Group Responsibility and Reputational Risk Committee (GRRRC)	Group Head, Conduct, Financial Crime and Compliance	Monthly	• Oversee and approve climate-related Position Statements including sector-specific transition criteria and associated risk tolerance thresholds	Reviewed: • Exposure to clients that do not comply with enhanced E&S criteria. • Transactions where Position Statements are not fully met. • Transactions with high or very high Reputational Risk with climate change factors.
Sustainability Forum	Group Head, Corporate Affairs Brand & Marketing (Jan-Aug); Chief Sustainability Officer (Sep-Dec)	The Forum meets eight times per annum.	• Oversee development and implementation of the Group's sustainability strategy, including climate. • Guide a coordinated Group-wide approach to key sustainability themes, including climate change.	Reviewed: • New, existing, and updated Sustainability Aspirations. • Processes for integration of Climate Risk into Reputational and Sustainability Risk. • Approved the approach to the Group's own ESG ratings. • Discussed Group-wide climate internal and external engagement programmes.

Governance body	Chair	Climate-related agenda frequency and inputs	Key purposes and responsibilities related to climate	Climate-related topic 2022
Sustainable Finance Governance Committee	Global Head of Sustainable Finance	Monthly	• Provide leadership, governance and oversight in delivering the Group's sustainable finance offerings. • Review and endorse sustainable finance products. • Guide the Group in identifying and embracing opportunities and reviewing the reputational risks relating to sustainable finance including any greenwashing risks on sustainable finance products.	Reviewed and approved: • Sustainable finance products including sustainable deposits, green mortgages, sustainable trade finance products, sustainable finance wealth management products. • Green and sustainable finance transactions including transactions with climate-related KPIs. • The Group's approach to launching sustainable and climate products. • The Group's Green and Sustainable Product Framework, encompassing a range of climate finance activities. • The Group's update to the 2022 Sustainable Finance Impact Report.
Sustainable Finance Steering Committee	Global Head of Sustainable Finance	Monthly	• Provide strategic direction for the Corporate, Commercial and Institutional Banking (CCIB) sustainability agenda. • Coordinate and scale CCIB products, segments and markets.	• Discussed Sustainable Finance trends. • Monitored and tracked progress of sustainable finance targets. • Coordinate and scale CCIB products, segments and markets.
Net Zero Operating Steering Committee[1]	Net Zero Transition Programme Director	Weekly	• Drive the operationalisation of the Group's net zero pathway.	• Coordinated the embedding of net zero pathway across the bank.
Consumer, Private and Business Banking Sustainability Steering Group (CPBB)	Global Head, Transfor-mation and Strategic Initiatives	Bi-monthly	• Provide strategic direction for the Consumer, Private and Business Banking (CPBB) sustainability agenda.	• Discussed Sustainable Finance trends. • Tracked progress of Sustainable Finance targets and discussed further opportunities. • Updates and progress on CPBB net zero plans.

1 The Net Zero and overall Sustainability governance structure will be renewed and refreshed in 2023.

Additionally, we are expanding governance and risk management at the regional, country and segment levels to better identify the risk and actively manage their portfolios.

Assessing and managing climate within our business

Climate risks and opportunities are a growing priority across the Group. Mulitple different teams across our businesses and functions are either dedicated to, or spend a proportion of their time working on climate-related activities.

Employees dedicated to supporting Climate Risk and opportunities

Line of defence	Team	Purpose and responsibilities related to climate
First line	Sustainability Strategy and Net Zero Project Management Office	Formed in July 2022 under the new CSO, this team manages the overall Group sustainability strategy including external disclosures and engagement with NGOs and Policy Coalitions, with team members actively participating in and convening the Group's participation in industry platforms and initiatives. The team acts as Secretariat to the Sustainability Forum helping shape the direction of the Group's action on sustainability and leads the Group's net zero strategy and implementation. As of 2023, this team will serve as the host of the Group Net Zero Programme Management Office (PMO).
	Sustainable Finance	Comprises Sustainable Finance Origination and Strategic Initiatives teams who actively collaborate to identify, capture and manage opportunities regarding Climate Finance. The Transition finance team also sits within this structure and supports our clients with their decarbonisation financing needs.
	ESRM	Responsible for setting and operationalising the Group's sector-specific Position Statements and working with clients in all our carbon-intensive sectors to avoid, mitigate and manage any potential negative impacts of our financing.
	Climate Risk Analysis (including Advisory and Analyst teams)	Formed in 2022. Conducts data collection and analysis for the client-level Climate Risk assessments for all in-scope clients.
Second line	Climate Risk	Forms part of the Group Enterprise Risk Management (ERM) function. Conducts periodic horizon scanning, looking at both top-down risk identification of emerging industry themes and regulatory expectations, and bottom-up risk identification through impacted processes.
	Reputational and Sustainability Risk (RSR)	Responsible for overseeing and challenging the first line of defence in respect of risk management activities of reputational and climate-related risks.
	Other Principal Risk Types	As Climate Risk is integrated into impacted PRT frameworks, responsibility for second line ownership of Climate Risk specific to each Principle Risk Type is delegated to the relevant Risk Framework Owner.
Other Business Partners	Legal, Conduct Financial Crime and Compliance and Supply Chain Management	Provide support to the Group as necessary, including to Sustainable Finance, Sustainability, Climate Risk and RSR.

* Headcount is based on budgeted numbers and could change subject to ongoing recruitment. Sustainability Strategy and Net Zero Project Management Office and Climate Risk Analysis teams didn't exist in years prior to their 2022 formation.

Education and training

Understanding Sustainability

We are encouraging all employees across our footprint to grow their understanding of sustainability and climate, how we embed it into our business, operations and communities, and how they can actively play their part in this journey. In April 2022, we launched our 'Understanding Sustainability' online learning, and more than 12,800 (15 per cent) of colleagues voluntarily completed this programme during the year.

To recognise their engagement, we planted a tree for each employee completing the training in our 'Standard Chartered Forest', which spans seven of our footprint markets and is tended by local NGOs.

Climate-related financial and non-financial risk training

For Climate Risk specifically, the Board were given training that provided an overview of how Climate Risk is being embedded across the three lines of defence, as well as what this means for our clients and colleagues.

In addition, we launched Risk-wide mandatory e-learnings, and provided 35 hours of bespoke classroom-based training for almost 4,000 colleagues across CCIB, CPBB, Risk and Audit. Recordings of these sessions are available to all staff to access as convenient.

In Q1 2023, we intend to embed Climate Risk-related credit training material into both our first and second line Credit Risk curricula. In addition, in partnership with our academic partner, Imperial College London, we also aim to launch a detailed online training programme available to all impacted staff.

Sustainable Finance and ESRM training

In 2022, we focused on educating colleagues across all levels of the Group on our net zero pathway and Sustainable Finance initiatives. We launched foundational sustainability and Sustainable Finance curricula across the Group; provided dedicated training on our Sustainable Finance product suite and Position Statements; hosted panel discussions on key themes including greenwashing risk and ESG ratings; and held topical sessions on net zero and Transition Finance concepts, such as carbon capture, utilisation and storage, and decarbonisation market trends.

In 2023, our Sustainable Finance education programmes will accelerate. This will include the roll-out of a tiered practitioner-level learning curriculum, and further modularisation of our Sustainable Finance training to help us improve knowledge and awareness across our network.

Incentive structure

Variable remuneration is applicable to employees through the Group Scorecard and the Long-Term Incentive Plan (LTIP). This is overseen by the Board-level Remuneration Committee. Selected sustainability targets, including those with a climate change dimension, are incorporated into our annual Group Scorecard which informs variable remuneration for all colleagues under our Target Total Variable Compensation plan, including executive directors and the Group Management Team.

Sustainability has also been included in the 2023–25 LTIP performance measures, with an increased focus on the broader impact of client activity, rather than on our internal operations. The sustainability measures in the 2023–25 plan include:

- Sustainable Finance income in excess of $1 billion by 2025
- Delivery of the net zero roadmap
- Contribution to the advancement of sustainability ecosystem

The Group scorecard includes the following for 2023:

- Progress against the Group's aim to achieve net zero by 2050
- Improve community engagement through employee volunteering participation

In addition to the Group Scorecard and LTIP performance measures, dedicated climate and sustainability-related objectives apply across functional and regional scorecards including the Risk function, and individual objectives add a further link between sustainability and reward. Specifically, in relation to the delivery of core aspects of our climate change approach, several individuals and teams have objectives which impact variable remuneration.

Individuals or teams with objectives which impact variable remuneration

Individual or team	Objectives/performance linkage
Chief Risk Officer (CRO)	The Group CRO is responsible and accountable for Climate Risk under the Financial Conduct Authority's Senior Managers and Certification Regime. This includes responsibility for overseeing the delivery of the Climate Risk workplan covering Climate Risk governance, Climate Risk assessment, Climate Risk scenario analysis and stress testing, and Climate Risk disclosure. These responsibilities form part of the Group CRO's objectives, and therefore directly affect their remuneration.
Risk	The Group scorecard includes a 10 per cent weighted metric for the sustainability pillar to achieve net zero by 2050, and another 15 per cent for Risk & Controls.
Climate Risk team	Delivery of the Group's approach to Climate Risk management, development of tools and methodologies for risk identification, quantification, management, monitoring and reporting; building capacity and skills for Climate Risk management across three lines of defence and organisation wide.
Sustainable Finance team	Income targets for sustainable finance strategic revenue related to sustainable finance products and delivery of relevant Sustainability Aspirations targets.
Clean Technology team, and other climate finance origination teams	Revenue targets for origination of climate finance.
Property team	Delivery of emissions reduction targets, operational net zero strategy by 2025 and Scope 1 and 2 carbon offsetting.
Supply Chain Management	Delivery of business travel emission reduction targets and Scope 3 business travel carbon offsetting.
Corporate Real Estate Partners, JLL and CBRE	Setting operational KPIs and implemented incentives structures for our partners, JLL and CBRE, who manage day-to-day property management activities. In addition, we further incentivise our partners to accelerate activities, with the aim of achieving our targets ahead of schedule.

Metrics and targets

The data we have used provides the best available approach to making progress, notwithstanding the challenges that exist given the incompleteness and novelty of the data sets and methodologies required. We expect the availability and reliability of required data to improve over time, and we intend to integrate applicable improved data into our reporting as it becomes available.

Social Sustainability

While it's clear that our main impact on society and the environment is through the businesses we finance, we aim to be a force for good for our clients, people and communities. To us, that not only means ensuring that we are minimising our own environmental impact, but also striving to be a responsible company: utilising our skills, experience and network to fight financial crime, embedding our values across the markets where we operate, and investing in our people and communities.

Conduct and ethics

Good conduct is critical to delivering positive outcomes for our clients, markets and stakeholders. It's fundamental to achieving our brand promise, here for good.

Our Conduct Risk management approach has been strengthened since 2021 through several initiatives, including launching a new annual Conduct Risk management effectiveness review, which increased our ability to identify and mitigate against Conduct Risk, and re-energising our engagement strategy.

Our Speaking Up programme is essential to upholding our here for good brand promise and valued behaviours. The early disclosure of concerns reduces the risk of financial and reputational loss caused by misconduct. We encourage colleagues, contractors, clients, suppliers and members of the public to use our Speaking Up programme which offers secure and confidential channels to report known or suspected misconduct without fear of retaliation. Examples of concerns include breaches of regulatory requirements, breaches of Group policy or standards, or behaviour that has adverse effects on colleagues and/or our reputation.

The Speaking Up programme continues to be utilised across all countries, businesses and functions, and our 2022 MyVoice survey found that 88 per cent of employees (87 per cent in 2021) felt comfortable raising concerns through the channels. Despite this, 2022 saw a 9.6 per cent (113 cases) decrease noted in the volume of total disclosures via Speaking Up channels compared with the previous period. This is a trend noted across the industry, primarily due to the COVID-19 pandemic which continues to influence internal reporting trends.[15]

Throughout 2022, we hosted a series of awareness campaigns to ensure that our colleagues understand the importance of upholding our conduct standards and know how, and when, to Speak Up. To celebrate Whistleblowers' Day on 23 June, we held a month-long global campaign themed around 'Doing the Right Thing One Speak Up at a Time', and in October colleagues in Africa and the Middle East region ran a regional Conduct Week. In December, we celebrated Conduct Month and UN Anti-Corruption Day, under the theme 'The Stands, Conduct and Me', highlighting the link between the day-to-day conduct of individual colleagues and the Bank's Stands. All campaigns included interactive messages from our senior leaders and live panel discussions designed to both set the tone from the top and nurture it from within.

The Group Code of Conduct (the Code) remains the primary tool through which we set our conduct expectations: it supports all our policies, setting minimum standards and reinforcing our valued and expected behaviours. It also outlines a framework to help colleagues make good decisions. To reinforce our shared commitment to the highest possible standards of conduct, each year we ask our colleagues to reconsider what the Code means to them through a refresher e-learning, and to reaffirm their commitment. In 2022, 99.5 per cent of our colleagues completed the mandatory training and affirmation. Colleagues who are overdue without a valid reason (i.e. for which they are given an exemption) are subject to a 40 per cent reduction in their annual variable compensation for the year they failed to attest.

In 2023, we plan to refresh the Code to improve alignment with our Stands, strengthen the link between ethics, culture and conduct, and intertwine the Code with the Group strategy. We also intend to take steps to make the Code more accessible and relatable to all colleagues.

Download our Group Code of Conduct at **sc.com/codeofconduct** and visit **sc.com/speakingup** to find more about how our Speaking Up programme works

% colleagues affirmed commitment to Code of Conduct

99.5

15 Navex 2022 Regional Whistleblowing Benchmark Report

Fighting financial crime

Access to the financial system helps transform lives around the world, helping to reduce poverty and spur economic development. But the financial system is also used by those involved in some of today's most damaging crimes – from human trafficking to terrorism, corruption and the drug trade. Our ambition is to help tackle these crimes by making the financial system a hostile environment for criminals and terrorists. We have no appetite for breaches in laws and regulations related to financial crime.

Our Conduct, Financial Crime & Compliance (CFCC) team sets our financial crime risk management framework. We seek to safeguard our clients and communities against money laundering (AML), terrorist financing, sanctions, fraud and other risks, applying core controls such as client due-diligence, screening and monitoring, and strengthening our people's understanding as to how to identify, manage and mitigate such risks. In addition, anti-bribery and corruption (ABC) controls aim to prevent colleagues, or third parties working on our behalf, from engaging in bribery.

A particular focus of our financial crime investigatory teams is the use of data analytics to identify those clients and cases which generate the greatest financial crime risk. This has strengthened the second line of defence in support of colleagues in business lines and country teams across the Group.

To mitigate the risk of financial crime, particularly laundering the proceeds of corruption, in the lead-up to, during and after major political elections in footprint markets, the Group conducts enhanced monitoring designed to identify and investigate transactions of potential concern. In 2022, enhanced monitoring was conducted during major elections and times of political transition or conflict, for example in Kenya, Angola, Nepal, Philippines and Sri Lanka.

Since the beginning of the war in Ukraine on 24 February 2022, the authorities of the European Union, United Kingdom, United States, and several other nations have imposed multiple rounds of sanctions against Russia by targeting a wide range of Russian entities (state-owned and private) and a large number of Russian elites, oligarchs, political leaders and officials. While the pace of change and the complexity of these sanctions against Russia are unprecedented and had the potential to create areas of uncertainty as to the scope of some of the regulatory prohibitions, we have sought to comply with these requirements fully and promptly. This work has been a significant area of focus for Financial Crime Compliance teams during 2022.

We have invested significantly to ensure our employees are properly equipped to combat financial crime. In 2022, 99.7 per cent of colleagues and governance body members completed financial crime e-learnings which cover ABC, AML, sanctions and fraud topics (Asia: 99.7 per cent, AME: 99.7 per cent, EA: 99.8 per cent, Governance body members: 100 per cent). For those in high-risk roles and functions, additional targeted ABC training, masterclasses and forums were held to deepen understanding. We also shared our Supplier Charter, which sets out our aspirations and provides guidance related to ABC, with more than 11,700 suppliers and third parties across 48 markets.

This was supported by our Group-wide communication campaign, 'The whole story', which aimed to raise employee awareness of the real-life impact of financial crime and highlight the work we are doing individually and collectively to build a robust Risk Culture and lead in the fight against financial crime. In 2022, the theme for The Whole Story was 'Connecting the Dots' and focused on our efforts to fight crime by 'Connecting, Collaborating and Communicating', and building partnerships with government bodies, regulators and other global banks to strengthen our collective defences.

These public-private partnerships include initiatives with the International Center for Missing & Exploited Children which focuses on the use of cryptoassets in the trade of child exploitation and abuse material; the National Cyber Forensics and Training Alliance which assists law enforcement in identifying significant organised groups engaged in business email compromise schemes; and US Customs and Border Protection which focuses on economic security, trade security, forced labour and other risk areas, such as Trade Based Money Laundering. These partnerships are producing material new insights about various criminal typologies and advances in how we collectively combat financial crime in an increasing number of jurisdictions, including Singapore, South Africa, the UK and Hong Kong.

Throughout 2022, we also engaged with peers in contributing to the ongoing dialogue to advance effectiveness in combating financial crime through our active participation in several of the leading industry groups, including the Wolfsberg Group of global banks (Including our Global Head of FCC serving as co-chair and hosting the September meeting of the organisation), Madison Group and UK Finance. We also participated in discussions and forums with many external thought leaders including the World Economic Forum's Partnering Against Corruption Initiative (PACI).

For more, visit **sc.com/fightingfinancialcrime**

Read our Fair Pay Report at **https://av.sc.com/corp-en/content/docs/fair-pay-report.pdf**

Respecting human rights

We strive to be a responsible company and safeguard human rights across our business. We recognise that the global nature of our business may expose us to the risk of modern slavery and human trafficking (MSHT) in our operations, supply chain and customer and client relationships, and we are committed to identifying and mitigating these risks.

Our approach to managing and mitigating environmental and social risk is reflected in our Sustainability Framework, which includes a Position Statement on Human Rights. The framework outlines the cross-sector and thematic Position Statements that we use to assess whether to provide financial services to our clients. These documents, informed by international best practice and the International Finance Corporation's (IFC) Environmental and Social Performance Standards, outline the cross-sector standards that form part of the credit approval processes for CCIB clients and transactions.

Our Modern Slavery Statement details our actions to tackle MSHT across our CCIB client base, supply chain and workforce. In 2022, we enhanced our human rights due diligence by requiring CCIB clients to provide evidence of their policies and processes to manage potential human rights risks in their operations or supply chains. We also developed more detailed guidance for clients on grievance mechanisms in line with IFC guidelines and UN Guiding Principles for Business and Human Rights. We continued to work with third parties, such as the Thun Group and Sustainable Shipping Initiative, to promote coordinated action against MSHT.

We completed a risk review of our supply chain and supplemented our MSHT assessment questionnaire with geopolitical analysis. We also plan to review enhancements to MSHT controls in our procurement system alongside broader ESG requirements under review.

For our workforce, we introduced a refreshed set of Industrial Relations principles that take into consideration the fundamental ILO conventions. We also expanded pay gap reporting to include ethnicity data. Our ethnicity pay gap reporting covered the United Kingdom and United States, having achieved the minimum required levels of ethnicity declared by employees in these regions to make pay gap analysis possible.

Read our Modern Slavery Slavery Statement at **sc.com/modernslavery**

Read out Human Rights Position Statement at **sc.com/positionstatements**

Impact in our communities

Young people across the world – women and girls in particular – continue to face barriers to economic inclusion. Many fall short of their potential and become stuck in low-income poverty. The future of work also presents challenges – an estimated 50 per cent of employees worldwide will need reskilling by 2025[16], as adoption of technology increases. Accessing the relevant training will be vital for young people.

We seek to amplify our social impact and continue to support communities through Futuremakers, our global initiative to tackle youth economic inclusion. Futuremakers supports disadvantaged young people, especially girls and people with visual impairments, to learn new skills and improve their chances of getting a job or starting their own business.

In 2022, we contributed $14.7 million to Futuremakers, including donations from the Group and fundraising of $3.8 million from our employees and partners, to enable the next generation to learn, earn and grow.

With our international and local partners, including the Standard Chartered Foundation, in 2022 we reached more than 335,000 young people through Futuremakers, including providing financial education to 102,248 unbanked or young people. In India, we continue to support eye health and water, sanitation and hygiene education (WASHE) in alignment with development priorities in the market.

Our Futuremakers Impact Report reviews the progress we have made through Futuremakers since its launch in 2019. Highlights include reaching more than one million young people (74 per cent women) across 43 markets and raising $78.7 million. Key results show that since 2019, 28,423 young people have entered employment; 5,202 jobs have been created by young entrepreneurs; and 40,615 adolescent girls are more likely to continue in secondary education.

Collective effort is needed to accelerate progress in tackling inequality and promoting economic growth. In 2022, we published insights from our partnership with Unilever supporting over 25,000 small-scale retailers affected by COVID-19 to build more resilient businesses through digitisation. We joined the UK Foreign and Commonwealth Development Office led Girls' Education Skills Partnership alongside 10 other companies, and agreed a partnership with Primark to design solutions to support the financial health of garment sector workers.

To inform access to finance solutions for young people, 1,270 young people from 21 markets participated in research conducted with Business Fights Poverty and Cambridge University. The Futuremakers Insights Paper 2022 provided information and data for the third edition of the Futuremakers Forum. More than 1,700 stakeholders from 61 markets participated in this two-day virtual event to hear first-hand from Futuremakers participants, and to explore how to advance inclusive finance.

Over 39 per cent of our colleagues gave back to the community through volunteering in 2022, contributing almost 50,000 days of their time to support worthwhile causes.

Our IGNITE programme aims to unlock the potential of female talent across the Group. In 2022, we partnered with IGNITE to extend this coaching support to Futuremakers participants to help them change, challenge and stretch themselves in pursuit of their goals. In addition, we hosted 12 Mentor's Den sessions across our markets, supporting over 300 young people with strategic advice on personal brand, future skills and banking services. We mobilised our colleagues to support families affected by the floods in Pakistan and increased our provision of three volunteering days annually to five per colleague in the Europe region to help support displaced people from Ukraine.

In 2023, we will set up a women entrepreneurs' network involving alumni of Futuremakers and expand our women's entrepreneurial support further across our footprint markets. Furthermore, in alignment with our commitment to the UN Principles for Responsible Banking, we will finalise our impact analysis to better understand our broader impact. This work will support us to shape our onwards Futuremakers strategy and further increase employee volunteering support for communities.

Read more about Futuremakers by Standard Chartered at **sc.com/futuremakers**

Read our Futuremakers impact report at **sc.com/futuremakersimpact**

16 World Economic Forum, The Future of Jobs Report 2020, Page 6

The content contained in the above Sustainability section (including, for the avoidance of doubt, the TCFD disclosures) of this Annual Report is subject to the statements included in (i) the 'Forward-Looking Statements' section; and (ii) the 'Basis of Preparation and Caution Regarding Data Limitations' section provided under 'Important Notices' at page 498.

Non-financial information statement

This table sets out where shareholders and stakeholders can find information about key non-financial matters in this report, in compliance with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. Further disclosures are available on **sc.com** and in our 2022 ESG Reporting Index, published at **sc.com/esg-reporting-index** in Q1 2023.

Reporting requirement	Where to read more in this report about our policies and impact (including risks, policy embedding, due diligence and outcomes)	Page
Environmental matters	**Risk overview**	
	• Risk overview	42
	Stakeholders and Sustainability	
	• Our approach to climate change	66
	• Our net zero plan	67
	• TCFD summary and alignment index	68
	• Reducing our environmental footprint in our operations and supply chain	74
	• Reducing our financed emissions	76
	• Catalysing finance and partnerships for transition	84
	• Mitigating environmental and social risk	88
	• Assessing the resilience of our strategy using scenario analysis	90
	• Mitigating the financial and non-financial risks from climate change	96
	• Governance of our sustainability agenda	113
	Directors' report	
	• Environmental impact of our operations	227
Employees	**Engaging stakeholders**	
	• Employees	60
	Stakeholders and Sustainability	
	• Conduct and ethics	120
	Directors' report	
	• Employee policies and engagement	223
	• Health and safety	224
Human rights	**Engaging stakeholders**	
	• Suppliers	58
	Stakeholders and Sustainability	
	• Respecting human rights	122
Social matters	**Engaging stakeholders**	
	• Society	59
	Stakeholders and Sustainability	
	• Impact in our communities	122
Anti-corruption and bribery	**Risk overview**	42
	Stakeholders and Sustainability	
	• Conduct and ethics	120
	• Fighting financial crime	121
	Directors' report	
	• Political donations	219
Description of business model	**Business model**	18
Non-financial KPIs	**Employees**	
	• Employee engagement (eNPS)	60
	• Gender and ethnicity pay disclosure	63
	• Gender diversity in senior roles	63
	• Training on financial crime (including ABC, AML, sanctions and fraud)	121
	• Recommitment to the Code of Conduct	120
	• Supplementary people information	484
	Environment and Society	
	• Sustainability Aspirations achieved or on track	23
	• Supplementary information: Environmental and social risk management	488
	• Supplementary information: Environment	489
	• Supplementary information: Charitable giving	492
Principal risks and uncertainties	**Risk review and Capital review**	234

* Visit **sc.com/environmentcriteria** for our carbon emissions criteria and **sc.com/environmentalassurance** for Global Documentation's Assurance Statement of our Scope 1 and 2 emissions, and waste and water data

Our Sustainable Accounts go global

In 2022, we launched our innovative Sustainable Account for corporate clients in Mainland China, Singapore, Dubai, Hong Kong, Taiwan, Malaysia and the US, after pilot launches in the UK and UAE in 2021. Our Sustainable Account offers clients the flexibility of retaining access to their cash while supporting activities aligned with the United Nations Sustainable Development Goals. Cash placed into the Sustainable Account is referenced against projects aligned with the Bank's Green and Sustainable Product Framework, developed with the support of Sustainalytics, an independent provider of environmental, social and governance research and ratings.

Read more online at **www.sc.com/sustainableaccounts**

Underlying versus statutory results reconciliations

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

Operating income by client segment

	2022				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	**10,045**	**6,016**	**29**	**165**	**16,255**
Restructuring	**41**	**–**	**–**	**2**	**43**
Other items	**–**	**–**	**–**	**20**	**20**
Statutory operating income	**10,086**	**6,016**	**29**	**187**	**16,318**

	2021 (Restated)[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	8,407	5,735	1	570	14,713
Restructuring	9	–	–	(41)	(32)
Other items	–	–	20	–	20
Statutory operating income	8,416	5,735	21	529	14,701

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

Operating income by region

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

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

Profit before taxation (PBT)

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

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

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

Profit before taxation (PBT) by client segment

	2022				
	Corporate, Commercial & Institutional Banking $million	**Consumer, Private & Business Banking $million**	**Ventures $million**	**Central & other items (segment) $million**	**Total $million**
Operating income	**10,045**	**6,016**	**29**	**165**	**16,255**
External	**8,899**	**4,989**	**29**	**2,338**	**16,255**
Inter-segment	**1,146**	**1,027**	**–**	**(2,173)**	**–**
Operating expenses	**(5,480)**	**(4,148)**	**(336)**	**(779)**	**(10,743)**
Operating profit/(loss) before impairment losses and taxation	**4,565**	**1,868**	**(307)**	**(614)**	**5,512**
Credit impairment	**(425)**	**(262)**	**(16)**	**(135)**	**(838)**
Other impairment	**(40)**	**(10)**	**(24)**	**(5)**	**(79)**
Profit from associates and joint ventures	**–**	**–**	**(16)**	**183**	**167**
Underlying profit/(loss) before taxation	**4,100**	**1,596**	**(363)**	**(571)**	**4,762**
Restructuring	**(50)**	**(63)**	**(1)**	**(60)**	**(174)**
Goodwill and other impairment[1]	**–**	**–**	**–**	**(322)**	**(322)**
Other items	**–**	**–**	**–**	**20**	**20**
Statutory profit/(loss) before taxation	**4,050**	**1,533**	**(364)**	**(933)**	**4,286**

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

Profit before taxation (PBT) by client segment continued

	2021 (Restated)[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	8,407	5,735	1	570	14,713
External	7,952	5,375	1	1,385	14,713
Inter-segment	455	360	–	(815)	–
Operating expenses	(5,278)	(4,227)	(253)	(617)	(10,375)
Operating profit/(loss) before impairment losses and taxation	3,129	1,508	(252)	(47)	4,338
Credit impairment	44	(282)	(3)	(22)	(263)
Other impairment	(49)	–	–	(6)	(55)
Profit from associates and joint ventures	–	–	(6)	182	176
Underlying profit/(loss) before taxation	3,124	1,226	(261)	107	4,196
Restructuring	(114)	(235)	(3)	(155)	(507)
Goodwill and other impairment[2]	–	–	–	(300)	(300)
Other items	–	–	20	(62)	(42)
Statutory profit/(loss) before taxation	3,010	991	(244)	(410)	3,347

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

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

Profit before taxation (PBT) by region

	2022				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	11,213	2,606	2,353	83	16,255
Operating expenses	(6,867)	(1,669)	(1,564)	(643)	(10,743)
Operating profit/(loss) before impairment losses and taxation	4,346	937	789	(560)	5,512
Credit impairment	(790)	(120)	77	(5)	(838)
Other impairment	(47)	2	(3)	(31)	(79)
Profit from associates and joint ventures	179	–	–	(12)	167
Underlying profit/(loss) before taxation	3,688	819	863	(608)	4,762
Restructuring	(75)	(29)	(23)	(47)	(174)
Goodwill and other impairment[1]	(308)	–	–	(14)	(322)
Other items	20	–	–	–	20
Statutory profit/(loss) before taxation	3,325	790	840	(669)	4,286

	2021				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items $million	Total $million
Operating income	10,448	2,446	2,003	(184)	14,713
Operating expenses	(6,773)	(1,623)	(1,485)	(494)	(10,375)
Operating profit/(loss) before impairment losses and taxation	3,675	823	518	(678)	4,338
Credit impairment	(434)	34	144	(7)	(263)
Other impairment	–	(1)	(18)	(36)	(55)
Profit from associates and joint ventures	175	–	–	1	176
Underlying profit/(loss) before taxation	3,416	856	644	(720)	4,196
Restructuring	(286)	(25)	(69)	(127)	(507)
Goodwill and other impairment[1]	(300)	–	–	–	(300)
Other items	–	–	–	(42)	(42)
Statutory profit/(loss) before taxation	2,830	831	575	(889)	3,347

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

Return on tangible equity (RoTE)

	2022 $million	2021 $million
Average parent company Shareholders' Equity	44,237	46,383
Less Preference share premium	(1,494)	(1,494)
Less Average intangible assets	(5,557)	(5,218)
Average Ordinary Shareholders' Tangible Equity	37,186	39,671
Profit for the period attributable to equity holders	2,902	2,313
Non-controlling interests	46	2
Dividend payable on preference shares and AT1 classified as equity	(401)	(410)
Profit for the period attributable to ordinary shareholders	2,547	1,905
Items normalised:		
Provision for regulatory matters	–	62
Restructuring	174	507
Goodwill and other impairment[1]	322	300
Net gains on sale of businesses	(20)	(20)
Ventures FVOCI unrealised (gains)/losses net of tax	(36)	38
Tax on normalised items	(24)	(87)
Underlying profit for the period attributable to ordinary shareholders	2,963	2,705
Underlying return on Tangible Equity	8.0%	6.8%
Statutory return on Tangible Equity	6.8%	4.8%

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

	2022				
	Corporate, Commercial& Institutional Banking %	Consumer, Private & Business Banking %	Ventures %	Central & other Items (Segment) %	Total %
Underlying RoTE	13.7	15.8	nm[2]	(14.0)	8.0
Regulatory fine	–	–	–	–	–
Restructuring					
Of which: Income	0.2	–	–	–	0.1
Of which: Expenses	(0.3)	(0.8)	(1.2)	(0.4)	(0.5)
Of which: Credit impairment	–	–	–	–	–
Of which: Other impairment	(0.1)	–	–	(0.3)	(0.1)
Of which: Profit from associates and joint ventures	–	–	–	(0.1)	–
Net gain on businesses disposed/held for sale	–	–	–	0.3	0.1
Goodwill and other impairment	–	–	–	(4.5)	(0.9)
Ventures FVOCI Unrealised gains net of taxes	–	–	35.6	–	0.1
Tax on normalised items	0.1	0.2	0.3	(0.1)	0.1
Statutory RoTE	13.6	15.2	nm[2]	(19.2)	6.8

	2021 (Restated)[1,3]				
	Corporate, Commercial& Institutional Banking %	Consumer, Private & Business Banking %	Ventures %	Central & other Items (Segment) %	Total %
Underlying RoTE	9.6	11.6	nm[2]	(5.4)	6.8
Regulatory fine	–	–	–	(0.8)	(0.2)
Restructuring					
Of which: Income	–	–	–	(0.6)	(0.1)
Of which: Expenses	(0.6)	(3.0)	(45.2)	(1.2)	(1.2)
Of which: Credit impairment	–	–	–	–	–
Of which: Other impairment	0.1	–	–	(0.6)	–
Of which: Profit from associates and joint ventures	–	–	–	0.3	0.1
Net loss on businesses disposed/held for sale	–	–	nm[2]	–	0.1
Goodwill and other impairment	–	–	–	(4.1)	(0.8)
Ventures FVOCI Unrealised gains/(losses) net of taxes	–	–	nm[2]	–	(0.1)
Tax on normalised items	0.2	0.8	(59.7)	–	0.2
Statutory RoTE	9.3	9.4	nm[2]	(12.3)	4.8

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

2 Not meaningful

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

RoTE for a segment is calculated as current year's profits to weighted average tangible equity of that segment. Full details of RoTE calculation is provided in APM definitions.

Net charge-off ratio

	2022			2021		
	Credit impairment (charge)/ release for the year/period $million	**Net average exposure $million**	**Net charge-off ratio %**	Credit impairment (charge)/ release for the year/period $million	Net average exposure $million	Net charge-off ratio %
Stage 1	**5**	**317,962**	**0.00%**	1	319,860	0.00%
Stage 2	**(325)**	**13,486**	**2.41%**	(65)	17,896	0.36%
Stage 3	**(423)**	**3,022**	**14.00%**	(194)	3,740	5.19%
Total exposure	**(743)**	**334,470**	**0.22%**	(258)	341,496	0.08%

Earnings per ordinary share (EPS)

	2022						
	Underlying $ million	**Provision for regulatory matters $ million**	**Restructuring $ million**	**Net loss on sale of businesses $ million**	**Goodwill & other impairment[1] $ million**	**Tax on normalised items $ million**	**Statutory $ million**
Profit/(loss) for the year attributable to ordinary shareholders	**2,999**	**–**	**(174)**	**20**	**(322)**	**24**	**2,547**
Basic – Weighted average number of shares (millions)	**2,966**						**2,966**
Basic earnings per ordinary share (cents)	**101.1**						**85.9**

	2021 (Restated)[1]						
	Underlying $ million	Provision for regulatory matters $ million	Restructuring $ million	Net loss on sale of businesses $ million	Goodwill & other impairment[1] $ million	Tax on normalised items $ million	Statutory $ million
Profit/(loss) for the year attributable to ordinary shareholders	2,667	(62)	(507)	20	(300)	87	1,905
Basic – Weighted average number of shares (millions)	3,108						3,108
Basic earnings per ordinary share (cents)	85.8						61.3

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

Alternative performance measures

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.

Measure	Definition
Constant currency basis	A performance measure on a constant currency basis 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: • Operating income • Operating expenses • Profit before tax • RWAs or Risk-weighted assets
Underlying/Normalised	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; 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. 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: • Operating income • Operating expense • Profit before tax • Earnings per share (basic and diluted) • Cost-to-income ratio • Jaws • RoTE or Return on tangible equity
Advances-to-deposits/ customer advances-to-deposits (ADR) ratio	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.
Cost-to-income ratio	The proportion of total operating expenses to total operating income.
Cover ratio	The ratio of impairment provisions for each stage to the gross loan exposure for each stage.
Cover ratio after collateral/ cover ratio including collateral	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.
Gross yield	Statutory interest income divided by average interest earning assets.
Jaws	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.
Loan loss rate	Total credit impairment for loans and advances to customers over average loans and advances to customers.
Net charge-off ratio	The ratio of net credit impairment charge or release to average outstanding net exposures.
Net tangible asset value per share	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.
Net yield	Gross yield less rate paid.
NIM or Net interest margin	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.
RAR per FTE or Risk adjusted revenue per full-time equivalent	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.
Rate paid	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.
RoTE or Return on ordinary shareholders' tangible equity	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.
Underlying RoTE	The ratio of the current year's profit available for distribution to ordinary shareholders plus fair value movements through other comprehensive income relating to the Ventures segment to the weighted average ordinary shareholders' equity for the reporting period.
TSR or Total shareholder return	The total return of the Group's equity (share price growth and dividends) to investors.

Viability statement

The directors are required to issue a viability statement regarding the Group, explaining their assessment of the prospects of the Group over an appropriate period of time and state whether they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due.

The directors are to also disclose the period of time for which they have made the assessment and the reason they consider that period to be appropriate.

In considering the viability of the Group, the directors have assessed the key factors including, but not limited to; inflationary pressures, sovereign downgrades and recession, the war in Ukraine and other geopolitical events likely to affect the Group's business model and strategic plan, future performance, capital adequacy, solvency and liquidity taking into account the emerging risks as well as the principal risks.

The viability assessment has been made over a period of three years, which the directors consider appropriate as it is within both the Group's strategic planning horizon and, the basis upon which its regulatory capital stress tests are undertaken and is representative of the continuous level of regulatory change affecting the financial services industry. The directors will continue to monitor and consider the appropriateness of this period.

The directors have reviewed the corporate plan, the output of the Group's formalised process of budgeting and strategic planning. For the 2023 Corporate Plan, the forward-looking cash flows and balances includes the anticipated impact of global interest rates on revenues and inflationary pressure on costs . The corporate plan is evaluated and approved each year by the Board with confirmation from the Group Chief Risk Officer that the Plan is aligned with the Enterprise Risk Management Framework and Group Risk Appetite Statement and considers the Group's future projections of profitability, cash flows, capital requirements and resources, liquidity ratios and other key financial and regulatory ratios over the period. The corporate plan details the Group's key performance measures, of forecast profit, CET 1 capital ratio forecast, return on tangible equity forecasts, cost to income ratio forecasts and cash investment projections. The Board has reviewed the ongoing performance management process of the Group by comparing the statutory results to the budgets and corporate plan.

The Group performs enterprise-wide stress tests using a range of bespoke hypothetical scenarios that explore the resilience of the Group to shocks to its balance sheet and business model.

To assess the Group's balance sheet vulnerabilities and capital and liquidity adequacy, severe but plausible macro-financial scenarios explore shocks that trigger one or more of:

- Global slowdowns including recessions in China, Asian and Western economies that can be acute or more protracted, resulting in severe declines in propertyprices
- Sharp falls in world trade volumes and disruption to global supply chains, including the severe worsening of trade tensions and rise of protectionism.
- Inflationary pressures in the global economy including volatility in commodity prices
- Significant rises in interest rates and depreciation in emerging market currencies, resulting in heightened sovereign risk
- Financial market volatility, including significant moves in asset prices driven by a combination of macroeconomic and geopolitical events

This year, the primary focus has been on the effects of rising interest rates and inflation, combined with severe market volatility and a global economic downturn. The Group has explored the impact of rising rates and inflation on customers' ability to service debt and considered how net interest income sensitivity evolves under various scenarios.

For the 2022 ICAAP submission for climate risk, the Group moved towards a more quantitative approach comparing the worst (annualised) five-year loss period from all three NGFS scenarios to the projected peak losses from the 2022 Group ICAAP. The Late Action scenario was identified to drive the maximum difference in losses in a five year period; however, this was lower than losses experienced under the ICAAP macroeconomic stress scenario, concluding that an additional capital add-on was not required for climate risk.

In 2022, the Group further assessed the impact from Climate risk on our CCIB corporate client portfolio based on three International Energy Agency (IEA) scenarios and three Phase 2 NGFS scenarios and participated in the Monetary Authority of Singapore Industry-Wide Stress Test. The impact of sea level rises under various Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) scenarios was used to explore the Physical Risk impact on the Consumer, Private and Business Banking (CPBB) residential mortgage portfolio.

Under this range of scenarios, the results of these stress tests demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet regulatory minimum capital and liquidity requirements.

To assess the Group's business model vulnerabilities, extreme and unlikely scenarios are explored that, by design, result in the Group's business model no longer being viable these scenarios have included for the Group extreme geopolitical tensions disrupting capital flows within the Group's footprint and cyber security attacks. Insights from these reverse stress tests can inform strategy, risk management and capital and liquidity planning.

Further information on stress testing is provided in the **Risk management approach** section (page 295).

The directors further considered the Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due. Funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios.

Further information on stress testing is provided in the Risk management approach section (page 297).

The Board Risk Committee ("BRC") exercises oversight on behalf of the Board of the key risks of the Group and makes recommendations to the Board on the Group's Risk Appetite Statement. These risks include, amongst others; credit, traded, treasury, operational and technology, reputational and sustainability, compliance, information and cyber security financial crime and model risks. The BRC further exercises oversight over the integrated risks of climate, digital asset and third party which cut across all principal risks.

The BRC receives regular reports that inform it of the Group's key risks, as well as updates on the macroeconomic environment, geo-political outlook, market developments, and regulatory updates on relevant matters. In 2022, the BRC had deeper discussion on: Blue Sky Thinking/ Horizon Scanning, CCIB Risk deep dives, specifically the risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification or destruction of information. GSAM second line to first line transition, Commodity Traders Framework, Credit Portfolio Management annual review, cloud governance and material cloud deployments, Reputational and Sustainability risk including the Groups approach to identification and management thereof. CPBB Risk Review, Safety and Security risk, Credit Risk review including how COVID-19 related restrictions are lifting in many of the groups markets. Chief Risk officer report around balance sheet capital and liquidity management. SC Ventures risk and governance, Taiwan tensions and actions proposed by management, emerging financial crime threats and the appointment of the new GCRO.

Based on the information received, the directors' considered the principal uncertainties as well as the principal risks in their assessment of the Group' viability, how these impact the risk profile, performance and viability of the Group and any specific mitigating or remedial actions necessary.

For further details of information relevant to the directors, assessment can be found in the following sections of the annual report and accounts:

- The Group's Business model (pages 18 to 20) and Strategy (pages 22 to 23)
- The Group's current position and prospects including factors likely to affect future results and development, together with a description of financial and funding positions are described in the client segment reviews and regional reviews (pages 26 to 31)
- An update on the key risk themes of the Group is discussed in the Risk overview, fo und in the Strategic Report (pages 42 to 51)
- The BRC section of the Director's report (pages 170 to 175)
- The Group's Topical and Emerging Risks, sets out the key external factors that could impact the Group in the coming year (pages 48 to 51).
- The Group's Enterprise Risk Management Framework details how the Group identifies, manages and governs risk (pages 295 to 300)
- The Group's Risk profile provides an analysis of our risk exposures across all major risk types (page 301 to 319)
- The capital position of the Group, regulatory development and the approach to management and allocation of capital are set out in the Capital review (pages 320 to 325)

Having considered all the factors outlined above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment up to 31 December 2025.

Our Strategic report from pages 01 to 133 has been reviewed and approved by the Board.

Bill Winters
Group Chief Executive

16 February 2023

Directors' report

Four more years with Liverpool FC

This year we announced a four-year extension of our partnership with Liverpool Football Club and Liverpool Football Club Women.

We first became main sponsors in July 2010 and the extension runs until the end of 2026/27 UK football season. The extension includes increased investment in LFC Women.

As part of our partnership with the Reds, Liverpool plays an active role in our Goal programme – which aims to empower young girls through sport by providing financial education and life skills.

Read more online at **sc.com/lfc**


HINDS
12

Group Chairman's governance overview

Dr José Viñals
Group Chairman

"Good governance requires an awareness of the landscape, appropriate oversight, and a strong tone from the top, driven by an effective Board."

In my opening letter, I referred to the uncertain backdrop to 2022, caused by ongoing economic, political and social dislocation, the continuing impact of COVID-19 and geopolitical tensions in many parts of the World. Despite the uncertainty, we have made strong progress across our portfolio. This progress is supported by the resilience of the business, which is in turn underpinned by our governance.

Good governance requires an awareness of the landscape, appropriate oversight, and a strong tone from the top, driven by an effective Board. A key focus of the Board this year was managing its own succession, with the loss of a number of very experienced non-executives and the appointment of some excellent replacements, as I mentioned in my statement on pages 7 and 8. I am very conscious that with the retirements of Naguib Kheraj, Byron Grote, Christine Hodgson and Jasmine Whitbread, we lose a wealth of experience and knowledge of the Group. Accordingly, we have accelerated the inductions of our new non-executives who have spent a lot of time with the outgoing non-executives. I was also pleased to welcome Adrian de Souza as Group Company Secretary in May 2022, who takes over from Scott Corrigan's interim tenure and I would like to take the opportunity to thank Scott for his wise counsel. Further detail regarding the changes made to our Board appears in the Governance and Nomination Committee report starting on page 179.

Another key area of focus was geopolitical risk. The Board received presentations from economists, strategists and geopolitical commentators over a number of Board sessions and dinners. We considered carefully the impact on our business of China-US tensions and the Russia-Ukraine war, as well as those presented by Climate Risks. The conclusions of these sessions helped us challenge and shape our Corporate Plan. In April, we continued the strengthening of our risk oversight through the reallocation of the work of the Board Financial Crime Risk Committee to a combination of the Board, Board Risk Committee and Audit Committee. The reallocation enables a more integrated review of risks that are closely associated, such as fraud, information and cyber security and financial crime. Financial and non-financial risks continue to receive substantial attention and focus at the Board Risk Committee and Board. In addition, the Audit Committee carefully scrutinised financial reporting matters and internal controls, cognisant of the challenging external environment.

The Corporate Plan is an important part of the Board's agenda each year and never more than this year, with so many economic and political headwinds. The Board considered a number of strategic opportunities for growth in the context of our risk appetite, receiving presentations from our front-line businesses and risk teams before approving the plan.

The easing of travel restrictions has meant that I have been able to visit a number of markets and we have additionally held Board meetings in Singapore and Dubai, where we hosted a subsidiary governance conference attended by the chairs of many of our banking subsidiaries. It was a great event and I welcomed the opportunity to engage with so many of my colleagues, both old and new. The Board is planning to visit several countries across our footprint this year as we continue to strengthen the linkages between the main and subsidiary boards. We also were pleased that shareholders could attend our 2022 Annual General Meeting (AGM) in person for the first time since 2019 given the easing of restrictions on public gatherings.

Recognising the impact on society and other stakeholders, the Board sought, and received, shareholder endorsement of our net zero pathway at the 2022 AGM. Market Forces and Friends Provident Foundation filed a resolution outlining a different approach, which did not pass. We appreciate the involvement of both organisations and share their commitment to the transition to net zero, but the Board preferred the Group's strategic approach to achieve this and recommended that shareholders support our advisory resolution and oppose the requisitioned resolution. The Board, whether directly or through our Culture and Sustainability Committee, is regularly apprised of the progress we are making against the commitments in the net zero pathway and continues to be actively involved, and I am pleased that we are meeting the milestones set out in our plan. Further information on this can be found on pages 64 to 124.

I was disappointed with the levels of support for our directors' remuneration policy and directors' remuneration report at last year's AGM, which was the subject of much Board and Remuneration Committee discussion. I am grateful to Christine for leading the engagement with many of our shareholders to better understand their views. This resulted in the updates announced in September which are detailed, along with the extensive engagement undertaken by the Committee, in the Directors' Remuneration Report starting on page 184.

The Board was heartened by the results of the externally facilitated effectiveness review of the Board and its committees. It assessed the Board's progress since the last external review in 2019 and concluded that the Board continues to operate effectively while also identifying some areas for improvement. More detail on process, outcomes and actions can be found on page 156.

Finally, the Board remains confident for the Group's future and is committed to our strategy, our purpose, and is laser focused on developing sustained and sustainable returns within our risk appetite.

Dr José Viñals
Group Chairman

Board at a glance

Strategy

The Board approved actions to focus resources within its Africa and Middle East (AME) region to those areas where it can have the greatest scale and growth potential, in order to better support its clients.

See page 147

Exits in 7 markets

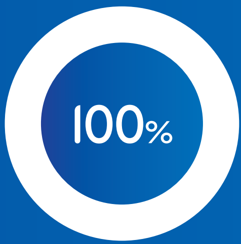
7

Focus solely on our CCIB business in 2 markets

2

Meetings

100% director attendance at scheduled Board meetings during 2022



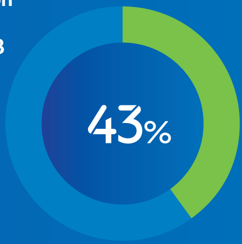
See page 152

Diversity

43% female representation on the Board as at 10 February 2023

Female
6

Male
8



See pages 179 to 183

Succession

The Board planned for the transition of our long standing non-executive directors, ensuring that the Board and its committees remained well balanced with a strong pipeline of candidates with the appropriate skillsets, experience and capabilities.

See pages 179 to 183

4 new director appointments

Shirish Apte
Robin Lawther, CBE
Jackie Hunt
Dr Linda Yueh, CBE

New Senior Independent Director

Maria Ramos

2 new committee Chairs

Maria Ramos
Shirish Apte

Effectiveness

The Board paid significant attention to enhancing its effectiveness and that of its committees. An externally facilitated Board effectiveness review was commissioned during 2022.

See page 156

Review undertaken over 4 months.

4

Engagement

Given the alleviation of travel restrictions in many of our markets we were able to reintroduce director visits across our footprint.

16 **Directors, either collectively or individually, visited 16 markets in total during the year**

See pages 158 to 162

Figures on this page cover the period 1 January 2022 to 10 February 2023

Board of Directors

Committee key

- Committee Chair shown in green
- (A) Audit Committee
- (Ri) Board Risk Committee
- (S) Culture and Sustainability Committee
- (N) Governance and Nomination Committee
- (R) Remuneration Committee

Dr José Viñals (68)
Group Chairman

Appointed October 2016 and Group Chairman in December 2016. José was appointed to the Court of Standard Chartered Bank in April 2019.

Experience José has substantial experience in the international regulatory arena and has exceptional understanding of the economic, financial and political dynamics of our markets and of global trade. He has a broad network of decision-makers in the jurisdictions in our footprint.

Career Until 2016, José was the Financial Counsellor and the Director of the Monetary and Capital Markets Department at the International Monetary Fund (IMF) and was responsible for the oversight and direction of the IMF's monetary and financial sector work. He was the IMF's chief spokesman on financial matters, including global financial stability. During his tenure, José was a member of the Plenary and Steering Committee of the Financial Stability Board, playing a key role in the reform of international financial regulation. Prior to the IMF, José began his career as an economist and as a member of the faculty at Stanford University, before going to the Central Bank of Spain, where he was the Deputy Governor.

José has held many other board and advisory positions, including chair of Spain's Deposit Guarantee Fund, chair of the International Relations Committee at the European Central Bank, member of the Economic and Financial Committee of the European Union, and chair of the Working Group on Institutional Investors at the Bank for International Settlements.

External appointments José is Co-Chair of the United Nations' Alliance of Global Investors for Sustainable Development (GISD). He is a board member of the Institute of International Finance (IIF), a member of the board of directors of the Bretton Woods Committee, member of the Advisory Council of CityUK, member of the World Economic Forum's Community of Chairpersons and board member of the Social Progress Initiative. He is a past President of the International Monetary Conference.

Committees (N)

Bill Winters (61)
Group Chief Executive

Appointed June 2015. Bill was also appointed to the Court of Standard Chartered Bank in June 2015.

Experience Bill is a career banker with significant frontline global banking experience and a proven track record of leadership and financial success. He has extensive experience of working in emerging markets and a proven record in spotting and nurturing talent.

Career Bill began his career with JP Morgan, where he went on to become one of its top five most senior executives and later co-chief executive officer at the investment bank from 2004 until he stepped down in 2009. Bill was invited to be a committee member of the Independent Commission on Banking to recommend ways to improve competition and financial stability in banking. Subsequently, he served as an adviser to the Parliamentary Commission on Banking Standards and was asked by the Court of the Bank of England to complete an independent review of the bank's liquidity operations. In 2011, Bill founded Renshaw Bay, an alternative asset management firm, where he was chairman and CEO. He stepped down on appointment to the Standard Chartered PLC Board. Bill was previously a non-executive director of Pension Insurance Corporation plc and RIT Capital Partners plc. He received a CBE in 2013. Bill is a director of Standard Chartered Holdings Limited.

External appointments Bill is an independent non-executive director of Novartis International AG. He is also an Advisory Group Member of the Integrity Council for Voluntary Carbon Markets and a member of the Steering Committee of the UK Voluntary Carbon Markets Forum.

+ Bill Winters leads the Management Team

Andy Halford (63)
Group Chief Financial Officer

Appointed July 2014. Andy was also appointed to the Court of Standard Chartered Bank in July 2014.

Experience Andy has a strong finance background and deep experience of managing complex international businesses across dynamic and changing markets.

Career Andy was finance director at East Midlands Electricity plc prior to joining Vodafone in 1999 as financial director for Vodafone Limited, the UK operating company. Andy was later appointed financial director for Vodafone's Northern Europe, Middle East and Africa region, and later the chief financial officer of Verizon Wireless in the US. He was a member of the board of representatives of the Verizon Wireless Partnership. Andy was appointed Chief Financial Officer of Vodafone Group plc in 2005, a position he held for nine years. In 2013, he joined Marks and Spencer Group plc as an independent non-executive director, becoming its Senior Independent Director in 2018 until stepping down on 31 December 2022.

As Group Chief Financial Officer at Standard Chartered, Andy is responsible for Finance, Treasury, Strategy, Corporate Development, Investor Relations, Property and Supply Chain Management functions. Andy is also director of Standard Chartered Holdings Limited and a trustee of the Standard Chartered Foundation.

External appointments None.

+ Andy Halford also sits on the Management Team

Maria Ramos (64)
Senior Independent Director

Appointed January 2021. Maria was also appointed to the Court of Standard Chartered Bank in January 2021 and appointed Senior Independent Director in September 2022.

Experience Maria has extensive CEO, banking, commercial, financial, policy and international experience.

Career Based in South Africa, Maria served as chief executive officer of ABSA Group Limited (previously Barclays Africa Group), a diversified financial services group serving 12 African markets, from 2009 to 2019. Before joining ABSA, Maria was the group chief executive of Transnet Ltd, the state-owned freight transport and logistics service provider, for five years. Prior to her CEO career, Maria served for seven years as director-general of South Africa's National Treasury (formerly the Department of Finance), where she played a key role in transforming the National Treasury into one of the most effective and efficient state departments in the post-apartheid administration. Maria has served on a number of international boards, including Sanlam Ltd, Remgro Ltd, and SABMiller plc and more recently was a non-executive director of The Saudi British Bank and Public Investment Corporation Limited before stepping down in December 2020.

External appointments Maria is Chair of AngloGold Ashanti Limited and a non-executive director of Compagnie Financière Richemont SA. She is also a member of the Group of Thirty, sits on the International Advisory Board of the Blavatnik School of Government at Oxford University and on the Wits Foundation Board of Governors.

Committees Ri A R N

Shirish Apte (70)
Independent Non-Executive Director

Appointed May 2022. Shirish was appointed to the Court of Standard Chartered Bank in January 2023.

Experience Shirish has extensive corporate, investment banking, risk management, commercial and retail banking experience. He has a deep understanding of financial services, notably across the Asia Pacific, Middle East, Africa and Central and Eastern European regions.

Career Shirish spent over 30 years with Citigroup, where he focused on corporate and investment banking, and managed commercial and retail banking businesses at country and regional level. He has strong risk experience at country and regional level and was a Senior Credit Officer and a Senior Securities Officer at Citigroup. Shirish was Co-CEO for Citi's Europe, Middle East and Africa business from 2008 to 2009, and Regional CEO Asia Pacific from 2009 to 2011. He was Chairman of Asia Pacific Banking from 2012 until his retirement in 2014. He was on the Executive and Operating Committees of Citigroup from 2008 to 2014. From June 2014, he was an independent non-executive director at the Commonwealth Bank of Australia until stepping down in October 2022.

External appointments Shirish is an independent non-executive director at Singapore Life Pte Ltd, and an independent non-executive director of Keppel Corporation Limited, where he is a member of its Audit and Board Risk Committees.

Committees R A Ri N

Phil Rivett (67)
Independent Non-Executive Director

Appointed May 2020. Phil was also appointed to the Court of Standard Chartered Bank in May 2020.

Experience Phil has significant professional accountancy and audit experience, specifically focused in the financial services sector. He has a strong technical understanding and broad financial and business experience.

Career Phil joined PricewaterhouseCoopers (PwC) as a graduate trainee accountant in 1976, becoming a Partner in 1986. He spent more than 30 years as a Partner at PwC and was lead relationship Partner for several large FTSE 100 companies, including a number of international banks and financial services institutions. He also has substantial international experience, having worked with banks across the Middle East and Asia, in particular China. He became Leader of PwC's Financial Services Assurance practice in 2007 and was appointed Chairman of its Global Financial Services Group in 2011. Phil has sat on a number of global financial services industry groups, producing guidelines for best practice in governance, financial reporting and risk management.

External appointments Phil is an independent non-executive director and Chair of the Audit Committee at Nationwide Building Society.

Committees A Ri N

Jasmine Whitbread (59)
Independent Non-Executive Director

Appointed April 2015. Jasmine was appointed to the Court of Standard Chartered Bank in April 2019.

Experience Jasmine has significant business leadership experience as well as first-hand experience of operating across our markets.

Career Jasmine began her career in international marketing in the technology sector and joined Thomson Financial in 1994, becoming managing director of the Electronic Settlements Group. After completing the Stanford Executive Program, Jasmine set up one of Oxfam's first regional offices, managing nine country operations in West Africa, later becoming international director responsible for Oxfam's programmes worldwide. Jasmine joined Save the Children in 2005, where she was responsible for revitalising one of the UK's most established charities. In 2010, she was appointed as Save the Children's first international chief executive officer, a position she held until she stepped down in 2015. Jasmine stepped down as a non-executive director from the Board of BT Group plc in December 2019 and as chief executive of London First in March 2021, a business campaigning group with a mission to make London the best city in the world to do business.

External appointments Jasmine became Chair of Travis Perkins plc in March 2021 and is a non-executive director of WPP plc and Compagnie Financière Richemont SA.

Committees S N R

As announced in November 2022, Jasmine will step down from the Board at the 2023 Annual General Meeting (AGM).

David Conner (74)
Independent Non-Executive Director

Appointed January 2016.

Experience David has significant global and corporate, investment and retail banking experience, strong risk management credentials and an in-depth knowledge of Asian markets.

Career David spent his career in the financial services industry, living and working across Asia for 37 years, for both Citibank and OCBC Bank. He joined Citibank in 1976 as a management trainee and went on to hold a number of Asia-based senior management roles, including chief executive officer of Citibank India and managing director and marketing manager at Citibank Japan, before leaving Citibank in 2002. David joined OCBC Bank in Singapore as chief executive officer and director in 2002. He implemented a strategy of growth and led the bank through a period of significant turbulence. David stepped down as chief executive officer in 2012 but remained as a non-executive director on the board of OCBC Bank, before leaving the group in 2014. He was previously a non-executive director of GasLog Ltd.

External appointments David is Chair of the Barnard Cancer Institute and an emeritus trustee of Washington University in St Louis.

Committees A Ri R

David is also a member of the Combined US Operations Risk Committee of Standard Chartered Bank.

Gay Huey Evans, CBE (68)
Independent Non-Executive Director

Appointed April 2015. Gay was appointed to the Court of Standard Chartered Bank in April 2019.

Experience Gay has extensive banking and financial services experience with significant commercial and UK regulatory and governance experience.

Career Gay spent over 30 years working within the financial services industry, the international capital markets and with the UK financial regulator. Gay spent seven years with the Financial Services Authority from 1998 to 2005, where she was director of markets division, capital markets sector leader, with responsibility for establishing a market-facing division for the supervision of market infrastructure, oversight of market conduct and developing markets policy. From 2005 to 2008, Gay held a number of roles at Citibank, including head of governance, Citi Alternative Investments, EMEA, before joining Barclays Capital where she was vice chair of investment banking and investment management. She was previously a non-executive director at Aviva plc, the London Stock Exchange Group plc and Itau BBA International Plc. In 2016, she received an OBE for services to financial services and diversity and a CBE for services to the economy and philanthropy in the Queen's Birthday Honours list 2021.

External appointments Gay is Chair of the London Metal Exchange, a non-executive director of ConocoPhillips and S&P Global, and a non-executive member of the HM Treasury board. Gay also sits on the panel of senior advisers at Chatham House and the board of the Benjamin Franklin House.

Committees Ri

Jackie Hunt (54)
Independent Non-Executive Director

Appointed October 2022. Jackie was also appointed to the Court of Standard Chartered Bank in October 2022.

Experience Jackie is a Chartered Accountant and has spent most of her career within financial services. She brings significant UK and international financial services experience, including asset management, insurance, regulatory and accounting knowledge.

Career Jackie has held a number of senior management positions in companies including Aviva, Hibernian Group, Norwich Union Insurance, PwC and RSA Insurance. From 2016, Jackie was a member of the Allianz SE management Board with executive responsibility for the asset management and US life insurance divisions, a position she held until 2021. Prior to that, Jackie was an executive director of Prudential plc and CEO of Prudential UK, Europe and Africa. She was Group Chief Financial Officer of Standard Life plc from 2010 to 2013, where she helped transform the life insurer into a diverse savings, pensions and asset management business. Jackie was previously the Senior Independent Director of National Express Group PLC, a non-executive director of TheCityUK and the Deputy Chair of the FCA Practitioner Panel.

External appointments Jackie is an independent non-executive director of Man Group PLC and Rothesay Life PLC. Ahead of commencing her role as an independent non-executive director of Willis Towers Watson plc from 1 April 2023, Jackie will step down from her role as an independent non-executive director of OneWeb Holdings Limited.

Committees A S

Robin Lawther, CBE (61)
Independent Non-Executive Director

Appointed July 2022. Robin was appointed to the Court of Standard Chartered Bank in December 2022.

Experience Robin brings extensive international banking experience in global markets and financial institutions. In addition to a broad understanding of commercial banking, she has specialist knowledge in investment banking, mergers and acquisitions and capital raising.

Career Robin spent over 25 years at JP Morgan Chase in a number of senior executive positions. She has valuable executive and non-executive experience across global markets and has considerable understanding of regulatory and governance issues. From 2019 to 2021, she served as a non-executive director on the board of M&G plc. In January 2014, Robin joined Shareholder Executive, which later became UK Government Investments (UKGI), as a non-executive board member until completing her term in May 2022. She received a CBE for services to finance and diversity in the Queen's Birthday Honours 2020.

External appointments Robin is an independent non-executive director of Nordea Bank Abp, the largest Nordic Bank, and a member of its Remuneration & People Committee. She is also an independent board member of Ashurst LLP and a member of the advisory board at Aon PLC.

Committees Ri S R

David Tang (68)
Independent Non-Executive Director

Appointed June 2019. David was also appointed to the Court of Standard Chartered Bank in June 2019.

Experience David has a deep understanding and experience of emerging technologies in the context of some of our key markets, most notably mainland China.

Career David has more than 30 years of international and Chinese operational experience in the technology and venture capital industries, covering venture investments, sales, marketing, business development, research and development and manufacturing. From 1989 to 2004, David held a number of senior positions in Apple, Digital Equipment Corp and 3Com based in China and across the Asia Pacific region. From 2004 to 2010, David held various positions in Nokia, including corporate vice president, chairman of Nokia Telecommunications Ltd and vice chairman of Nokia (China) Investment Co. Ltd. He went on to become corporate senior vice president and regional president of Advanced Micro Devices (AMD), Greater China, before joining NGP Capital (Nokia Growth Partners) in Beijing as managing director and partner in 2013, a position he held until retiring in June 2021.

External appointments David joined Kaiyun Motors, an electric vehicle start-up based in China, in June 2021 as Chief Value Officer. David is also a non-executive director of JOYY Inc., the Chinese live streaming social media platform listed on the Nasdaq Stock Market, and Kingsoft Corporation, a leading Chinese software and internet services company listed on the Hong Kong Stock Exchange.

Committees Ri S

Carlson Tong (68)
Independent Non-Executive Director

Appointed February 2019.

Experience Carlson has a deep understanding and knowledge of operating in mainland China and Hong Kong and has significant experience of the financial services sector in those markets.

Career Carlson joined KPMG UK in 1979, becoming an Audit Partner of the Hong Kong firm in 1989. He was elected Chairman of KPMG China and Hong Kong in 2007, before becoming Asia Pacific chairman and a member of the global board and global executive team in 2009. He spent over 30 years at KPMG and was actively involved in the work of the securities and futures markets, serving as a member of the Main Board and Growth Enterprise Market Listing Committee of the Stock Exchange of Hong Kong from 2002 to 2008 (Chair from 2006 to 2008). After retiring from KPMG in 2011, he was appointed a non-executive director of the Securities and Futures Commission, becoming its Chair in 2012 until he stepped down in October 2018. He oversaw a number of major policy initiatives during his term as the chair, including the introduction of the Hong Kong and Shanghai/Shenzhen Stock connect schemes and the mutual recognition of funds between the mainland and Hong Kong. From 2017 until July 2020, Carlson was a non-executive director of the Hong Kong International Airport Authority. He was a member of the Hong Kong Human Resource Planning Commission from April 2020 until December 2022 and Chair of the Hong Kong University Grants Committee from January 2016 until he stepped down in December 2022.

External appointments Carlson is an independent non-executive director of MTR Corporation Limited, Chairman of its Audit & Risk Committee and a member of its Finance and Investment Committee. He sits on various Hong Kong SAR government bodies and is also an observer on behalf of the Hong Kong Government for Cathay Pacific Airways Limited.

Committees A Ri

Dr Linda Yueh, CBE (51)
Independent Non-Executive Director

Appointed January 2023. Linda was also appointed to the Court of Standard Chartered Bank in January 2023.

Experience Linda is a renowned economist and financial broadcaster with a diverse range of skills and experience across financial services, technology, not-for-profit and business to business service sectors.

Career Linda has held various academic roles and acted in various advisory roles after starting her career as a corporate lawyer at Paul, Weiss, Rifkind, Wharton & Garrison. Linda was Economics Editor at Bloomberg News from 2010 to 2012 and Chief Business Correspondent for the BBC between 2013 and 2015. She was a Visiting Professor at LSE IDEAS at the London School of Economics and Political Science from 2019 to 2022 and served on the Independent Review Panel on Ring-Fencing and Proprietary Trading for HM Treasury. Between 2011 and 2013, Linda held non-executive directorships with Scottish Mortgage Investment Trust Plc, London & Partners Ltd and JPMorgan Asia Growth & Income Plc. She was Senior Independent Director of Fidelity China Special Situations Plc from 2019 before stepping down in December 2022. Linda was awarded a CBE for Services to Economics in the New Year Honours List of 2023.

External appointments Linda is a Fellow at St Edmund Hall, Oxford University and Adjunct Professor of Economics at London Business School. She currently serves as an independent non-executive director of Rentokil Initial Plc and Segro Plc. She is Chair of the Baillie Gifford The Schiehallion Fund Ltd, an investment company listed on the Specialist Fund Segment of the London Stock Exchange Main Market. Linda is Executive Chair of the Royal Commonwealth Society, Trustee of the Coutts Foundation, Adviser to the UK Board of Trade and an Associate Fellow at Chatham House.

Committees S R

Adrian de Souza (52)
Group Company Secretary

Appointed Adrian was appointed Group Company Secretary in May 2022.

Career Adrian qualified as a lawyer in 1997. Prior to joining Standard Chartered, he was General Counsel for Vivo Energy PLC, a FTSE-250 pan-African fuel retailer, where he was responsible for the: Company Secretarial, Governance, Ethics, Compliance and Forensic Investigations functions and was a member of the group's Executive Committee.

After working in private practice at international law firms Hogan Lovells and Clifford Chance, Adrian served as General Counsel and Company Secretary at IQSA Group (a Goldman Sachs private equity business); Company Secretary at Barclays Bank UK PLC, General Counsel and Company Secretary of the FTSE 100 company, Land Securities Group PLC, where he was a member of the Group's Executive Committee and Head of Legal at SABMiller Europe.

Naguib Kheraj, Dr Byron Grote and Christine Hodgson, CBE stepped down from the Group as independent non-executive directors on 30 April 2022, 30 November 2022 and 31 January 2023 respectively.

Scott Corrigan stepped down as Interim Group Company Secretary on 5 May 2022.

Contributions of how each director standing for re-election is, and continues to be, important to Standard Chartered PLC's long-term sustainable success will be included in the Notice of AGM 2023.

Management Team

Bill Winters (61)
Group Chief Executive

Andy Halford (63)
Group Chief Financial Officer

Simon Cooper (55)
CEO, Corporate, Commercial & Institutional Banking and Europe & Americas

Simon joined the Group as CEO, Corporate & Institutional Banking in April 2016. He assumed additional responsibility for Commercial Banking in March 2018 and the Europe & Americas region in January 2021.

Career Simon was previously group managing director and chief executive of Global Commercial Banking at HSBC. He has extensive experience across our markets and client segments. Simon joined HSBC in 1989 and held a number of senior roles there, including deputy chairman and chief executive officer, Middle East and North Africa; chief executive officer, Korea; and head of Corporate and Investment Banking, Singapore. He has extensive experience in the areas of investment banking, corporate banking and transaction banking.

External appointments Simon is Chairman of the advisory board of the Lee Kong China School of Business.

Claire Dixon (50)
Group Head of Corporate Affairs, Brand and Marketing

Claire joined Standard Chartered as Group Head of Corporate Affairs, Brand & Marketing in March 2021.

Career Claire is a seasoned communications expert who has led teams at global brands in a variety of sectors, in Europe and the US. She spent nearly eight years living and working in Silicon Valley, including for eBay/PayPal and latterly as Chief Communications Officer at Intel. Throughout her career she has been a champion for creating positive global impact, including leading Global Corporate Responsibility at GlaxoSmithKline. Claire is Chair of the Standard Chartered Foundation.

External appointments None.

Judy Hsu (59)
CEO, Consumer, Private and Business Banking

Judy was appointed Regional CEO, Consumer, Private & Business Banking on 1 January 2021 and has been a member of the Group Management Team since 2018.

Career Prior to her most recent appointment, Judy was Regional CEO, ASEAN & South Asia, a position she held from June 2018. Judy was the country CEO for Standard Chartered Singapore from 2015 to 2018. She joined Standard Chartered in December 2009 as the Global Head of Wealth Management and led the strategic advancement of the Bank's wealth management business. Prior to this, Judy spent 18 years at Citibank, where she held various leadership roles in its Consumer Banking business in Asia.

External appointments Judy is serving as a board member of the Urban Redevelopment Authority Singapore. She was appointed to the board of CapitaLand Investment Limited as an Independent Director in June 2021.

Benjamin Hung (58)
CEO, Asia

Ben was appointed CEO, Asia on 1 January 2021. He is the Chairman of Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited.

Career Ben joined Standard Chartered in 1992 and has held a number of senior management positions spanning corporate and retail banking. Prior to his current role, Ben was Regional CEO for Greater China & North Asia and CEO for the Bank's Retail Banking and Wealth Management businesses globally. He is currently based in Hong Kong and has international banking experience in the United Kingdom and in Canada. Ben was previously chairman of the Hong Kong Association of Banks, a member of the Financial Services Development Council and a board member of the Hong Kong Airport Authority and the Hong Kong Hospital Authority. He was also a Council Member of the Hong Kong University.

External appointments Ben is an independent non-executive director of the Hong Kong Exchanges and Clearing Limited. He also sits on the Exchange Fund Advisory Committee and is a member of the General Committee of the Hong Kong General Chamber of Commerce. He is a strategic adviser at the International Consultative Conference on the Future Economic Development of Guangdong Province, China.

Tanuj Kapilashrami (45)
Group Head, Human Resources

Tanuj joined the Management Team as Group Head, Human Resources (HR) in November 2018.

Career Prior to joining the Group, Tanuj built her career at HSBC. She has worked across multiple HR disciplines in many of our footprint markets (Hong Kong, Singapore, Dubai, India and London). Tanuj joined the Bank in March 2017 as Group Head, Talent, Learning and Culture and took on additional responsibility as Global Head HR, Corporate, Commercial and Institutional Banking in May 2018.

External appointments Tanuj is a non-executive director of Sainsbury's PLC and a member of their Nomination and Remuneration committees. She is a member of the Asia House board of trustees, of which Standard Chartered is a founding stakeholder. Asia House is a London-based centre of expertise on trade, investment and public policy whose mission it is to drive political, economic and commercial engagement between Asia and Europe. Tanuj is also a board member of the UK Financial Services Skills Commission.

Sunil Kaushal (57)
CEO, Africa & Middle East

Sunil was appointed CEO, Africa & Middle East on 1 October 2015.

Career Prior to his current role, Sunil was regional CEO South Asia, responsible for Standard Chartered's operations in South Asia (which included India, Bangladesh, Sri Lanka, and Nepal). He has over 33 years of banking experience in diverse markets and has been with Standard Chartered for over 23 years, holding senior roles across the Wholesale and Consumer Bank. Sunil has rich experience across the Group's footprint, having served as the Head of Corporate Banking in UAE, Head of Originations and Client Coverage in Singapore, Global Head Small and Medium Enterprises (SME) and New Ventures in Singapore and Chief Executive Officer of Standard Chartered Bank (Taiwan) Ltd.

Before joining Standard Chartered in 1998, Sunil held various banking positions at a number of leading international financial institutions.

External appointments Sunil is a Global Advisory Board member of MoneyTap, a leading Indian Fintech company.

Roel Louwhoff (57)
Chief Technology, Operations and Transformation Officer

Roel joined the Group as Chief Digital, Technology & Innovation Officer in November 2021 and is responsible for leading the digital transformation of the Group into an agile, digital and future-focused organisation. He spearheads the Group's technology strategy; the development of its technology systems and infrastructure, which support its customers and employees globally; and leads its innovation. Roel's expanded role as Chief Technology, Operations and Transformation Officer commenced in April 2022.

Career Prior to joining Standard Chartered, Roel was Chief Operations and Transformation Officer at ING Bank, where he oversaw operations, technology and the broader transformation agenda. During his seven years in this role, Roel led the successful digital transformation of ING, seen by many as a trailblazer in digitising financial services. Before ING, Roel spent ten years at British Telecom (BT), latterly as CEO of BT-Operate based in the UK. At BT, he redefined the technology and operational approach and led the BT communication side of the 2012 Olympics before applying that learning in delivering turn-key digital and infrastructure solutions for major exhibition and sporting events.

External appointments None.

Tracey McDermott, CBE (53)
Group Head, Conduct, Financial Crime and Compliance

Tracey has been the Group Head Conduct, Financial Crime and Compliance since January 2019.

Career Tracey originally joined Standard Chartered as Group Head of Corporate, Public and Regulatory Affairs in March 2017, subsequently adding Brand and Marketing to her portfolio in December 2017 and Compliance in March 2018. Prior to joining the bank, Tracey served as Acting Chief Executive of the Financial Conduct Authority (FCA) from September 2015 to June 2016. She joined the then Financial Services Authority (FSA) in 2001 where she held a number of senior roles, including: Director of Supervision and Authorisations, and Director of Enforcement and Financial Crime. Tracey also served as a Board Member of the FSA from April 2013, as a member of the Financial Policy Committee of the Bank of England, and as non-executive director of the Prudential Regulation Authority from September 2015 to June 2016. Prior to joining the FCA, Tracey worked as a lawyer in private practice, having spent time in law firms in the UK, USA and Brussels. In 2016, Tracey received a CBE for her services to financial service consumers and markets. She is a trustee of the Standard Chartered Foundation.

External appointments Tracey chairs the Net Zero Banking Alliance, is a member of the International Regulatory Strategy Group Council and chairs the Conduct and Ethics Committee of the Fixed Income, Currencies and Commodities Markets Standards Board.

Sandie Okoro (58)
Group General Counsel

Sandie Okoro joined the Bank as Group General Counsel in April 2022. In the role, she leads the Bank's Legal, Group Corporate Secretariat and Shared Investigative Services functions.

Career Sandie is a pre-eminent lawyer, having served as General Counsel and Senior Vice President, and Vice President for Compliance, at the World Bank Group. Prior to joining the World Bank, Sandie was General Counsel for HSBC Global Asset Management and Global General Counsel at Barings. Sandie is an Honorary Bencher of Middle Temple in the United Kingdom (2018) and was named one of the Upstanding 100 Leading Ethnic Minority Executives (2016), Top 20 Global General Counsel (2019) by the Financial Times, and was recognised as Britain's 10th most influential person of African and African Caribbean heritage by Powerlist (2023).

Sandie received a lifetime achievement award from the UK Black Solicitors Network (2016), was named one of the Power 100 Women by City A.M. and 100 Women to Watch by Female FTSE Board.

External appointments Sandie was appointed inaugural Chair of the UK-based charity Women of the World Foundation in June 2021, she received an honorary lifetime Emeritus membership of the Law Societies' Compact and Forum for Sustainable Development Goal 16 in June 2022, and she is a Governor of the Royal Shakespeare Company.

Sadia Ricke (52)
*Group Chief Risk Officer, director of Standard Chartered Bank

Sadia Ricke joined the Bank in February 2023. *Subject to regulatory approval, she will be appointed Group Chief Risk Officer and a director of Standard Chartered Bank.

Career Sadia has a broad range of financial and risk experience and a thorough understanding of our footprint markets. She joined the Bank from Société Générale, where she started in 1994 in the Financial Institutions Credit department. She gained more than 13 years of structured finance experience in the Natural Resources and Energy Finance division where she was Co-Deputy Head, a position she held until 2010. She then became Head of Credit Risk for SG CIB in Paris, before moving to Hong Kong to take on the role of Head of Global Finance for Asia Pacific in January 2015. She was appointed Group Country Head and Head of Coverage and Investment Banking for the UK in 2017. In 2019, Sadia became Deputy Chief Risk Officer and then Group Chief Risk Officer in January 2021.

External appointments None.

Mary Huen (55)
CEO, Hong Kong and Cluster CEO for Hong Kong, Taiwan and Macau

Mary was appointed Chief Executive Officer (CEO) for Hong Kong in March 2017, and took on an expanded role as Cluster CEO for Hong Kong, Taiwan and Macau in January 2021.

Career Mary has over 30 years of experience in business management and banking services. Prior to her current role, Mary was Regional Head of Retail Banking, Greater China & North Asia, and the Head of Retail Banking, Hong Kong. She is a board member of Standard Chartered Bank (Hong Kong) Limited. She is also chairperson of the Board of Standard Chartered Bank (Taiwan) Limited and Mox Bank Limited.

External appointments Mary is the vice chairperson of the Hong Kong Association of Banks, a member of the Banking Advisory Committee of the Hong Kong Monetary Authority, the Financial Infrastructure and Market Development Sub-Committee under the Exchange Fund Advisory Committee. She is also a representative of Hong Kong, China to the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council, the chairperson of the Hong Kong Trade Development Council Financial Services Advisory Committee and the Asian Financial Forum Steering Committee, a board member of the Hong Kong Tourism Board and Hospital Authority.

Mark Smith, previously Group Chief Risk Officer and a director of Standard Chartered Bank, retired from the Group on 31 December 2022.
Paul Day, Group Head, Internal Audit attends Management Team meetings as an invitee.

Corporate governance

Key areas of Board discussion during 2022

This section offers an insight into key Board items and activities covered during the year, as well as the structure of the Board, its committees, and its meetings.

At the beginning of the year, and following approval of the Corporate Plan, the Board reviewed and updated its key priorities, as well as discussed potential Blue Sky topics, to help prepare its forward plan. This required careful consideration and regular review throughout the year to ensure standing items, strategic objectives, governance principles and risk and compliance requirements were appropriately addressed. Some of the areas detailed on the following pages formed part of the standing agenda for each meeting, while others were reviewed periodically during 2022.

Stakeholder consideration and engagement is central to the Board's priorities. We recognise the importance of promoting positive stakeholder relationships and the Board spends significant time interacting with them to better understand their views, as well as the opportunities, challenges and the Group's impact across our diverse markets. In addition, the Board regularly discusses the impact on stakeholders, their perspectives and their feedback, whether in Board and committee meetings, or as part of other interactions across the Group. Some examples of this can be found in the section 172 of the Companies Act 2006 (s.172) disclosure on pages 54 to 124, within spotlight items on the following pages and on pages 158 to 162.

Directors are alert to their statutory duties and obligations, including those outlined under s.172, and this forms an integral part of director induction and annual training. The Board will continue to focus on considering stakeholders as part of the Board's decision-making.

Code compliance

The UK Corporate Governance Code 2018 (UK Code) and the Hong Kong Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules (HK Code) are the standards against which we measured ourselves in 2022.

The directors are pleased to confirm that Standard Chartered PLC (the Company) continued to comply with the provisions set out in the UK Code and the HK Code for the year.

Throughout this corporate governance report we have provided an insight into how governance operates within the Group and how we have applied the principles set out in the UK Code and HK Code.

The Group confirms that it has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than required by Appendix 10 of the Hong Kong Listing Rules. Having made specific enquiry of all directors, the Group confirms that all directors have complied with the required standards of the adopted code of conduct.

References to examples of UK Code application in the Annual Report can be found on **page 218**

Copies of the UK Code and the HK Code can be found at **frc.org.uk** and **hkex.com.hk** respectively

To the extent applicable, information required by paragraphs 13(2) (c), (d), (f), (h) and (i) of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is available in Other disclosures on **pages 218 to 230**

Our stakeholders, their interests: driving commerce and prosperity through our unique diversity

The Board spends significant time considering, and engaging with, its key stakeholders to better understand their views and perspectives. A summary of stakeholder interests can be found in the Strategic report across the pages identified below.

Clients
Read more on **page 56**

Regulators and governments
Read more on **page 57**

Investors
Read more on **page 58**

Suppliers
Read more on **page 59**

Society
Read more on **page 59**

Employees
Read more on **page 60**

Strategy

- Reviewed and approved the 2023-2027 Corporate Plan as a basis for preparation of the 2023 budget, receiving confirmation from the Group Chief Risk Officer that the plan is aligned to the Enterprise Risk Management Framework and the Group Risk Appetite Statement
- Discussed progress made against the Group's strategic priorities and critical enablers
- Reviewed and scrutinised the strategic and operational performance of the business across client segments, product groups and regions, which included details of their priorities, progress, opportunities and response to current events. This included deep dives into the following areas:
  - Financial Markets
  - Private Banking
  - Africa and Middle East
- Received and discussed regular corporate development updates
- Reviewed and approved changes to focus the Group's presence in the Africa and Middle East region. Further information on this can be found on page 57
- Discussed and reviewed the Group's sustainability strategy
- Discussed and reviewed the Group's Transformation, Technology & Operations strategy
- Received an update on the Group's investment in its associate China Bohai Bank
- Approved the corporate restructuring of the Ventures business segment
- Approved the Liverpool Football Club sponsorship renewal

Spotlight

Liverpool Football Club sponsorship renewal

The Group announced a four-year extension to their main sponsor agreement with Liverpool Football Club (LFC) and LFC Women in July 2022. The Board discussed and reviewed the proposed plans to renew the long-standing relationship and fully supported continuing the partnership through to the end of the 2026/27 season, including increased investment in LFC Women. LFC is a globally renowned football club, with many followers across our markets in Asia, Africa and the Middle East. The Board recognised this as a unique and valuable opportunity to help deliver our narrative and Stands. Continuing to invest in brand and business marketing where appropriate is an important part of the Group's Corporate Plan.

Stakeholders

Clients
Suppliers
Investors
Society

Risk management

- Discussed and reviewed progress against the Group's Transformation and Remediation Portfolio and Information and Cyber Security Risk (ICS) profile
- Received and discussed briefings from management on ICS matters regularly throughout the year, including contributions from the independent adviser to the Board on cyber security and cyber threat management
- Discussed and endorsed the Group's ICS strategy
- Reviewed and discussed risk reports from the Group Chief Risk Officer
- Approved Sadia Ricke's appointment as Group Chief Risk Officer, subject to regulatory approval
- Discussed, reviewed and/or approved various activities relating to Resolvability
- Engaged with the Prudential Regulation Authority (PRA) on the findings of their 2022 Periodic Summary Meeting Letter
- Assessed progress in continuing to strengthen the Group's risk culture
- Approved the risk appetite validation of the 2023 Corporate Plan, which included a consideration of principal risks, including Climate Risk
- Approved the renewal of the Group's insurance policies for 2022/2023
- Approved material changes to the Enterprise Risk Management Framework
- Undertook Blue Sky thinking/horizon scanning discussions, which considered the potential risks and opportunities that the Group might be or could become exposed to

Spotlight

Resolvability

Resolvability was a fundamental part of the Board's agenda for the year. They reviewed, challenged and approved enhancements to the updated Group's Resolvability Assessment Report provided to the Bank of England in February 2022 and approved the Group's Resolvability disclosure published in June 2022. In July 2022, the Board attended a teach-in session of the Master Resolution Playbook. It also participated in a Resolution simulation exercise with senior leaders and experts in December 2022 to role play a hypothetical scenario that could arise if Standard Chartered were to enter resolution.

Further information can be found on **page 173**

Stakeholders

Clients
Suppliers
Regulators and governments
Society
Investors
Employees

Key areas of Board discussion during 2022 continued

Financials and performance

- Monitored the Group's financial performance
- Approved the 2021 full year and 2022 half year results
- Monitored and assessed the strength of the Group's capital and liquidity positions
- Considered the Group's approach to capital management and returns
- Approved a 2021 final dividend and 2022 interim dividend
- Approved two share buy-back programmes
- Received half yearly updates on, and discussed, the Group's major investment programmes in 2022
- Received half yearly updates on, and discussed, investor relations matters
- Approved the Group's 2021 Country-by-Country Reporting disclosures

Spotlight

Dividend payments and share buy-backs

The Board approved two dividend payments in 2022, as well as two ordinary share buy-back programmes. As part of its decision-making process, the Board took account of the importance of approving distributions and other capital management activities within an appropriately prudent framework. The Board sought assurance from management that the proposed plans would not impact the Group's ability to provide sufficient support to the Group's key clients and other stakeholders.

Stakeholders

Clients | Regulators and governments | Investors

People, culture and values

- Approved the Group's 2021 Modern Slavery Statement
- Discussed progress made against the Group's people strategy and culture aspirations
- Discussed aspects of the Group's global employee engagement survey, My Voice
- Received updates on the progression and evolution of the Management Team's and senior management's succession plans following a number of recent appointments
- Discussed the Group's diversity and inclusion initiatives
- Approved updates to the Board Diversity Policy
- Approved changes to the Group's operational resilience strategy
- Reviewed an annual report update on the operation and effectiveness of the Group's Speaking Up programme

Spotlight

Culture

The Board considered the Group's culture aspirations, recognising that good progress had been made in a number of areas, including employee experience, psychological safety and leadership. They discussed with management the ambitions for the future, taking into account feedback from across the Group. The aspiration is to encourage greater innovation that is aligned to our strategy, enable the simplification of decision-making and drive client centricity through a culture of high performance and execution.

Stakeholders

Clients | Employees | Society

External environment

- Received updates on the macroeconomic headwinds and tailwinds in the global economy, including an assessment of the impact on the key drivers of the Group's financial performance
- Received internal and external briefings and input across a range of subjects, including:
  - global market trends
  - the global macro impact of the Russia-Ukraine war
  - geopolitical developments between the US and China
  - societal and business implications of global demographic trends
  - strategic insights into global markets, geopolitics and policy
  - regulatory developments and updates

Spotlight

Global market trends

The Board invited a number of internal experts and guest speakers to attend Board dinners providing important and specialist insight and context to the Board discussion, on a variety of matters. A number covered global market trends, set against the backdrop of demographic, economic and technological developments.

Stakeholders

Clients | Suppliers | Regulators and governments | Society | Investors | Employees

Governance

- Noted and/or approved changes to the membership of the Board's committees and chairs of the Remuneration Committee and Board Risk Committee
- Approved the appointment of the new Senior Independent Director
- Received reports at each scheduled meeting from the Board committee chairs on key areas of focus for the committees and quarterly updates from Standard Chartered Bank (Hong Kong) Limited and its Audit and Board Risk committees
- Undertook training on director duties and the governance landscape
- Approved the reallocation of the work of the Board Financial Crime Risk Committee
- Discussed and reviewed the independence, performance and annual re-election of the non-executive directors
- Approved the continued independence of Christine Hodgson, an independent non-executive director (INED), up until she stepped down from the Board on 31 January 2023
- Approved the re-appointment of the independent advisers to the Board, on cyber security and cyber threats, and financial crime
- Authorised potential conflicts of interest relating to directors' external appointments
- Discussed the observations and themes arising from the 2022 external Board and committees' effectiveness review ahead of approving the 2023 Action Plan in early 2023
- Reviewed, and approved updates where appropriate, to the Terms of Reference for each Board committee
- Further developed meaningful linkages between the Board and its subsidiaries at chair, board and committee level
- Approved changes to the Group Sources of Authority Framework to support the reorganisation of certain client segments

Spotlight

Board Financial Crime Risk Committee

Given the progress made by the Board Financial Crime Risk Committee (BFCRC) in respect to financial crime risk management, the 2020 Board effectiveness review highlighted the potential for the work of the BFCRC to be reallocated to a combination of the Board Risk Committee, the Audit Committee and the Board. Feedback from the 2021 Board effectiveness review indicated broad support for this approach. In light of this, the Board agreed to reallocate the work with effect from 1 April 2022. The reallocation of BFCRC oversight enables a more holistic and efficient examination and discussion of risks that are closely linked, such as fraud, information and cyber security and financial crime. The BFCRC held one meeting in 2022 where it reviewed the agenda and confirmed the reallocation of each item into the new structure.

Stakeholders

Regulators and governments | Investors | Society | Employees

Shareholder and stakeholder engagement

- Engaged with investors, held meetings with brokers, discussed the views of institutional shareholders
- Discussed and reviewed the approach to engaging investors and other relevant stakeholders ahead of the 2022 Annual General Meeting (AGM) in relation to the Group's net zero pathway
- Held the 2022 AGM
- Held a hybrid stewardship event attended by investors representing a sizeable proportion of our equity as well as several shareholder representative bodies
- Engaged with employees, clients, shareholders and regulators
- As part of the Group's asset reunification programme, approved the donation of reclaimed assets to Futuremakers by Standard Chartered, a global initiative to tackle inequality and promote greater economic inclusion
- Met with shareholders to discuss remuneration proposals and outcomes, also following response to our directors' remuneration policy and directors' remuneration report at the 2022 AGM, to better understand their views
- Discussed support provided to clients, colleagues and communities during continued impact of COVID-19 in some markets
- Reviewed and discussed an investor sentiment survey
- Received bi-annual updates from Investor Relations, including share price and valuation analysis, market engagement and ownership analysis and sell-side sentiment

Spotlight

Investor sentiment survey

An external investor sentiment survey, on an anonymous basis, was conducted during the year with the intention of seeking insight into how the Group was perceived, to identify areas of focus for investors and understand how the Group could improve its investor communications. This was particularly important given the changes in the external environment and the evolution of the Group's strategy. The Board discussed key areas to focus on to address concerns investors had highlighted and which had emerged from the report.

Stakeholders

Investors

For a detailed overview of our strategy see **pages 22 and 23**

Examples of how the Board considered stakeholder perspectives in some principal decisions during the year are provided on **pages 57 and 66**

Board and committee structure: decisions, responsibilities and delegation of authority

Standard Chartered PLC

The Board must act with integrity and is collectively responsible for establishing the Company's purpose, values and strategy. It is also responsible for promoting its culture and overseeing its conduct and affairs for promoting the long-term success of the Group, as well as ensuring leadership within a framework of effective controls.

The Board sets the strategic direction of the Group, approves the strategy and takes the appropriate action to ensure that the Group is suitably resourced to achieve its strategic aspirations.

The Board considers the impact of its decisions and its responsibilities to all of the Group's stakeholders, including employees, shareholders, regulators and governments, clients, suppliers, the environment and the communities in which we operate.

The Board discharges its responsibilities directly or, in order to assist it in carrying out its function of ensuring effective independent oversight and stewardship, delegates specified responsibilities to its committees. Detail of how the Board fulfilled its responsibilities in 2022, as well as key topics discussed and considered by the Board committees, can be found in this Directors' report.

Biographies for Board members are set out on pages 138 to 142.

Audit Committee	Oversight and review of matters relating to financial reporting, the Group's internal controls, including internal financial controls, and the work undertaken by Conduct, Financial Crime & Compliance, Group Internal Audit and the Group's Statutory Auditor, Ernst & Young LLP (EY).	Read more on **page 163**
Board Risk Committee	Oversight and review of the Group's Risk Appetite Statement, the appropriateness and effectiveness of the Group's risk management systems and the principal risks, including Climate Risk, to the Group's business. Furthermore, consideration of the implications of material regulatory change proposals and due diligence on material acquisitions and disposals.	Read more on **page 170**
Culture and Sustainability Committee	Oversight and review of the Group's culture and sustainability priorities.	Read more on **page 176**
Governance and Nomination Committee	Oversight and review of Board and executive succession, overall Board effectiveness and corporate governance issues.	Read more on **page 179**
Remuneration Committee	Oversight and review of remuneration, share plans and other incentives.	Read more on **page 184**

Group Chief Executive

The Group Chief Executive is responsible for the management of all aspects of the Group's businesses, developing the strategy in conjunction with the Group Chairman and the Board, and leading its implementation.

The Board delegates authority for the operational management of the Group's business to the Group Chief Executive for further delegation by him in respect of matters that are necessary for the effective day-to-day running and management of the business. The Board holds the Group Chief Executive accountable in discharging his delegated responsibilities.

Management Team

The Management Team comprises the Group Chief Executive and the Group Chief Financial Officer, regional CEOs, client segment CEOs, and our global function heads. It has responsibility for executing the strategy. Details of the Group's Management Team can be found on **pages 143 to 145**.

Terms of Reference for the Board and each committee are in place to provide clarity over where responsibility for decision-making lies. These are reviewed annually against industry best practice and corporate governance provisions and guidance, including the PRA Supervisory Statement on Board Responsibilities (as amended).

With the exception of the Governance and Nomination Committee (where the Group Chairman is its Chair) all of the Board committees are composed of INEDs who bring a diversity of skills, experience and knowledge to the discussion, and play an important role in supporting the Board.

Written Terms of Reference for the Board and its committees can be viewed at **sc.com/termsofreference**

Our Board meetings

The Board is committed to maintaining a comprehensive schedule of meetings and a forward agenda to ensure its time is used most effectively and efficiently, and is supported by the Group Company Secretary to facilitate this. Flexibility in the programme is important and permits key items to be added to any agenda so that the Board can focus on evolving and important matters at the most appropriate time.

Performance against delivery of the agreed key financial priorities is reviewed at every scheduled meeting, with particular reference to the detailed Group management accounts. The Group Chief Executive and Group Chief Financial Officer comment on current trading, business performance, the market, colleagues, relevant stakeholders, and regulatory and external developments at each scheduled meeting, and present comparative data and client insight. In addition, the Group Chief Risk Officer periodically attends meetings to update the Board on key risks.

The Group Chairman holds INED-only meetings ahead of each scheduled Board meeting, which provides the opportunity for discussion on key agenda items and other matters without the executive directors and management present.

Sir Iain Lobban and Paul Khoo, who are engaged by the Board to act as independent advisers to the Board and its committees on cyber security and cyber threat management, and financial crime respectively, attended a combination of Board and committee meetings to provide an independent and current view on the Group's progress in this area. The Board continue to find Sir Ian's and Paul's inputs valuable and renewed their appointments for a further 12 months.

Our Board committees

The Board places significant reliance on its committees by delegating a broad range of responsibilities and issues to them. It therefore remains crucial that effective linkages are in place between the committees and the Board as a whole, not least as it is impracticable for all INEDs to be members of all of the committees. Mechanisms are in place to facilitate these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each committee and overlapping membership between Board committees where necessary. Alongside interconnected committee membership, the Board receives a written summary of each of the committee's meetings and verbal updates at the Board, where appropriate.

Further details on each committee, including their oversight and focus during 2022, can be found in the Board committee reports starting on page 163.

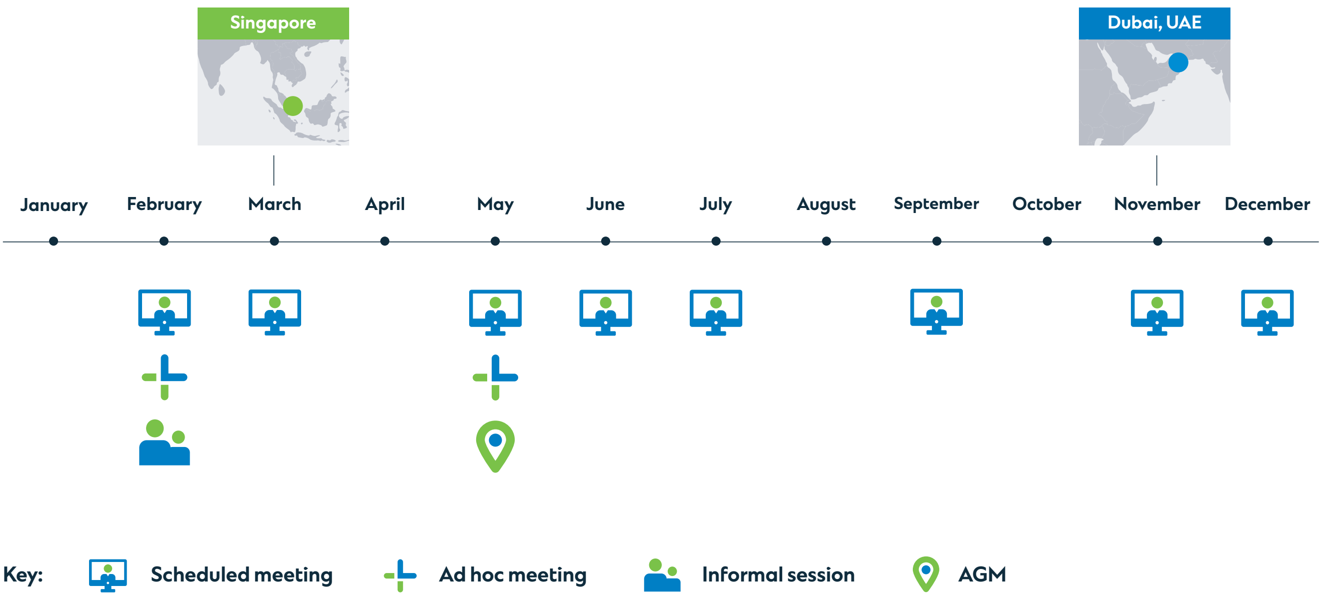
Development of Board activities in 2022

Given the easing of travel restrictions during 2022, the Board and its committees were pleased to hold a greater number of in-person meetings than seen in the previous couple of years. However, as a global Board that reflects our diverse footprint, some directors continued to face challenges with travel, and as such it was important to continue to utilise interactive technology where required.

As in previous years, the most appropriate format for each Board and committee meeting was assessed by the Group Chairman or respective committee chair, with support from the Group Company Secretary, to ensure inclusivity and agility and to protect authentic engagement. This resulted in some meetings being held in person, virtually or a combination of the two. Irrespective of location and time zone, each director was able to interact effectively with other attendees.

The timeline on this page shows the Board's collective engagement throughout the year.

Board activities during 2022



Board composition, roles and attendance in 2022

The Group Chairman is committed to ensuring optimal Board effectiveness. A key mechanism to drive this is the appropriate composition and balance of individuals.

The Board is composed of a majority of independent non-executive directors who provide an independent perspective, constructive challenge, and monitor the performance and delivery of the strategy within the Risk Appetite and controls set by the Board.

Detail regarding Board diversity can be found within the Governance and Nomination Committee report on **pages 179 to 183**

Group Chairman

Group Chairman
José Viñals

Responsibilities
Responsible for leading the Board, ensuring its effectiveness in all aspects of its role and developing the Group's culture with the Group Chief Executive. Promotes high standards of integrity and governance across the Group and ensures effective communication and understanding between the Board, management, shareholders and wider stakeholders.

	Attendance
AGM	Y
Scheduled	8/8
Ad hoc	2/2

Executive directors

Group Chief Executive
Bill Winters

Responsibilities
Responsible for the management of all aspects of the Group's businesses, developing the strategy in conjunction with the Group Chairman and the Board and leading its implementation.

	Attendance
AGM	Y
Scheduled	8/8
Ad hoc	2/2

Group Chief Financial Officer
Andy Halford

Responsibilities
Responsible for Finance, Corporate Treasury, Strategy, Group Corporate Development, Group Investor Relations, Property and Supply Chain Management functions.

	Attendance
AGM	Y
Scheduled	8/8
Ad hoc	2/2

Independent non-executive directors

Senior Independent Director
Maria Ramos

Responsibilities
Provides a sounding board for the Group Chairman and discusses concerns that are unable to be resolved through the normal channels or where such contact would be inappropriate with shareholders and other stakeholders. Chairs the Governance and Nomination Committee when considering succession of the Group Chairman. Is available to shareholders if they have concerns that cannot be resolved or for which the normal channels would be inappropriate. Can be contacted via the Group Company Secretary at 1 Basinghall Avenue, London EC2V 5DD. Maria Ramos took over from Christine Hodgson as Senior Independent Director on 1 September 2022.

	Attendance
AGM	Y
Scheduled	8/8
Ad hoc	2/2

	Attendance		
	AGM[1]	Scheduled	Ad hoc
David Conner	Y	8/8	2/2
Christine Hodgson, CBE[1]	Y	8/8	2/2
Gay Huey Evans, CBE	Y	8/8	2/2
Phil Rivett	Y	8/8	2/2
David Tang	Y	8/8	2/2
Carlson Tong	Y	8/8	2/2
Jasmine Whitbread	Y	8/8	2/2
Naguib Kheraj	N/A	2/2	1/1
Byron Grote	Y	7/7	2/2
Shirish Apte	Y	6/6	1/1
Robin Lawther, CBE	N/A	4/4	N/A
Jackie Hunt	N/A	2/2	N/A

1 Christine Hodgson stepped down from the Board on 31 January 2023.

INEDs that have stepped down in 2022

Naguib Kheraj and Byron Grote stepped down from the Board on 30 April and 30 November 2022 respectively.

INEDs that joined in 2022

Shirish Apte, Robin Lawther and Jackie Hunt joined the Board on 4 May, 1 July and 1 October 2022 respectively.

Linda Yueh joined the Board on 1 January 2023. Further information can be found on **page 142**

Board committee roles and attendance can be found in the committee sections starting from page 163. Prior to the retirement of the Board Financial Crime Risk Committee on 1 April 2022, it held one meeting during 2022 with all members in attendance

The biographies of each director are set out on **pages 138 to 142**

The roles of the Group Chairman and Group Chief Executive are distinct from one another and are clearly defined in detailed role descriptions which can be viewed at **sc.com/roledescriptions**

Director induction

Three new directors were appointed to the Board during the year. Shirish Apte, Robin Lawther and Jackie Hunt possess a range of skills and a breadth of knowledge relevant to the Board debate. Details regarding their experience can be found in their biographies on pages 139 to 141.

All new Board members are given a comprehensive, formalised induction programme. Prior to taking up their respective Board and committee positions, the three new directors were provided with a number of induction sessions to ensure a smooth transition into their roles and positive contributions from the outset. In addition, Shirish Apte and Maria Ramos received in-depth handovers from Christine Hodgson and Naguib Kheraj before succeeding them as Chair of the Remuneration Committee and Board Risk Committee respectively. This included a period of shadowing Christine Hodgson and Naguib Kheraj through discussions and meetings in the lead-up to becoming committee chairs. Phil Rivett was appointed interim Board Risk Committee Chair following the retirement of Naguib Kheraj and pending Maria Ramos' appointment as Chair receiving regulatory approval. He was actively involved in the handover process for Maria Ramos.

While a proportion of the induction is relevant to all new Board members, the content of the programme is tailored to meet each director's individual level of experience and expertise. Shirish Apte, Robin Lawther and Jackie Hunt participated or will participate in deep-dive sessions on a number of key topics. Examples include: the role and responsibilities of a director; our strategic priorities; the critical enablers and the Stands; the markets in which we operate; client groups and product segments and principal risks. In addition, learning and development sessions have taken place or have been arranged to ensure they are well versed with the significant issues unique to each of their committee memberships.

Each induction typically consists of a combination of meetings with existing Board members and senior staff. New Board members are also given the opportunity to attend key management meetings and engage with stakeholders, including investors and clients. Visits to key markets across our footprint were limited due to the variation of travel restrictions but opened up as the year progressed. As such, there was a combination of in person and virtual engagements.

Linda Yueh joined the Board on 1 January 2023; her experience can be found in her biography on page 142. She has made good progress in respect to her induction plan so far this year, visiting two of our markets.

The Group Corporate Secretariat function supports the INEDs as they undertake their induction programmes, which are typically completed within the first six to nine months of an INED appointment and progress is reviewed by the Governance and Nomination Committee after six months. The programmes are regularly reviewed and take into account directors' feedback to ensure continuous development and improvement.

Ongoing development plans

Continuous training and development beyond a director's induction plan is essential to maintaining a highly engaged, effective and well-informed Board. Ongoing development plans also help ensure directors lead with integrity and promote the Group's culture, purpose and values.

Mandatory learning and training are important elements of directors' fitness and propriety assessments as required under the Senior Managers Regime. During the year, all directors received a combination of mandatory learning and training, internal and external briefings, presentations from guest speakers, and papers on a wide range of topics to ensure the directors are well informed and that the Board remains highly effective. The Board committee members also received specific training relevant to the work of their respective committees. The format of ongoing training varied, including formal refresher sessions and informal meetings. The training covered a variety of topics throughout the year and were held either in person, virtually or a combination of the two. The table on the next page gives further detail on who received these briefings.

The Group Chairman reviews with each director their training and development needs both in real time and as part of the annual performance cycle. Where it is recognised that the Board or individual directors need further training or development in key areas, additional sessions are arranged with subject matter experts.

All of the directors have access to the advice of the Group Company Secretary, who provides support to the Board and is responsible for advising the Board on governance matters. Directors also have access to independent, professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as directors.

2022 director training overview

	Induction[1]	Directors' duties and regulatory updates	Data management[2]	Supply chain ICS threats	Cloud technology	Global demographic trends	Resolvability	Cyber attacks	Climate risk[2]	ICS deep dive: Threat Scenario-Led Risk Assessment[5]
José Viñals	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bill Winters	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✔
Andy Halford	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shirish Apte[3]	✓	✓	✓	N/A	✓	✓	✓	✓	✓	✔
David Conner	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✔
Byron Grote[4]	N/A	✓	✓	✓	✓	✓	N/A	✓	✓	✓
Christine Hodgson, CBE	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Gay Huey Evans, CBE	N/A	✓	✓	✓	✓	✓	✔	✓	✓	✓
Jackie Hunt[3]	✓	N/A	N/A	N/A	N/A	N/A	✔	✓	N/A	N/A
Naguib Kheraj[4]	N/A	N/A	N/A	✓	N/A	N/A	N/A	N/A	N/A	N/A
Robin Lawther, CBE[3]	✓	✓	N/A	N/A	N/A	✓	✓	✓	✓	✔
Maria Ramos	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Phil Rivett	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓
David Tang	N/A	✓	✓	✓	✓	✔	✓	✓	✓	✔
Carlson Tong	N/A	✓	✓	✓	✓	✔	✓	✓	✓	✔
Jasmine Whitbread	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓

1 Applicable to directors who received induction training during 2022
2 Training sessions were circulated as online video tutorials
3 Shirish Apte, Robin Lawther and Jackie Hunt joined the Board on 4 May 2022, 1 July 2022 and 1 October 2022 respectively. A number of training sessions took place before their appointments
4 Naguib Kheraj and Byron Grote stepped down from the Board on 30 April 2022 and 30 November 2022 respectively. Certain training sessions took place after these dates
5 Director attendance was not mandatory

✓ Director attended the session

✔ Director did not attend the session but received any accompanying material and had opportunities to raise questions and observations with the Group Chairman and Group Company Secretary

Directors' performance

The Group Chairman led the evaluation of individual director performance during 2022. These one-to-one sessions considered:

- their performance against core competencies and their individual effectiveness
- their time commitment to the Group, including (where relevant) the potential impact of any outside interests
- their ongoing development and training needs
- the Board's composition, taking into account when each INED envisaged stepping down from the Board
- the current and future committee membership and structure
- their engagement across the Group.

These performance reviews are used as the basis for recommending the re-election of directors by shareholders at the 2023 AGM and to assist the Group Chairman with his assessment of the INEDs' competencies. In addition, the Group Chairman has responsibility for assessing annually the fitness and propriety of the Company's INEDs and the Group Chief Executive Officer under the Senior Managers Regime. These assessments were carried out in respect of each INED and the Group Chief Executive and no issues in relation to fitness and propriety were identified.

Group Chairman's performance

Maria Ramos, as Senior Independent Director, assisted by Christine Hodgson, who was Senior Independent Director for part of the year, and Ffion Hague, who facilitated the Board evaluation this year, reviewed José Viñals' performance as Group Chairman. Consolidated feedback was shared with him.

Time commitment

Our INEDs commit sufficient time in discharging their responsibilities as directors of Standard Chartered. In general, we estimate that each INED spent approximately 40 to 70 days on Board-related duties, and considerably more for those who chair or are members of multiple committees.

Spotlight

Interview with Robin Lawther

An insight into one of our new INEDs

Robin Lawther, CBE
Independent
Non-Executive Director

Q. What drew you to Standard Chartered and how do your initial impressions align to your expectations?

A. As an entrepreneur at heart, I was delighted with the opportunity to join a global bank that serves businesses that promote trade and innovation and puts clients at the heart of everything they do. Standard Chartered's drive to be diverse and inclusive as well as giving back to communities in which they work was also a big draw, particularly as these are important concepts I've championed throughout my career. Since joining Standard Chartered in July my initial impressions have been great. I've enjoyed getting to know my colleagues, as well as other stakeholders, and the Board's visit to Dubai in November is a good example of this. We were hosted by an excellent team who ran a comprehensive agenda and were very welcoming.

Q. How effective have you found your induction programme in preparing you as an INED and for the Standard Chartered Board and committee discussions?

A. My induction programme has been very useful so far and has covered a broad range of different topics relevant to my role. I've also engaged with members of our leadership team across the Group who've provided valuable insight into their roles, the business and the functions. As part of the programme, I recently visited Malaysia and Singapore, along with two of my fellow new directors. This was a fascinating experience where I spoke to many different people from across the business, including our colleagues in the Global Business Service centre, Malaysia as well as our partners in Singapore who work on our digital banking solutions. I was really encouraged to see how focused everyone is on driving the client experience and supporting the younger demographic. I'm looking forward to the remainder of the induction process.

Q. What are the key skills and experience you bring to the Board?

A. I've thoroughly enjoyed my executive and non-executive roles over the years at organisations such as JP Morgan, UK Government Investments, Nordea Bank Abp, M&G plc, Ashurst LLP and Aon PLC. I'm truly thankful for the opportunities and great experiences these roles have provided, which have helped deepen my comprehensive knowledge across global markets and the financial, regulatory and governance landscape more broadly. I enjoy acting as a sounding board and helping to problem-solve on many issues, as well as having the chance to get to know the teams with whom I have worked. I believe very strongly in being respectful to everyone and embracing inclusivity. Whilst I seek to improve diversity in all aspects, I have chosen to focus on gender. This has been important to me throughout my career, and I feel it's crucial for women to empower and support each other. In addition, I think that mentoring and reverse mentoring are critical and I am happy to say that I have just been assigned a colleague in Hong Kong as my first reverse mentor and I am learning loads.

Q. How important is a company's culture to you and what are your views on the culture at Standard Chartered?

A. This is incredibly important. In my experience a company that focuses on embedding the right behaviours, and taking actions to make this culture a reality, will have a better chance at achieving success in the long-term. I'm impressed by how many people at Standard Chartered are invested in delivering on the Group's ambitions through collaboration and innovation, while continuing to strengthen an inclusive, high performance, risk-aware culture.

Q. How do you build connections with key stakeholders?

A. I believe respect, empathy and a steely determination to do the right thing are key ingredients in building connections and relationships. We have a wealth of stakeholders to consider at Standard Chartered, including clients, suppliers, colleagues, shareholders, regulators and the communities in which we operate. Listening and responding to their priorities and concerns is so important and helps to deliver on our strategic priorities. As I mentioned before, diversity and inclusion are important to me. Earlier in my career I set up an annual women's networking event which has really grown over the years. I now host this more regularly and I'm delighted by the high turnout and enthusiasm to support one another.

Q. What do you see as some of the key priorities for Standard Chartered over the next 5 years?

A. This is an important aspect of the Board's agenda, and we discuss this with management in depth. I believe continuing to put clients at the heart of all that we do to be vital, as well as developing our talent and youth, aiming to increase shareholder returns, giving back to the communities and environments in which we operate, maintaining a risk aware strategy, and leveraging off our diverse and unique network.

Board effectiveness

This year, the Board Effectiveness Review comprised an externally facilitated evaluation in accordance with the UK Corporate Governance Code. It was conducted by Ffion Hague of Independent Board Evaluation (IBE). The Board's five committees were also observed as part of the review. Neither Ffion Hague nor IBE has any other connection with the Company or any individual directors. This was the third external evaluation the Board has undertaken during José Viñals' tenure as Group Chairman.

Board effectiveness review format

A comprehensive brief was provided to the assessment team at IBE by the Group Chairman and the assessment team observed the Board and its committees between July and October. The review took the form of detailed interviews with every board member, members from the Management Team and other key non-board contributors, some 26 people in total. All participants were interviewed thoroughly in accordance with a tailored agenda. The evaluation team also observed Board and committee meetings, reviewed papers from these meetings, as well as more static documentation provided.

A report was compiled by the evaluation team based on the information and views supplied by those interviewed and observations from the Board and committee meetings. Draft conclusions were discussed with the Group Chairman and subsequently the whole board in December 2022, with Ffion Hague present. Following the Board discussion, IBE provided feedback to each committee chair on the performance of their committee and also discussed the report on the Group Chairman's performance with the current and previous Senior Independent Director.

In addition, the Group Chairman received a report with feedback on individual directors which was used to support the individual Fit and Proper and annual assessments conducted with directors. Key observations were discussed by the Governance and Nomination Committee ahead of the Board and its committees finalising their 2023 action plans. Key observations and action plans for the Board's five committees can be found in the Board committee reports starting on page 163.

Progress against the 2022 Action Plan

The 2022 Action Plan set out a number of actions to be achieved following the internal Board evaluation conducted in 2021. The 2022 Action Plan was regularly reviewed during the year and good progress had been made against actions as evidenced by this year's external Board effectiveness review.

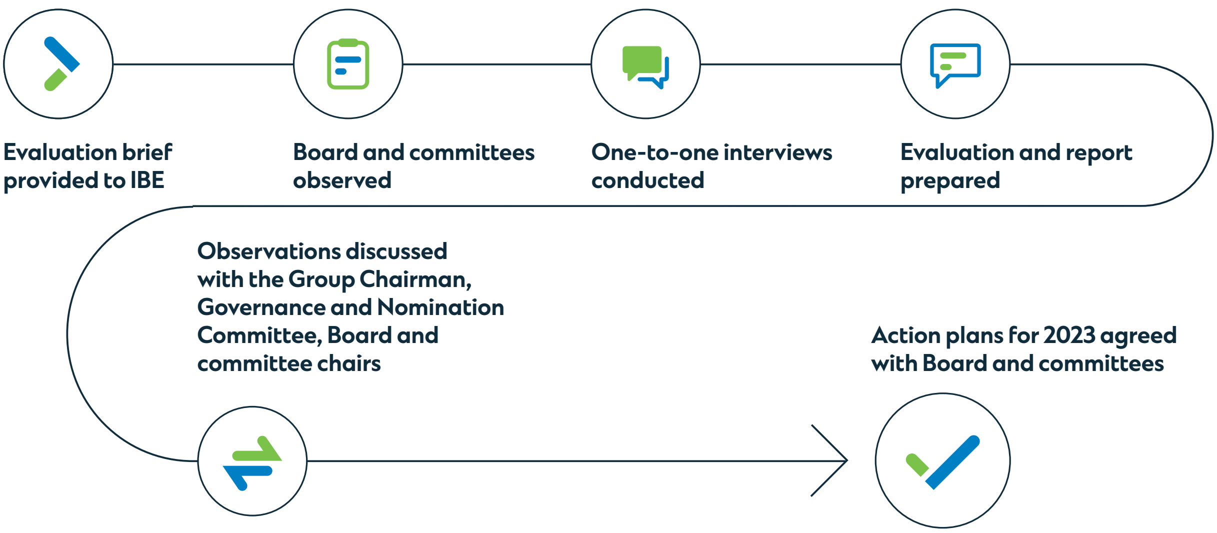
Key observations from the 2022 external effectiveness review

- The Board has shown considerable progress since the last external evaluation and believes in continuous improvement.
- The Board is regarded as well constructed overall, with plenty of listed experience and good diversity ratios, although slightly larger than most market peers.
- The Board considered the importance of creating more space on the Board agendas and creating a mechanism to take papers by exception.
- That the standard tenure of INEDs needed further consideration in order to smooth succession.

2023 Action Plan

- Review agendas of the Board and its committees to reduce overlaps and create efficiencies.
- Revise key performance indicators and regular reports to focus attention on outcomes rather than activity and completed steps.
- Enhance peer benchmarking information and data.
- Improve INED appointment process by increasing pace of recruitment and decision making.
- Clarify the timetable and those responsible for Board appointments within that framework.
- Enhance new director induction packs to assist them in understanding how strategy, risk appetite and the organisation fit together.
- Rebalance the Board agendas to create more time for linked strategic discussions.
- Review the mechanism for Board workforce engagement.
- Enhance the framework for ensuring reputational risk is appropriately escalated to the Board and its committees.

External evaluation process



Director independence

The Governance and Nomination Committee reviews the independence of each of the non-executive directors, taking into account any circumstances likely to impair, or which could impair, their independence. Recommendations are then made to the Board for further consideration.

In determining the independence of a non-executive director, the Board considers each individual against the criteria set out in the UK Code, the Hong Kong Listing Rules and also considers their contribution and conduct at Board meetings, including how they demonstrate objective judgement and independent thinking.

The Board considers all of the non-executive directors to be independent of Standard Chartered, concluding that there are no relationships or circumstances likely to impair any INEDs' judgement.

Christine Hodgson independence

At the request of the Company, Christine, who had signalled her intention to retire from the Board at the end of her nine-year term as an independent non-executive director in September 2022, agreed to remain on the Board until 31 January 2023. This enabled Christine to facilitate the orderly transition of her role as Chair of the Remuneration Committee to her successor, Shirish Apte, as well as lead the shareholder consultation required following a significant minority vote against the Company's remuneration policy and report resolutions at the 2022 AGM.

The Board, taking into account the provisions set out in the UK Code and the Hong Kong Listing Rules, considered Christine independent up until she stepped down from the Board despite her serving for a period of more than nine years and concluded that there were no relationships or circumstances likely to impair her judgement. This was based on a number of factors, including:

- Christine's strong record in making objective decisions and holding management to account and remaining willing and able to do so
- her clear independence demonstrated in terms of her participation at meetings with management and her interactions with shareholders and proxy agencies
- her arm's-length approach to dealing with executive directors and continued challenge where appropriate
- none of Christine's external directorship appointments conflicted or potentially conflicted with those of the Company
- the broader composition of the Board, including the fact that no other director had a tenure in excess of nine years.

External directorships and other business interests

Board members hold external directorships and other outside business interests. We recognise the significant benefits that broader boardroom exposure provides for our directors. However, we closely monitor the nature and quantity of external directorships our directors hold, in order to satisfy ourselves that any additional appointments will not adversely impact their time commitment to their role at Standard Chartered, and to ensure that all of our Board members remain compliant with the PRA directorship requirements, as well as the shareholder advisory groups' individual guidance on 'over-boarding'. These requirements impose a limit on the number of directorships both executive and INEDs are permitted to hold.

Details of the directors' external directorships can be found in their biographies on pages 138 to 142. Before committing to an additional appointment, directors confirm the existence of any potential or actual conflicts, that the role will not breach their limit as set out by the PRA, and provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a director of the Company. All directors continue to hold no more than the maximum number of directorships permitted under the PRA rules.

Our established internal processes ensure that directors do not undertake any new external appointments without first receiving formal approval of the Board. The Board has delegated authority to make such approvals to the Group Chairman, with the exception of his own appointments. Of those INEDs who took on new external directorships during the year, four were regarded as significant directorships (appointed to the board of a listed company) and as such were announced to the market in line with our listing obligations. Further detail on the specific appointments are provided below:

- Gay Huey Evans was appointed to the board of S&P Global as a non-executive director and member of its audit committee on 28 February 2022, following the closing of the merger between S&P Global and IHS Markit. Gay resigned as an independent director of IHS Markit on the same day
- Carlson Tong was appointed to the board of MTR Corporation Limited as an independent non-executive director, chairman of its audit and risk committee and a member of its finance and investment committee on 25 May 2022
- Byron Grote was appointed to the board of InterContinental Hotels Group PLC (IHG) as a non-executive director and member of its audit and remuneration committees on 1 July 2022
- Jackie Hunt will join the Board of Willis Towers Watson plc (WTW) as an independent non-executive director on 1 April 2023.

All four directors discussed their respective appointments with the Group Chairman in advance of accepting the positions. Each director confirmed the existence of any potential or actual conflicts; provided assurance that the respective roles would not breach their limits as set out by the PRA; and confirmed that their appointments would not impact their abilities to devote sufficient time and focus to both their Board and committee responsibilities.

The Board's executive directors are permitted to hold only one non-executive directorship. Of our executive directors, Andy Halford, was until 31 December 2022, the Senior Independent Director, Chair of the Audit Committee and member of the Nomination Committee at Marks and Spencer Group plc, listed on the FTSE 250 and Bill Winters is a non-executive director of Novartis International AG, listed on SIX Swiss Exchange.

Stakeholder engagement

Ensuring authentic engagement across our markets

- Investors
- Clients
- Suppliers
- Regulators and governments
- Society
- Employees

The Board recognises the importance of stakeholder consideration and interaction. It forms a crucial part of Board decisions and discussions, as well as the review of our purpose, values and strategy.

As the impact of COVID-19 started to lessen across many of our markets, overseas travel was gradually reintroduced during the year. This was an opportunity for directors, either collectively or individually, to engage in person with a wide range of stakeholders, some for the first time since early 2020.

Some of our markets continued to face COVID-19-related restrictions during 2022, particularly in the early stages. Certain visits were either limited or replaced with virtual engagements. Dialogue via interactive technology ensured authentic engagement, but did at times prevent the meeting engagement the Board would usually undertake if it were in-person. Despite this, the Board is aware that a combination of both virtual and in-person meetings is an effective way of driving stakeholder engagement as it provides flexibility and the opportunity to tailor interactions depending on the participants.

Regardless of the format, Board activities led to a number of invaluable opportunities to engage with stakeholders across the Group's diverse network, including those identified on the following pages. Directors did not just engage collectively with stakeholders, but also individually. Independent adviser members to the Board, Board Risk Committee and Audit Committee also engaged directly with them.

Informal and formal sessions with stakeholders across our footprint help provide INEDs and independent adviser members with a comprehensive understanding of the Group's market operations, implementation of strategy, and the external and internal impact of the Group's activities.

Further detail regarding the Board's engagement with our stakeholders can be found on the following pages. Detail regarding how Board Committees and their members engaged with stakeholders can be found in the committee report sections starting from page 163.

Members of the Board, Management Team, directors from the Group's banking subsidiaries and other colleagues during a market visit to Dubai in November 2022

Engagement with investors

Our approach

Aiming to deliver robust returns and long-term, sustainable value for shareholders is of key importance to the Board. We continuously reflect on how the Board engages with our investors, openly seeking feedback and reviewing previous activities. We believe this strengthens engagements and helps support the Board's focus on developing open and trusted relationships with investors.

Although travel restrictions in some markets limited in-person engagement at times, the Board was able to physically meet with shareholders on a number of occasions. Where directors could not meet with shareholders in person, a virtual approach was taken. As with last year, this provided the opportunity to participate in events where extensive travel may have restricted investors in the past.

During the year, we maintained a comprehensive programme of engagement, including investor advisory bodies and credit rating agencies, and provided updates on progress made to transform our business for improved returns.

The Group Chairman and other Board directors had direct contact with investors and advisory voting bodies during the year, and received regular updates from the Investor Relations team, including reports on market and investor sentiment. An external independent investor perception study was commissioned, which was then considered by the Board. The Group Chairman, as part of his role, leads engagement with shareholders and hosted the 2022 AGM alongside fellow Board members. The Group Chairman and certain Board members also held an investor stewardship event similar to last year.

Christine Hodgson, Chair of the Remuneration Committee up until 31 December 2022, led the shareholder consultation required following a significant minority vote against the Company directors' remuneration policy and report resolutions at the 2022 AGM. Maria Ramos took over from Christine Hodgson as Senior Independent Director in September 2022. The Senior Independent Director was available to shareholders if they had concerns that could not be resolved or for which the normal channels were inappropriate.

Bill Winters and Andy Halford are the primary spokespeople for the Group. Throughout the year they engaged extensively with existing shareholders and potential new investors during individual or group meetings and conferences, either in person or virtually. In addition, each member of the Management Team responsible for a client segment or a geographic region, as well as the Group Treasurer, engaged with investors to promote greater awareness and understanding of the strategy in their respective areas, as well as taking the opportunity to receive investor feedback first hand.

Institutional shareholders

The Group maintains a diverse, high-quality and predominantly institutional shareholder base. The Investor Relations team has primary responsibility for managing day-to-day communications with these shareholders and provides support to the Group Chairman, Group Chief Executive, Group Chief Financial Officer, other Board members and senior management in conducting a comprehensive engagement programme.

Presentation material and webcast transcripts are made available on the Group's website and can be viewed at **sc.com/investors**

Investor stewardship event

The Group Chairman hosted a stewardship event in November 2022 alongside the Senior Independent Director and chairs of the Board Risk, Audit, and Remuneration Committees. Given the easing of travel restrictions in the UK, the event was held as a hybrid meeting which offered flexibility regarding how investors could engage. The Group Chairman provided a strategic update regarding Board and committee activities during the year which was supplemented by opening remarks from the Remuneration Committee Chair. This was followed by a question and answer (Q&A) session. Questions could be submitted in advance of the event, asked live in person or via a web-based platform for those who joined electronically.

Debt investors and credit rating agencies

Our Debt Investor Relations team has primary responsibility for managing the Group's relationships with debt investors and the three major rating agencies, with local market chief executives and chief financial officers leading on smaller subsidiary ratings. In 2022, management met with debt investors across Europe, North America and Asia, and maintained a regular dialogue with the rating agencies.

It is important that the Group, as an active issuer of senior unsecured and non-equity capital, maintains regular contact with debt investors to ensure continued appetite for the Group's credit. The Group's credit ratings are a key part of the external perception of our financial strength and creditworthiness.

Engagement with investors: what we did during 2022

February
2021 full year results and roadshows

March
Conferences and roadshows

April
2022 first quarter results and conferences

May
AGM and conferences

June
Financial Markets event and conferences

July
2022 half year results

August
Roadshows

September
Conferences and roadshows

October
2022 third quarter results

November
Stewardship event, Consumer, Private & Business Banking event and conferences

December
Conferences

Engagement with investors continued

Further information can be viewed at **sc.com/investors**

Retail shareholders

The Group Company Secretary oversees communication with our retail shareholders.

AGM

The meeting was held on 4 May 2022. We were pleased that shareholders could attend in person for the first time since 2019 given the easing of restrictions on public gatherings. In addition, in light of the success of last year's digitally enabled meeting, we also offered shareholders the opportunity to participate electronically via a live web-portal. Within this portal, shareholders were able to view a live video feed of the AGM, submit voting instructions and questions in writing or ask them through an audio line. Shareholders who attended the meeting in person were able to submit voting instructions and ask questions directly.

The AGM is a key date in the Board's calendar and the hybrid format ensured that shareholders could engage with them regarding the Company's recent performance and strategic priorities. Questions received from shareholders covered a diverse range of topics, including climate and the Group's net zero pathway; diversity; the Group's strategy; shareholder engagement; share price and regulatory developments.

All Board-proposed resolutions were passed, with shareholder support for each ranging from 68.81 per cent to 100 per cent. We proposed our net zero pathway as a shareholder advisory resolution at the AGM. Market Forces and Friends Provident Foundation filed a resolution outlining a different approach. The Board appreciate the involvement of both of these organisations and share their commitment to the transition to net zero, however the Board supported the Group's strategic approach to achieve this and recommended that shareholders support our advisory resolution and oppose the requisitioned resolution. In line with the Board's recommendation the advisory resolution was endorsed with 83 per cent of shareholder support at the 2022 AGM, and the requisitioned resolution did not pass. We remain very grateful for the support of our shareholders.

Detail regarding the directors' remuneration report and directors remuneration policy resolutions can be found in the Directors' Remuneration Report starting on page 184.

Voting results from the 2022 AGM can be viewed at **sc.com/investors**

A summary of responses to questions on key themes raised by shareholders was made available on our website after the meeting and can be found at **sc.com/agm**

Engagement with clients and suppliers

Clients are central to everything we do and promoting productive, sustainable relationships with them is a key priority. Prior to the COVID-19 pandemic, customer engagement was built into Board and director visits across our footprint and given the alleviation of travel restrictions in certain markets, this method of interaction was gradually reintroduced during the year. Board members, either collectively or individually, met clients face-to-face or virtually to keep abreast of developing client trends, experiences and needs. This also formed and will continue to form a part of the director induction programme. In addition, updates on clients' insights form part of deep dives into product segment strategy at Board meetings.

Suppliers provide efficient and sustainable goods and services for our business and certain members of the Board also met with them during the year. Detail on how the Group more generally engaged with clients and suppliers can be found on pages 55, 56, 58 and 59 of the Strategic report.

Engagement with regulators and governments

The Board, either collectively or individually, engages with relevant authorities both in the UK and across our footprint on a regular basis. During 2022, this took place via a number of virtual and physical forums. Topics varied, including recovery from the pandemic, geopolitical developments, resolution planning, digitisation and innovation, climate-related matters and cyber security. Certain regulators attended Board meetings during the year, which provided the opportunity to discuss key items and developments. Further detail on how the Group engaged with regulators and governments more generally can be found on page 57 of the Strategic report.

Engagement with society

The Board receives regular updates from management concerning the communities and environment in which we operate.

Either collectively or individually, directors were able to visit some of the Group's markets this year given the easing of travel restrictions in certain markets. This provided a productive opportunity to meet stakeholders in civil society. In addition, external and internal speakers provided input to the Board's discussions, which covered key societal issues such as climate change, the evolving geopolitical landscape, and the continued impact of the pandemic in some of our markets. Further detail on how the Group engaged with society more generally can be found on page 59.

Engagement and linkages with the Group's subsidiaries

The Board and its committees recognise the importance of creating, maintaining and building upon appropriate linkages with the Group's subsidiaries. Similar to 2021, the Board's ability to physically meet with people from across the Group's footprint remained limited. Despite this, the Group Chairman and INEDs engaged with the Group's subsidiaries through a number of forums. This included video-enabled chair and committee chair engagement sessions, as well as other forms of interaction.

Global subsidiary governance conference

During the Board's visit to Dubai in November, we held our third global subsidiary governance conference. This two-day event was attended by members of the Board, Management Team and directors from the Group's banking subsidiaries. The conference presented the opportunity for the Board to strengthen and reconnect its linkages with the Group's subsidiary chairs, hear their views on the progress of the Group's strategy and discuss what improvements could be made in their markets, as well as a range of other topics. It also enabled the Board and Management Team to gain a better appreciation of some of the challenges and opportunities the Group faces across its subsidiary markets. Items discussed across the two days included:

- Group strategy, financial performance and governance structure
- The transformation taking place in the UAE from a policy perspective
- Regional CEOs strategy session
- Building resilient business models and ecosystems for the new economy
- Strategic oversight of sustainability
- Talent opportunity and changing workforce expectations
- Overview of the Dubai International Financial Centre (DIFC) Fintech hive.

The Group Chairman also hosted two subsidiary chair engagement sessions during 2022, both held virtually. Each event opened with specific topics introduced by the Group Chairman, followed by a Q&A session. José Viñals was encouraged by the high level of interaction and sharing of best practices by our subsidiary chairs. Items discussed across the sessions included:

- Group performance, strategy and investor reaction
- 2022 Board priorities
- UK Corporate Governance update
- New ways of working for certain markets post COVID-19
- Areas of focus for the Group's boards, including board transformation and overseeing culture
- Sustainability.

Committee chair engagement

The Audit Committee held its annual videoconference during the year, followed by a Q&A session. This was hosted by the Audit Committee Chair and attended by the chairs of subsidiary audit committees. The Group Financial Controller; Group Head, Internal Audit; Regional Head, Audit, Europe and the Americas and Africa and the Middle East; Group Head, Conduct, Financial Crime and Compliance; members of the Group's statutory auditor, EY, including the lead audit partner; the Group Company Secretary and the Committee Secretary also participated in the call. Items discussed during the call included:

- 2022 Audit Committee focus areas
- Group Finance update, which featured financial results, IFRS 9 models, overlays and a status report on the Group's Aspire Programme
- Conduct, financial crime and compliance update
- Group Internal Audit reporting to subsidiary audit committees
- Group statutory audit update from EY.

The Board Risk Committee Chair hosted its annual videoconference with chairs of the subsidiary board risk committees, followed by a Q&A session. The Group Chairman; Group Chief Risk Officer; Global Head of Enterprise Risk Management and Deputy Chief Risk Officer Standard Chartered Bank; the Group Company Secretary and Committee Secretary also participated in the call.

Items discussed during the call included:

- 2022 Board Risk Committee focus areas
- Group Chief Risk Officer's 2022 priorities
- Update on Model Risk
- Management scenarios undertaken during the year, including stagflation.

The Remuneration Committee Chair also held a videoconference attended by the subsidiary remuneration committee chairs and the chairs of subsidiary boards that have remuneration responsibilities. The Group Chairman; members of the Remuneration Committee; Group Head, Human Resources; Global Head, Performance, Reward and Benefits; Head, Executive Compensation and Reward Governance; the regional, functional and business heads of Pensions, Rewards and Benefits; and the Group Company Secretary also participated in the call. The calls foster knowledge sharing and best practice between the Company Remuneration Committee and the subsidiary remuneration committees and raise awareness as remuneration committees are increasingly expected to have oversight over the approach to remuneration for the wider workforce. The topics that were discussed included:

- 2022 Remuneration Committee focus areas
- Framework for subsidiary interaction
- 2022 total variable compensation and ensuring strong differentiation
- 2023 compensation in light of inflation and cost of living pressures.

Other activities which took place during 2022 to further strengthen the linkages across the Group included:

- the Group Chairman attended a Standard Chartered Bank (Hong Kong) Limited (SCBHK) board meeting
- the Chair of the Group Audit Committee attended a SCBHK audit committee meeting and the audit committee chair of Standard Chartered Bank (Singapore) Limited attended one Group Audit Committee Meeting
- the Chair of the Board Risk Committee attended a SCBHK board risk committee meeting.

Further detail regarding how the Group engages with its stakeholders can be found on **pages 54 to 124**

Engagement with employees

The Board places great importance on workforce engagement and values its interactions at all levels of the Group. Two-way dialogue through a variety of forums helps build the Board's understanding of key issues and developments around its markets, as well as providing an insight into the hands-on experiences of colleagues.

The role of the Board is distinct from management, and the directors are aware of the importance of overseeing, supporting and, where necessary, challenging management in implementing its people strategy. In light of this, the Board tasked the Culture and Sustainability Committee to oversee a review of the existing framework with management, considering certain adjustments aimed to enhance the Board workforce engagement.

The Board continued to adopt an alternative approach to the workforce engagement methods set out in the UK Corporate Governance Code. The primary reason for taking a different approach was that, as a global organisation with more than 83,000 employees across 59 diverse markets, it is vital that any Board engagement should gather unfiltered feedback which is representative of the whole workforce in order to be truly effective.

Given the easing of travel restrictions the Board was able to meet colleagues across parts of our footprint, both collectively and individually. The diagram below illustrates which markets were visited. During the year, directors appreciated being able to meet face-to-face with a number of employees, whether through formal meetings or informal discussions. The opportunity to resume meeting the workforce in person is something directors found highly beneficial and will continue to form part of the approach for 2023.

Through our comprehensive employee listening programme, the Board has an opportunity to understand diverse employee perspectives. This is comprised of an annual engagement survey, a continuous listening programme, lifecycle surveys and diagnostic research on specific areas of focus, such as flexible working, wellbeing and performance management. The Board can also access data on employee issues through our Speak Up channel.

Further detail regarding employee engagement this year can be found within the Culture and Sustainability Committee report starting on **page 176**

Director travel: an opportunity to engage with the workforce and other stakeholders

Directors, either together or individually, visited a range of markets.

Europe and the Americas

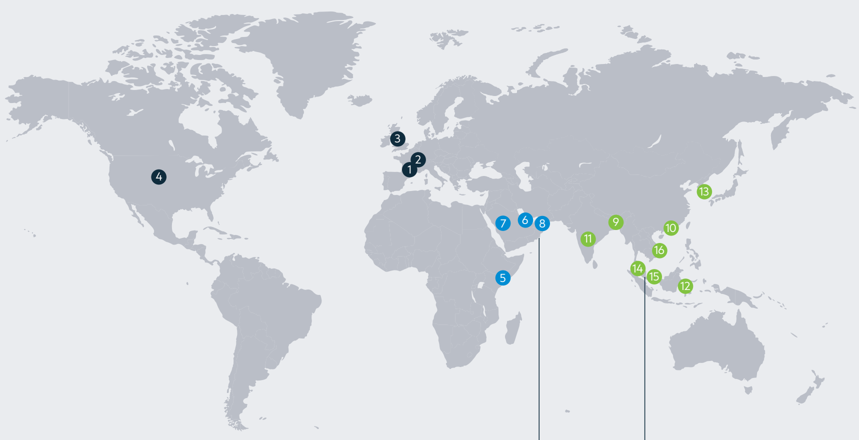
1. France
2. Germany
3. UK
4. US

Africa and Middle East

5. Kenya
6. Qatar
7. Saudi Arabia
8. UAE

Asia

9. Bangladesh
10. Hong Kong
11. India
12. Indonesia
13. Korea
14. Malaysia
15. Singapore
16. Vietnam



Dubai, UAE

On 10 November, the Board hosted an informal lunch with the UAE talent. They invited a number of top talents who came from various business segments, support functions and backgrounds, representing the diversity of the UAE franchise. José Viñals and Maria Ramos also hosted a townhall for all employees, alongside members of the Management Team.

Singapore

The Board travelled to Singapore in March 2022. Although pandemic-related restrictions on social gatherings remained in place, which limited the amount of engagement permitted, the Board took advantage of meeting with a wide range of stakeholders where possible, including informal discussions with senior leaders and other colleagues.

Audit Committee

"As you would expect, the challenging external environment and lingering impacts of COVID-19 have been significant focus areas for the Committee this year."

Committee composition

Scheduled meetings

Phil Rivett (Chair)	8/8
David Conner	8/8
Byron Grote[1]	7/7
Christine Hodgson, CBE	8/8
Shirish Apte[2]	5/5
Jackie Hunt[3]	2/2
Maria Ramos	8/8
Carlson Tong	8/8

1 Byron stepped down from the Committee on 30 November 2022
2 Shirish joined the Committee on 4 May 2022
3 Jackie joined the Committee on 1 October 2022

Who else attended 2022 Committee meetings?

The Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group General Counsel; Group Head, Internal Audit; Group Head of Conduct, Financial Crime & Compliance; Group Head, Central Finance; representatives from Group Finance; Group Statutory Auditor; and Group Company Secretary. Sir Iain Lobban and Paul Khoo, independent advisers to the Board, attend discussions on Financial Crime Compliance (FCC)-related matters. As part of his induction plan in 2022, Shirish Apte attended one Committee meeting as an observer prior to joining.

As part of, and in addition to most scheduled Committee meetings, the Committee held private members-only meetings. The Committee also met with the Group's Statutory Auditor, Ernst & Young LLP (EY) and the Group Head, Internal Audit, without management being present. The Committee members have detailed and relevant experience and bring an independent mindset to their role.

The Board is satisfied that Phil Rivett has recent and relevant financial experience. Phil is a chartered accountant with over forty years' experience of professional accountancy and audit focused on banks and insurance companies. He led the audits of a number of leading banks during his career as senior audit partner of PricewaterhouseCoopers (PwC). He is also Chair of the Audit Committee for Nationwide Building Society.

Biographical details of the committee members can be viewed on **pages 138 to 142**

What are the main responsibilities of the Committee?

The Committee is responsible for oversight and advice to the Board on matters relating to financial reporting. The Committee's role is to review, on behalf of the Board, the Group's internal controls, including internal financial controls. The Committee has exercised oversight of the work undertaken by Conduct, Financial Crime & Compliance (CFCC), Group Internal Audit (GIA) and EY. The Committee Chair reports to the Board on the Committee's key areas of focus following each meeting.

The Committee has written Terms of Reference that can be viewed at **sc.com/termsofreference**

I am pleased to present the Audit Committee report for the year ended 31 December 2022. The report sets out the areas of significant focus for the Committee and its activities over the course of the year. I have enjoyed working with Committee members, management, EY, regulators and colleagues, in what has been a strong year of performance for the Group.

There have been some changes to the Committee's composition in 2022. We welcomed Shirish Apte and Jackie Hunt as Committee members in May and October respectively. Dr Byron Grote stepped down as a Committee member in November, and I would like to convey the Committee's gratitude to Byron for his significant contributions over the years. Paul Day, Group Head, Internal Audit, joined the Committee as a permanent invitee, replacing the previous incumbent.

As you would expect, the challenging external environment and lingering impacts of COVID-19 have been significant focus areas for the Committee this year. The Committee has carefully scrutinised and challenged credit impairment provisions, including the continued appropriateness or release of COVID-19-related overlays, key accounting issues and significant accounting estimates and judgements made by management, to ensure that they are sufficient, appropriate and clearly communicated in the Group's public disclosures. The Group's investment in China Bohai Bank (Bohai) has continued to be an area warranting ongoing attention, including the assumptions and judgements made around the Group's significant influence over Bohai; and further impairment of the investment to reflect the challenges and uncertainty in the outlook for the banking industry and property markets in China. China Commercial Real Estate (CRE) has been reviewed, discussed and challenged throughout the year, in light of the Chinese economy and the continued impacts of COVID-19. Sovereign downgrades have also been reviewed and discussed, including Sri Lanka, Pakistan and Ghana. Given the complex external landscape, this level of scrutiny will continue in 2023.

The Committee has continued to place oversight on the Group's Conduct Programme and the Group's Speak Up Programme. We observed regulatory developments in the use of private communication channels and the actions under way by management to protect the Group against the associated risks. The Committee invested time and attention in scrutinising Standard Chartered Bank's implementation plans for Financial Conduct Authority (FCA) Consumer Duty, which comes into effect on 31 July 2023. In 2022, I was appointed as the FCA Consumer Duty Board Champion. As part of this role, I meet regularly with the Accountable Executive and receive monthly updates on the progress of the implementation plans, whereby I then update the Group Chairman and Group Chief Executive, as required.

Given the retirement of the Board Financial Crime Risk Committee on 1 April 2022, the Group Money Laundering Reporting Officer's annual report was transferred to the Audit Committee for review and discussion, which took place in December 2022. We had the benefit of Sir Iain Lobban and Paul Khoo, our Board independent advisers, join this discussion to provide independent and specialist perspective. In conjunction with the Board Risk Committee, we continue to ensure that FC Risk is sufficiently covered in Board committee discussions.

The Committee continues to receive regular updates from management and EY on the steps being taken by the Group to improve Information Technology (IT) access controls and remediate weaknesses identified in prior year statutory audits. The Committee has kept a close watch on the work under way to improve controls and protect the Group's security systems.

The Committee has exercised its authority delegated by the Board for ensuring the integrity of the Group's published financial information by discussing and challenging the judgements and disclosures made by management, and the assumptions and estimates on which they are based. The Committee has exercised judgement in deciding which of the issues it considered to be significant in the financial statements, including Climate, and this report sets out the material matters that it has considered in these deliberations.

As a result of the Committee's work in 2022, assurance has been provided to the Board on the quality and appropriateness of the Group's financial reporting, and on internal audit, compliance and regulatory matters, to continue to safeguard the interests of the Group's broader stakeholders. The following pages provide insight and context into the Committee's work and activities during the year.

Phil Rivett
Chair of the Audit Committee

Activities during the year

Financial reporting

- Satisfied itself that the Group's accounting policies and practices are appropriate.
- Reviewed the clarity and completeness of the disclosures made within the published financial statements, in particular, that they are fair, balanced and understandable.
- Monitored the integrity of the Group's published financial statements and formal announcements relating to the Group's financial performance, reviewing the significant financial judgements, estimates and accounting issues.
- Considered any changes in disclosures arising from best practice in applying the UK Finance Code for Financial Reporting Disclosure, recommendations from the Taskforce on Disclosures on Expected Credit Losses (ECL), high-quality practices with regard to implementation of ECL suggested by the Prudential Regulation Authority (PRA) and Financial Reporting Council (FRC) publications on aspects of UK reporting and disclosure requirements from the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD).

Significant accounting judgements considered during 2022 are shown below.

The Committee can confirm that the key judgements and significant issues reported are consistent with the disclosures of key estimation uncertainties and critical judgements as set out in Note 1 starting on page 348.

Key area	Action taken
Impairment of loans and advances	Reviewed and challenged, on a quarterly basis, reports detailing the composition and credit quality of the loan book, concentrations of risk and provisioning levels. Reviewed, considered and challenged judgemental Post Model Adjustments (PMAs) and management overlays in both the wholesale and retail portfolios on a quarterly basis that were required to estimate ECL. Careful consideration, review and challenge were placed on the China CRE overlay. In the case of PMAs, some models' performance breached monitoring standards or validation standards necessitating adjustments. In the case of management overlays mainly to deal with the impact of COVID-19, the COVID-19 overlay for Corporate, Commercial and Institutional Banking (CCIB) has been fully released and for Consumer, Private and Business Banking (CPBB) has been significantly reduced, as the outlook has improved during 2022. As well as the expectation of elevated losses in industries and locations, paid particular attention to the China CRE sector and certain sovereigns, including Sri Lanka, Pakistan and Ghana, which have deteriorated during 2022. In respect of high-risk credit grade exposures, the Committee was also briefed on business plans, including remedial actions and management assessment of the recoveries and collateral available. The Committee challenged the completeness of these overlays and reviewed and considered when such management overlays would be released. Reviewed the appropriateness of management's economic forecasts and the adjustments to provisions to incorporate the effect of multiple economic scenarios. The Committee was briefed on the redevelopment of the Group's Monte Carlo model in Q4 2022 to incorporate a wider range of scenario outcomes than the previous model with the effect of increasing non-linearity in the model output. The Committee reviewed and challenged the judgement to release the previously held PMA for the CCIB portfolios and retain the PMA for CPBB as a result of the output of these model changes. The Committee reviewed the Group's high-level quantitative assessment of the impact of Climate Risk on the Group's ECL and considered the materiality of the impact and the judgement to disclose a potential range of impact rather than adjust the ECL given the limited impact. The Committee was briefed on the performance of the International Financial Reporting Standard (IFRS) 9 models and the remediation plans in place to address material non-performance issues, where these had been identified. The Committee considered the appropriateness of the staging of higher-risk loans.
Goodwill impairment	Reviewed management's annual assessment of goodwill impairment, covering key assumptions (including forecasts, discount rate and significant changes from the previous year), headroom availability and sensitivities to possible changes in key assumptions and related disclosures.

Activities during the year continued

Carrying value of investments in associates	Reviewed and challenged management's carrying value assessments on the Group's investment in Bohai, considering carefully key assumptions and their potential sensitivity to changes. Given Bohai is a public company, with limited forecasted profit information, the Group is required to prepare its own forecasts, making prudent estimates of future profitability. The Committee considered the basis of the preparation of the Value-in-Use (VIU) assessment, and the challenges and uncertainty in the outlook for the banking industry and property markets in China that may impact credit losses in the VIU assessment and reviewed the related disclosures for Bohai. The Committee also reviewed and challenged management's assessment that the Group maintained significant influence and satisfied itself that it remained appropriate to continue to equity account for the investment.
Recoverability of parent company's investment in subsidiaries	Discussed and received confirmation from management that it had adequately assessed the recoverability of investments in subsidiaries, together with any intercompany indebtedness.
IT – user access management	Received an update from management and EY on new and pre-existing IT observations identified by EY and GIA, relating to user access management, including privileged access, user access reviews and other user access controls. The Committee sought and received assurance this matter is receiving senior management attention, and also discussed EY's audit response.
Valuation of financial instruments held at fair value	Received reports and updates at each reporting period detailing the key processes undertaken to produce and validate valuations of financial instruments, including any changes in methodology from prior years and significant valuation judgements. The Committee received regular updates on the level of unsold positions in the syndications portfolio and the valuation of these positions and plans for sell down. The Committee also reviewed credit valuation adjustments, debit valuation adjustments, funding valuation adjustments and own credit adjustments and considered the explanation and rationale for any significant movements.

Other areas of focus:

Impairment of aircraft	Reviewed and challenged, on a quarterly basis, management's assessments of impairment losses on aircraft operating lease assets, including the assumptions used to determine asset VIU and market valuations. The Committee reviewed detailed sensitivity analysis on the factors that would impact the VIU assessments including residual values, remarketing periods after lease terminations, reductions in market rental rates and discount rates while assessing the impairment calculations for the aircraft.
Classification of assets as held for sale	Reviewed management's assessment of whether certain assets or disposal groups should be reclassified as held for sale. This included reviewing the facts and circumstances for the proposed sale of the business exits in the AME region, the proposed sale of the aircraft leasing business, shipping assets and remaining Principal Finance investments.
Restructuring costs	Reviewed and considered, on a quarterly basis, income statement charges and credits classified as restructuring.
Taxation	Reviewed and considered management's judgements and assumptions with respect to tax exposure risks, including uncertain tax positions, and ensured adequate disclosure in the financial statements has been made. This included understanding the Group's effective tax rate, the quantum and basis of recognition of deferred tax assets, and the UK bank levy charge for the year.
Provisions for legal and regulatory matters	Considered advice presented on the current status of significant legal and regulatory matters, and considered management's judgements on the level of provisions and the adequacy of disclosure, as set out in Note 26 on page 420.

Activities during the year continued

Going concern assessment and viability statement

- Reviewed management's process, assessment and conclusions with respect to the Group's going concern assessment and viability statement, including the forward-looking Corporate Plan cashflows, the results of stress tests that explore the resilience of the Group to shocks to its balance sheet and business model, principal and emerging risks, liquidity and capital positions and key assumptions. The Committee also ensured that the going concern assessment and viability statement is consistent with the Group's Strategic report and other risk disclosures.

Further details can be found on **pages 219, 231 and 350**

Fair, balanced and understandable

- The Committee considered, satisfied itself and recommended to the Board, that the processes and procedures in place ensure that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and the business risks it faces. The statement is underpinned by the Committee's, and the Board's, belief that all important elements have been disclosed; and that the descriptions of the Group's business as set out in the Strategic report are consistent with those used for financial reporting in the Group's financial statements.

Examples of deeper discussions into specific topics

- **EY regional partner overviews:** Received country/regional overviews from EY's local regional partners from China, Hong Kong, Korea and Taiwan. These overviews provided insight into the challenges faced in the Group's markets from a statutory audit perspective; and provided the Committee with the local audit partner's views on internal controls, as well as perspectives on how the Group compares against local peers. The overviews also provided insight into local regulatory developments, engagement with local regulators and areas of focus for 2022. This year, a technical discussion on IFRS 9 ECL – Credit Update was also held, with EY's Specialist Partners providing perspective and peer comparison. These EY regional partner overviews and technical topics will continue in 2023 and beyond.
- **UK audit and corporate governance reforms implementation approach:** Received and discussed papers setting out the key components of the proposed UK audit and corporate governance reforms, the work completed by the Group and the work to be undertaken to strengthen the control environment within Finance in advance of the final rules being published. Discussion focused on the importance of end-to-end controls gap analysis, including clear hand-offs and hand-ins and the changes that will need to be managed as a result of a strengthened control environment. The proposed approach for an Audit and Assurance Policy was also discussed, with the Committee providing feedback on this.
- **Financial regulatory reporting:** Received and discussed updates on the Group's Financial Regulatory Reporting Remediation Programme. Discussion focused on the challenges involved with resourcing, given the specialist skills required and financial/liquidity reporting in the Group's network.
- **Aspire programme:** Discussed an update on the Group's Aspire programme (a programme launched in 2018 to deliver a modern technology systems and data landscape for financial management and reporting). Discussion focused on resources, timelines and the impacts of migration to the cloud.
- **Internal financial controls:** Received and discussed a paper setting out the approach taken to safeguard the production of the Group's financial books and records.
- **IFRS 9 models:** Received and discussed updates on the Group's use of IFRS 9 ECL models.
- **Finance resourcing:** Reviewed and discussed a paper providing assurance that the Accounting and Financial Reporting function is adequately and appropriately resourced; the qualifications, experience and training of colleagues is appropriate; and the budget allocated is sufficient to maintain external reporting obligations, including climate disclosures.
- **Tax update:** Received and discussed a paper setting out an update on international tax reform and a review of tax exposures and deferred tax assets. EY's Tax Partner was invited to join this discussion to add perspective.
- **Information technology access controls:** Received and discussed reports on the work under way to improve the Group's IT access controls in light of weaknesses identified during prior years' audits. The Committee discussed how management is working to remediate the observations raised by EY and sought assurance that this matter is receiving senior management attention. We had the benefit of EY's Technology Risk Partner join these discussions, to provide independent perspective and peer comparison. This will continue to be an area of focus for 2023.
- **Data management:** Received and discussed papers on the Group's Data Management Framework, following on from discussions held in 2021. The H1 2022 discussion focused on the reporting on of timelines, with feedback provided as to how this would be more useful for the Committee to track progress. The H2 2022 discussion focused on what had gone well and less well throughout the year, and challenges involved with cross-border data transfer in the Group's footprint and managing competing national requirements. Further feedback was provided on the reporting of timelines which will return to the Committee in 2023.
- **Conduct:** Received and discussed an annual report on the Group Conduct Programme.
- **Use of Private Communication Channels:** Several discussions were held on the risks faced by the Group from inappropriate use of private communication channels such as WhatsApp and WeChat, the actions being taken, the reliance on colleagues' personal judgement and the increased regulatory scrutiny on this. Data sovereignty changes, for example, in China, were discussed. The Committee counselled on the need to undertake a prioritised approach, to ensure that training and Group-wide communications are clear and the importance of managing the expectations of clients.
- **FCA Consumer Duty:** Reviewed, discussed and scrutinised Standard Chartered Bank's implementation plans. Particular focus was placed on vulnerable customers and how this legislation might impact the Group's wider footprint. Phil Rivett was appointed as the FCA Consumer Duty Board Champion.
- **Major disputes, significant regulatory and government investigations:** Received and discussed two updates on major disputes and significant regulatory government investigations facing the Group.

Activities during the year continued

Group Statutory Auditor, EY	Provided oversight of the work undertaken by EY as the Group's Statutory Auditor. In particular, the Committee: • reviewed and discussed the risks identified by EY's audit planning, seeking and receiving assurance that these risks have been addressed properly in the audit strategy • satisfied itself that EY has allocated sufficient and suitably experienced resources to address these risks and reviewed the findings from the audit work undertaken • sought and received assurance that no undue pressure has been asserted on the level of audit fees, to ensure that there is no risk to audit work being conducted effectively and independently • conducted an annual performance and effectiveness review of EY. Input was received from Committee members, chairs of subsidiary audit committees, the Group Management Team, regional/country chief financial officers, members of the Group Finance Leadership Team and the GIA senior leadership. The results of this input were discussed by the Committee. Overall, it was felt that EY is considered to be effective, objective and independent in its role as the Group's Statutory Auditor. The Committee agreed to propose to the Board that the re-appointment of EY as the Group's Statutory Auditor for a further year be recommended to shareholders at the 2023 Annual General Meeting (AGM). This recommendation was made without any influence from a third party and free from any contractual obligation to do so, including for the avoidance of doubt, any contractual term described in Article 16(6) of the Audit Regulation • reviewed and discussed EY's audit planning report and any updates, audit results reports and interim review reports • received and discussed a paper setting out EY's control themes and observations from the 31 December 2022 year-end audit, as well as an update on these matters later in the year • reviewed and discussed EY's 2022 approach to the private Written Auditor Report to the PRA for the year ended 31 December 2022. The Committee met privately with EY at the end of certain Committee meetings, without management being present. Phil Rivett met regularly with the EY partners leading the Group's audit during the course of the year. The Company complies with the Statutory Audit services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee responsibilities) Order 2014. EY has been the Group's Statutory Auditor for three years. In accordance with the Audit Practices Board's requirements, the lead audit engagement partner has held the role for three years. The lead engagement partner, David Canning-Jones, has a background of auditing banks and understands the markets in which the Group operates. Following the 2017 audit tender, EY was appointed as the Group's Statutory Auditor for the financial year ended 31 December 2020. EY has been re-appointed as the Group's Statutory Auditor for the financial year ended 31 December 2022 at the 2022 AGM.
Non-audit services	• Responsible for setting, reviewing and monitoring the appropriateness of the provision of non-audit services, applying the Group's policy on the award of non-audit services to EY, while taking into account the relevant ethical guidance. • In 2022, the Group spent $4.7 million on non-audit services provided by EY and $5.5 million on audit-related services such as quarterly and half year reviews and regulatory reporting. Further details on non-audit services provided by EY can be found in Note 38 on **page 448** and the Group's approach to non-audit services on **page 229**
Internal controls	• Discussed reports from GIA that provide GIA's view on the system of internal controls across all risk types, business and country functions, including summary highlights of the most significant matters identified by GIA and areas of thematic interest that have arisen as part of the audits and warrant the Committee's attention. On a periodic basis, GIA reports on any overdue remediation of findings. The Board Risk Committee and the Culture and Sustainability Committee discussed separate reports from the Group Head, Internal Audit on GIA's appraisal of controls across key risks, subject to each Committee's oversight. Further details on internal controls can be found on **pages 222 and 223**

Activities during the year continued

Group Internal Audit

Provides independent assurance on the effectiveness of controls that support first line's risk management of business activities, and the processes maintained by the second line. GIA adopts a risk-based audit approach that focuses on the key risks that impact its clients, businesses and regulators. This supports the long-term objectives of the Group and its stakeholders and increases GIA's productivity by creating an integrated and collaborative Audit Plan that is aligned to both the Group's strategic objectives and individual country requirements (including regulatory obligations), and that is effective and efficient in delivering an opinion on the Group's key risks and controls. Changes to the Audit Plan were approved by the Audit Committee on a quarterly basis.

In 2022, for the most significant matters identified by GIA, management was invited to attend Committee meetings to provide updates on the steps being taken to enhance the control environment and address internal audit findings.

The Committee:

- assessed the role and effectiveness of the GIA function, and reviewed and monitored GIA's progress against the 2022 Audit Plan and the review and monitoring of post-audit themes, trends and significant issues. Significant changes to the Audit Plan were also discussed by the Committee
- reviewed and approved GIA's 2023 Audit Plan, resourcing and budget, and is satisfied that these are appropriate
- reviewed and approved the refreshed GIA Charter
- received and discussed reports from the Global Head, Audit Quality Assurance (QA) on the QA function's view of the control environment in GIA
- scrutinised any long overdue GIA issues and requested management to develop risk reduction plans for items with long closure periods to be monitored by GIA
- reviewed and approved GIA's functional strategy, including GIA's mission, vision and priorities.

The Committee is satisfied with the independence and objectivity of the GIA function.

Over the course of the year, Phil Rivett met regularly with the Group Head, Internal Audit and the GIA Management Team. The Group Head of Internal Audit also met privately with the Committee.

Conduct, Financial Crime & Compliance

Regular compliance reporting to the Committee sets out the work carried out by the CFCC function, significant compliance and regulatory risks and issues facing the Group, and key actions being taken to address and mitigate these matters.

In 2022, the Committee was updated on and discussed:

- regulators' supervisory focus areas, regulatory updates and forward-looking themes, the status of the Group's core college regulatory relationships and enforcement matters
- topical compliance issues, for example, the Committee was updated on transaction reporting, recognising progress made to date and issues faced by the Group
- the importance of continuing to strengthen the Group's risk culture
- the function's operating model, including an overview of the CFCC budget and organisational changes to simplify the function.

The Committee reviewed a paper on compliance resourcing and confirmation was received from management that the function is adequately resourced and that a close watch was being kept on this, given the buoyant external hiring market in some of the Group's territories.

The Committee also reviewed the 2023 Compliance strategy, budget and priorities.

Phil Rivett met regularly throughout the year with the Group Head, CFCC.

Speaking Up

Speaking Up is the Group's confidential and anonymous whistleblowing programme (the Programme). The Programme has been designed to comply with the Group's UK lead regulators, the PRA and the FCA Whistleblowing Rules. Our whistleblowing channels are available to anyone – colleagues, contractors, suppliers and members of the public – to raise concerns confidentially and anonymously.

The Committee reviewed and discussed an annual report on the operation and effectiveness of the Programme which was subsequently tabled to the Board. The report provided the Committee with assurance of the Group's ongoing compliance with the Whistleblowing Rules. Focus was placed on the level of colleague confidence in the Programme, key areas of enhancement and the focus areas for 2023.

In 2022, the Committee Chair received updates on Speak Up issues and incidents as necessary.

Further details on Speaking Up can be found on **page 120**

Activities during the year continued

Interaction with regulators	Phil Rivett attended a trilateral meeting with EY and the PRA and also met with the PRA in his capacity as Audit Committee Chair.
Linkages with subsidiary audit committees	There are strong linkages and interactions in place between the Committee, regional hub audit committees and banking subsidiary audit committees. In 2022, Phil Rivett attended a Standard Chartered Bank (Hong Kong) Limited (SCB Hong Kong) audit committee meeting. The audit committee chair of SCB Singapore attended one Standard Chartered PLC Audit Committee meeting. This practice will continue in 2023 to reinforce these important linkages. Phil Rivett hosted an annual video-conference with the chairs of subsidiary audit committees and INEDs in March 2022. Details of the call can be found on **page 161**

Committee effectiveness review

During 2022, an external Board and Board Committee effectiveness review was facilitated by Independent Board Evaluation.

Key observations from the 2022 external effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted:

- In terms of composition, it was felt that there is a good level of financial and accounting knowledge among Committee members
- The contributions from EY and Finance were well rated
- Non-Committee members feel well informed of the key issues and areas of discussion.

2023 Action Plan

The 2023 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the solid progress made last year:

- Consider spending more time on internal controls and on the interface with the Board Risk Committee
- Consider how some long-standing high-risk control issues could be remediated more quickly by management to reduce the level of risk.

Board Risk Committee

"The Committee has carefully considered the challenges posed by inflation, commodity prices, interest rates, FX and the lingering effects of COVID-19"

Committee composition

	Scheduled meetings	Ad hoc
Maria Ramos (Chair)	6/6	2/2
David Conner	6/6	2/2
Gay Huey Evans, CBE	6/6	2/2
Naguib Kheraj[1]	2/2	1/1
Phil Rivett	6/6	2/2
David Tang[2]	6/6	1/2
Carlson Tong	6/6	2/2
Shirish Apte[3]	3/3	1/1
Robin Lawther, CBE[4]	3/3	N/A

1 Naguib stepped down from the Committee on 30 April 2022

2 David was unable to attend one ad hoc meeting due to a prior business commitment

3 Shirish joined the Committee on 4 May 2022

4 Robin joined the Committee on 1 July 2022

Who else attended Committee meetings in 2022?

The Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer (GCRO); Group General Counsel; Group Treasurer; Group Head, Conduct, Financial Crime & Compliance; Group Head, Internal Audit; the Group's Statutory Auditor and Group Company Secretary. Sir Iain Lobban, independent adviser to the Board, regularly attends discussions on Information and Cyber Security (ICS) Risk, technology and Financial Crime (FC) Risk-related matters. Paul Khoo, an independent adviser to the Board, attends discussions on FC Risk-related matters. EY attended all Committee meetings in 2022. As part of, and in addition to scheduled Committee meetings, the Committee held private members-only meetings. The Committee's membership comprises INEDs who have a deep and broad experience of banking and the risk factors affecting the Group, including geopolitical, economic, IT, FC and general business risks.

Biographical details of the Committee members can be viewed on **pages 138 to 142**

What are the main responsibilities of the Committee?

The Committee is responsible for exercising oversight, on behalf of the Board, of the key risks of the Group. It reviews the Group's Risk Appetite Statement and Enterprise Risk Management Framework (ERMF) and makes recommendations to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems, considering the implications of material regulatory change proposals, reviewing reports on principal risks, including Climate Risk, to the Group's business, and ensuring effective due diligence on material acquisitions and disposals. The Committee Chair reports to the Board on the Committee's key areas of focus following each meeting.

The Committee has written Terms of Reference that can be viewed at **sc.com/termsofreference**

I am pleased to present the Board Risk Committee's report for the year ended 31 December 2022. The Committee has been immersed in a broad range of financial and non-financial risk management issues pertinent to the Group, set against the backdrop of a volatile, challenging and complex operating environment. Cognisant of this evolving external landscape, the Committee has paid attention to key macroeconomic issues, geopolitical and emerging risks, as well as key evolving regulatory themes. The current and future implications for the Group have been discussed and challenged, including the actions being taken and planned by management to mitigate these risks. The Committee has carefully considered the challenges posed by inflation, commodity prices, interest rates, FX and the lingering effects of COVID-19, including lockdowns in China and Hong Kong. The impacts of this on sovereign risk and credit risk, in particular, China CRE, have been reviewed and challenged regularly, to ensure that all associated risks are being adequately managed. We have also continued to seek assurances that sufficient resources are in place to manage these complex risks.

There have been a number of changes to the composition of the Committee in 2022. Naguib Kheraj stepped down as Chair on 30 April, upon which Phil Rivett was appointed Interim Chair. Following receipt of the necessary regulatory approvals, I became Chair on 1 August. Shirish Apte and Robin Lawther joined the Committee on 4 May and 1 July respectively. I would like to convey the Committee's gratitude to Naguib for his immense contribution and leadership as both a member and Chair. Mark Smith, our GCRO, retired from the Group at the end of the year, and I would like to express our thanks to Mark for his dedication and valuable contributions to the Committee's deliberations and to the Group more broadly, over the last seven years. Mark's replacement, Sadia Ricke joined the Group on 1 February, (currently awaiting regulatory approval), after successfully completing a rigorous selection process. She brings a broad range of financial and risk experience, as well as a good understanding of our footprint markets. I also want to thank our regulators, for their constructive approach, advice and sharing of best practice, which assists to make the Group more resilient.

Resolvability has been a key area of focus. At the beginning of the year, we held a dedicated meeting to focus on the Group's Resolution self-assessment report, ahead of approval by the Board and submission to the PRA and Bank of England (BoE). Furthermore, regular discussions on Resolvability have taken place throughout the year. The Committee and Board remained focused on Resolvability and enhancements have been made to our Resolution capabilities, in terms of addressing shortcomings and developing our areas of enhancement. We have also paid close attention as to how the expectations of the UK regulators are being met. Board and Committee engagements have taken place via formal discussions and training sessions, including a simulation exercise, which was useful to understand the various implications for the Group and a number of its key subsidiaries. Resolvability will remain a key agenda item throughout 2023.

ICS Risk management is presented to the Committee by management four times a year. While significant progress has been made, we acknowledge that there is still more work to be done to reach our desired sustainable control environment and defensive position. We have had the benefit of Sir Iain Lobban, our Board independent adviser, attend all ICS discussions to provide independent and specialist perspective. The Committee reviewed the Group's ICS Strategy ahead of approval by the Board; and we also reviewed the findings of the CBEST Threat Intelligence-Led exercise. Given the evolution of ICS Risk, this will remain an area of focus for 2023.

With the retirement of the Board Financial Crime Risk Committee on 1 April 2022, we have placed focus on FC Risk to ensure that this continues to receive sufficient oversight and scrutiny. The Committee received reports from CCIB and CPBB on their strategy, top risks and how these are being mitigated and managed with focused discussion on FC risk.

We have placed increased attention on stress testing and tail risks, for example running scenarios on stagflation, sovereign default and commodity prices as well as our key regulatory stresses, such as during the 2022 BoE Stress Test results. We have reviewed and discussed geopolitical risks, including China and Russia. We are mindful of the need to continue to probe into the dark corners, and as the economy shows signs of recovery, to maintain the Group's credit discipline. As a result, we have had a renewed focus on implementing an appropriate Risk Appetite framework. The following pages provide insight and context into the Committee's work and activities during the year.

Maria Ramos

Maria Ramos
Chair of the Board Risk Committee

Activities during the year

Risk Appetite

Reviewed and challenged the formulation of the Group's Risk Appetite Statement, in order to assure that it is effective in setting appropriate boundaries in respect of each Principal Risk Type.

Considered and recommended the Group's Risk Appetite to the Board for approval.

Annual review of Risk Appetite: After review and recommendation by the Committee, the Board approved a revised set of Risk Appetite metrics which provided a sharper focus on the strategic measures of risk and streamlined the number of metrics reported to the Board. Some metrics were moved for oversight to the Group Risk Committee, ensuring a comprehensive coverage of risk is maintained.

Monitored actual exposures relative to Risk Appetite limits using regular Board Risk Information reports. Tracked a broad range of risk metrics that are reported to the Committee periodically.

Attended a Risk Appetite teach-in session ahead of the annual review discussion, which was helpful in providing dedicated time and space to discuss the sufficiency of the Group's Risk Appetite, statements and metrics in detail. This will be an annual pre-brief discussion going forward.

Further details of the Group's Risk Appetite are set out on **page 297**

Enterprise Risk Management Framework (ERMF)

The ERMF sets out the principles and standards for risk management across the branches and subsidiaries of the Group. The Committee:

- reviewed proposed material changes to the ERMF, arising from the 2022 annual review, and recommended these changes to the Board for approval
- considered the approach and key outcomes of the 2022 annual effectiveness of the ERMF. Affirmation was received from the Interim GCRO (in situ at the time of the review as the new GCRO awaited regulatory approval) that the Group's risk management and internal control framework is materially effective and improvement areas were highlighted for management attention.

Principal Risk Types

The Group's Principal Risk Types are reported on at each scheduled Committee meeting, through a Board Risk Information report, which accompanies the GCRO's report. In addition, the Committee had deeper discussions on the topics set out below.

Principal risks are risks inherent in the Group's strategy and business model. Principal Risk Types are formally defined in the ERMF, which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite.

Further details on Principal Risk Types are set out on **pages 298 and 301 to 319**

Operational and Technology Risk

The Group defines Operational and Technology Risk as the potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).

The Committee:

- discussed Technology Risk reduction and the initiatives under way to manage and reduce Technology Risk and obsolescence
- discussed a status report on Operational and Technology Risk
- discussed an update on the embedding of Risk and Control Self-Assessment for effective management of key risks
- discussed the Operational Risk issues in the transition to becoming a digitally focused bank.

Model Risk

Model Risk is the potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

The Committee:

- reviewed and discussed the key risks and issues relating to Model Risk management
- provided review and challenge on the Group Model Risk Appetite
- received updates on the Group Model Risk profile, including a breakdown of active models across model families, associated model risk ratings and model validation outcomes
- received updates on the progress of model risk strategic initiatives
- reviewed and discussed progress on Group-related regulatory model submissions and any ongoing regulatory dialogue relating to the progress in establishing a robust model risk management framework
- attended a teach-in session on Model Risk, focusing on the framework and key regulatory capital related model types.

Activities during the year continued

Principal Risk Types continued

ICS Risk

ICS Risk is the risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification or destruction of information assets and/or information systems.

The Committee:

- discussed regular reports from management within the first, second and third lines of defence, on the work underway to strengthen the Group's defences and create stronger control frameworks, focusing on what had gone well and what could have gone better throughout the year. Such reports enabled the Committee to probe that the Group's three lines of defence are aligned in advancing the Group's ICS strategy and key priorities. Relevant management was invited to these discussions to provide on-the-ground perspective and detail on any challenges faced
- discussed regular reports on the Group's Transformation and Remediation Portfolio and ICS Risk profile. Reports are received and discussed by the Committee at least four times and a year
- discussed and monitored the progress of key risk reduction initiatives across key control domains
- reviewed and discussed ICS Board Risk Appetite metrics and controls testing, which have been pivotal in enabling the Committee to track the progress being made and delve deeper into areas that require continued focus
- reviewed and discussed an external report on the Group's ICS programme and management's response
- continued to probe the sufficiency of funding and resource to support the Group's ICS programme
- reviewed and discussed the findings from the CBEST Threat Intelligence-Led Assessment.

Sir Iain Lobban joined Committee meetings for these discussions, together with the Chief Transformation, Technology & Operations Officer; the Group Chief Information Security Officer, the Group Chief Information Security Risk Officer and representation from Group Internal Audit (GIA). Committee members also regularly attend meetings of the Group's Cyber Security Advisory Forum.

Treasury Risk

Treasury Risk is the potential for insufficient capital, liquidity or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Group's pensions plans.

The Committee receives the Group Treasurer's report, at each scheduled meeting, which covers market developments, capital, liquidity and funding, recovery and resolution planning, regulatory updates and rating agency updates.

During the year, the Committee considered and discussed the Group's capital and liquidity position and the regulatory environment, including the approval of the Group's Internal Capital Adequacy Assessment Process (ICAAP) submission to the PRA, in order to satisfy itself that the Group's approach to capital planning is comprehensive, rigorous and consistent with both the current regulatory requirements and the likely anticipated outlook.

The Committee considered and discussed the Group's Internal Liquidity Adequacy Assessment Process (ILAAP) for submission to the PRA, which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due (see section on stress testing for further details).

The Committee also reviewed, discussed and challenged the Group's stress test results for the BoE's Annual Cyclical Scenario (ACS).

The Committee's work on Resolvability is set out on **page 173**

Further details on Treasury Risk are set out on **pages 306 and 307**

Credit Risk

Credit Risk is the potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Group.

The Committee received and discussed updates on Credit Risk. These discussions were further enhanced through deep dives into various country and business/client segments, details of which are set out in examples of deeper discussions on specific topics.

Traded Risk

Traded Risk is the potential for loss resulting from activities undertaken by the Group in Financial Markets.

The Committee received and discussed a paper setting out the major Traded Risk developments and changes which had occurred in the Financial Markets business over the last year. Focus was placed on sufficiency of resources and funding to support the enhanced infrastructure; and assurance was received that Financial Market's growth aspirations are being managed safely. A discussion was also held on Treasury Portfolios and changes which had occurred over the last year.

Activities during the year continued

Principal Risk Types continued

Financial Crime Risk

Financial Crime Risk is the potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery and corruption and fraud.

Given the progress made on the Board Financial Crime Risk Committee's (BFCRC) purpose with respect to Financial Crime Risk management, the Board reallocated the work of the BFCRC to the Audit Committee, Board Risk Committee and Board with effect from 1 April 2022. The reallocation of BFCRC oversight enables a more holistic and efficient examination and discussion of risks that are closely linked.

The Committee discussed Financial Crime issues as part of its regular business deep dives. It also considered a paper setting out emerging Financial Crime threats for the Group and what is being done to mitigate and manage these threats. Specific risks related to sanctions, particularly in relation to Russia, were also discussed.

Stress testing

The objective of stress testing is to support the Group in assessing that it:

- does not have a portfolio with excessive risk concentration that could produce unacceptably high losses under severe but plausible scenarios
- has sufficient financial resources to withstand severe but plausible scenarios
- has the financial flexibility to respond to extreme but plausible scenarios
- understands the key business model risks and considers what kind of event might crystallise those risks – even if extreme with a low likelihood of occurring – and identifies, as required, actions to mitigate the likelihood or impact as required.

The Committee provided oversight, challenge and, where required, approval for:

- the scenario and stress test results for the 2022 Group ILAAP stress test
- the scenarios and results for the 2022 Group ICAAP stress test and reverse stress test
- the results for the BoE ACS stress test
- the results for the Group's Recovery Plan stress test
- the Group's Recovery Plan
- a number of internal management defined scenarios were reviewed.

Further details of stress testing are set out on **pages 297 and 298**

Internal controls

Discussed reports from the Group Head, Internal Audit which provided summaries of GIA's appraisals of controls across key risks, subject to the Committee's oversight, together with the key risk issues identified by GIA's work and management actions put in place to address the findings.

The Audit Committee and the Culture and Sustainability Committee discuss separate reports from the Group Head, Internal Audit on GIA's appraisal of controls across key risk types, subject to each respective Committee's oversight.

Remuneration as a risk management tool

Considered advice provided by the Interim GCRO to the Remuneration Committee concerning the risk factors to be taken into account by the Remuneration Committee in determining incentives for the Group Chief Executive and other colleagues. Such advice assists the Remuneration Committee in its assessment as to whether the Group's remuneration policy, practices and procedures are consistent with and promote sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk of the Group.

Further details concerning the Group's approach to using remuneration as a risk management tool is set out in the Directors' remuneration report.

Regulatory

Resolvability

The Committee held a number of discussions on Resolvability over the course of the year, including scheduling an ad hoc meeting earlier in the year to review and challenge the Group's Resolution self-assessment report, ahead of Board approval and submission to the PRA and BoE. Non-Committee members attended this ad hoc meeting, as well as the Group's external consultants.

Resolvability is discussed at most Committee meetings with representation from the three lines of defence, so that the Committee receives a holistic overview of progress being made and items being worked on. The Committee has also had the benefit of enhanced reporting and metrics to assist its oversight. Furthermore, there have been more informal training sessions and briefings held at Board-level to ensure that Committee members have the opportunity to discuss some of the more complex issues that Resolvability presents for the Group.

The Committee Chair, Group Chairman and Audit Committee Chair also participated in a number of additional meetings related to Resolvability with the internal team, external advisers and regulators.

Resolvability will remain a key priority for 2023.

Climate Biennial Exploratory Scenario (CBES) stress test

The Committee reviewed, discussed and challenged the Group's CBES response, ahead of submission to the BoE. In particular, focus and challenge was placed on the assumptions made by management and the supporting numbers.

Later in the year, the Committee received a paper setting out the results of the Group's first set of management scenarios, focused on the impact of Climate Risk on the Group's portfolio and the next steps.

Further detail on Climate Risk can be found on **pages 316 and 317**

Activities during the year continued

Regulatory continued

Operational resilience – Important Business Services and Impact Tolerance Statements
In line with regulatory objectives, the Committee reviewed and recommended to the Board for approval:

- changes to the Group's Important Business Services arising from the annual review
- changes to the Group's Impact Tolerance Statements arising from the annual review
- the Group's Operational Resilience self-assessment.

IBOR transition
Received updates from an industry and Group perspective on the IBOR transition. The Committee continues to seek assurance that this transition programme remains on track, delivery risks are adequately managed and that it is sufficiently resourced. This will continue to be reviewed and discussed throughout 2023.

BCBS 239 Principles
In May 2022, the Committee received and discussed an update on the outcome of the BCBS 239 self-assessment as of end 2021 and the roadmap for compliance with BCBS 239.

At the end of the year, the Committee received an update on the trajectory of the BCBS 239 Programme, including the progress made and challenges faced.

The Committee will receive an update on the level of compliance (as at 31 December 2022), once the outcome of the self-assessment is available on 28 February 2023.

Group regulator communications

The Committee discussed key communications from the PRA and FCA, where risk and Resolvability were the main themes.

Examples of deeper discussions into specific topics

- **Blue Sky Thinking/Horizon Scanning:** Held a horizon scanning session where risk perspectives were sought from three Group senior colleagues. There were a number of outputs from this session, which were incorporated into our rolling agenda.
- **CCIB Risk deep dive:** Received and discussed papers covering the CCIB Risk review, and ICS Risk and FC Risk in CCIB. The top risk issues for CCIB were discussed, with specific focus placed on ICS and FC risks.
- **Stressed Assets Risk (SAR):** Reviewed and discussed the transfer of responsibility from the second line of defence to the first line. The Committee monitored how this transition is working and its overall effectiveness.
- **Review of the Commodity Traders Framework:** Reviewed and provided feedback on the workplan responding to the PRA's observations.
- **Credit Portfolio Management (CPM) Annual Review:** Reviewed and discussed the risks relating to CPM activities and the progress made in optimising asset quality and liquidity and the effective use of distribution.
- **Cloud governance:** The Committee has received regular updates on cloud material deployments and enhanced reporting was discussed and agreed.
- **Reputational and Sustainability Risk:** Discussed a paper setting out the Group's approach to Environmental, Social and Governance risk and key enhancements made and planned.
- **CPBB Risk review:** Received and discussed papers covering the CPBB Risk review and managing risks arising from partnership-driven business models. Focus was placed on partnership governance, the risks arising from and associated with partnerships and controls in Business Banking. A separate paper on ICS Risk and FC Risk was received and discussed, to ensure that these important risks are receiving sufficient focus and attention.
- **Change Management:** Received a paper on change management. Discussion focused on effective priorisation.
- **Safety and Security Risk:** Received an update on safety and security issues over the last 12 months.
- **Credit Risk review:** Reviewed progress reports from the Credit Risk review function, which set out key themes from the 2022 reviews and the review plan for 2023. Discussion focused on the sufficiency of resources and the importance of site-visits now that COVID-19-related restrictions are lifting in many of the Group's markets.
- **Chief Risk Officer Treasury report:** Discussed a paper from the Treasury Chief Risk Officer following the establishment of the function within Enterprise Risk Management in January 2022. This included risk observations and recommendations around the current balance sheet and management of capital and liquidity.
- **SC Ventures Risk and Governance:** Discussed the paper setting out an overview of the business activities, risk profile and governance model of the SC Ventures business unit.
- **Taiwan:** Discussed a paper on Taiwan tensions, impact analysis and stress testing and reviewed the actions that had been proposed by management.
- **Appointment of new GCRO:** The Committee carefully reviewed, scrutinised and challenged the appointment of the new GCRO, ahead of recommendation to the Board for approval.

Committee effectiveness review

During 2022, an external Board and Board Committee effectiveness review was facilitated by Independent Board Evaluation.

Key observations from the 2022 external effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted:

- The Committee has a broad remit with a potentially long list of issues
- The risks associated with the change in GCRO and Committee Chair were acknowledged; however, the Committee feels that these have been mitigated by the continuity of Committee members and strong Finance and Risk teams.

2023 Action Plan

The 2023 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the solid progress made last year:

- Consider how best to reduce the volume of the Committee pack, with more succinct papers and better use of appendices and non-essential reading materials
- Keep under review how FC Risk features in the rolling agenda, given the retirement of the Board Financial Crime Risk Committee in April 2022
- Strengthen the focus on Risk Appetite work to be more forward-looking and continued focus on Resolvability
- Consider how individual Committee members might take responsibility for leading on particularly complex issues, including regulatory matters, so as to improve the Committee's deliberations
- Schedule a Blue Sky Thinking session for the Board Risk Committee and Audit Committee to consider which key risks could derail the Group's strategy.

Risk information provided to the Committee

The Committee is authorised to investigate or seek any information relating to an activity within its Terms of Reference, receives regular reports on risk management, and tracks a wide range of risk metrics through a Board Risk Information report. This report provides an overview of the Group's risk profile against the Group's Risk Appetite Statement. The GCRO's report covers the macroeconomic environment, geopolitical outlook, material events and disclosures and ongoing risks. Coverage of Principal Risk Types and regulatory matters are also included in this report. Regular updates on COVID-19 impacts, country risk and geopolitical tensions have been reported on and discussed throughout the year.

The Committee has the authority to request and receive relevant information consistent with the requirements of BCBS 239 that will allow the Committee to fulfil its governance mandate relating to risks to which the Group is exposed, and alert senior management when risk reports do not meet its requirements.

Risk management disclosures

The Committee has reviewed the risk disclosures in the Annual Report and the Half Year Report, and has also reviewed the disclosures regarding the work of the Committee.

Interaction with the Group Chief Risk Officer

The Committee Chair meets individually with the GCRO regularly in between formal Committee meetings. These meetings allow open discussion of any matters relating to issues arising from the Committee's formal discussions and inform the forward-looking agenda.

Interaction with management

The Committee is mindful of the need to hold management directly accountable when issues have arisen and have been reported by the GCRO. Senior management has attended Committee meetings for deeper discussions in such instances. The Committee Chair also meets individually with senior leaders of the Risk function.

Interaction with regulators

Maria Ramos attended meetings with the PRA and the BoE over the course of the year.

Interaction between Board committees on risk-related issues

In the few instances where it does not have primary oversight for a given type of risk, the Committee interacts closely with other Board Committees where the remit of these other Committees clearly covers risk-related matters. For example, the Audit Committee reviews the Group's internal financial controls and has oversight of regulatory compliance and the Culture and Sustainability Committee has oversight of culture and sustainability-related matters. The interaction assists the Committee in ensuring that it is well informed on discussions held, and the close collaboration of the Committee Chairs helps to ensure that there are no gaps and any potential for unnecessary duplication is avoided.

Risk function resourcing

The Committee has sought and received assurance that the Risk function is adequately resourced to perform its function effectively. The Committee reviewed and discussed a paper setting out an overview of the changes to the Risk function in 2022, management's assessment of the adequacy of people resources within the function and the forward-looking view of the Risk function.

Linkages with subsidiary board risk committees

Maria Ramos hosted an annual video-conference with the chairs of subsidiary board risk committees and INEDs in October 2022. Maria Ramos also attended a board risk committee of Standard Chartered Bank (Hong Kong) Limited as an observer.

Details of the video-conference can be found on **page 161**

Culture and Sustainability Committee

"The Committee has overseen the redefining of the Group's culture aspiration to better reflect the desire for high performance and excellence."

Committee composition

Scheduled meetings

Jasmine Whitbread (Chair)	4/4
Christine Hodgson, CBE	4/4
David Tang	4/4
David Conner[1]	3/3
Jackie Hunt[2]	1/1
Robin Lawther, CBE[2]	1/1

1 David stepped down from the Committee on 1 October 2022.
2 Jackie and Robin joined the Committee on 1 October 2022.

Who else attended Committee meetings in 2022?

The Group Chairman; Group Chief Executive; Group Head, Human Resources; Group Head, Corporate Affairs, Brand and Marketing; Chief Sustainability Officer, Group General Counsel and Group Company Secretary.

Biographical details of committee members can be found on **pages 138 to 142**

What are the main responsibilities of the Committee?

The Committee was formed by the Board to oversee the Group's culture and sustainability priorities.

The Committee has written Terms of Reference that can be viewed at **sc.com/termsofreference**

At the 2022 AGM, the Group pledged to follow a roadmap that aims to see it achieve its net zero goal by 2050 and the Committee, alongside the Board, is tracking progress against this roadmap. The Group is well placed to assist clients in transitioning away from carbon-intensive industries. This is particularly pertinent as a number of countries in the Group's footprint do not yet have a net zero pledge. I am pleased to report that this programme is on track, with the milestones outlined in the Group's public net zero roadmap having been met for 2022.

In my last report I described the latest chapter of the Group's transformation agenda, which includes a focus on becoming truly purpose-led by taking three Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation. During this year, the Committee monitored progress on how the Stands were coming to life across the organisation, including deep dives with business leaders who shared the initiatives currently in place and plans for the future.

This year, the Committee has overseen the redefining of the Group's culture aspiration to better reflect the desire for high performance and excellence, the need for transparent management of risk and a 'One Bank' mindset. The new cultural definition is framed around ambition, action and accountability.

Exemplary leadership within the Group is essential to the Committee's agenda, such as embedding the Group's culture and ensuring we deliver on our Purpose. It's therefore important for the Committee to oversee the work that the Group is doing to engage our leaders at all levels to aspire, inspire and execute. The Committee heard from a Leadership Council member who gave first-hand experience of how investment in our leaders is being implemented in practice and, more importantly, the impact this was having.

The Committee is responsible for the Board workforce engagement programme and this year kicked off a review of the current framework, to determine if an alternate model could enhance the Board-colleague connection. This will be concluded and implemented in 2023.

Focus on the Group's diversity and inclusion initiatives continued, and the Committee was pleased with progress across all three strands of work: Best Place to Work (colleagues), Best Place to Bank (clients) and Prosperous Communities (supply chain and communities). The Committee asked the team to increase focus on ethnic diversity to ensure our leadership is representative of our client base and footprint.

We continued our practice of inviting external speakers to challenge our thinking. This year, the Committee hosted a thought-provoking session on how sustainability is viewed in China, delivered by a pre-eminent industry leader. All Board directors were invited to this session.

This will be my last report from the Committee as I stand down from the Board at the 2023 AGM. It has been a real pleasure to chair this Committee (and its previous incarnation) over eight years, during which time our agenda has developed very meaningfully along with the Group's strategy and the wider environment. I'd like to thank all my colleagues past and present who should feel proud of what they have achieved. Particular thanks to Christine Hodgson, who stood down from the Board and the Committee on 31 January 2023, for her unwavering dedication and significant contribution to the Committee's evolution over the past nine years.

Finally, I'd like to welcome the two new members of the Committee, Robin Lawther and Jackie Hunt, who have already started to make a positive impact in the Committee's deliberations, and I wish them well as they take the Committee forward.

The following report provides further insight into the Committee's work during the year.

Jasmine Whitbread
Chair of the Culture and Sustainability Committee

Activities during the year

Sustainability and environmental, social and governance (ESG) matters	The Committee: • Continued to oversee the Group's progress on the net zero pledge made at the 2022 AGM, and while the Group has a number of challenges due to its diverse footprint, the ambition is progressing • Monitored the assessment of the Group's performance by the various external agencies on its approach to ESG matters, focusing on the agencies that the investors prioritised • Received a progress update on the current five-year Global Community Engagement Strategy, `Futuremakers' and the priorities due by the end of 2023; and a look forward to the Futuremakers Phase 2 Strategy for 2024 to 2030, which will be presented to the Committee in March 2023 • Welcomed the Group's inaugural Chief Sustainability Officer as a standing attendee, who presented a refreshed Sustainability Strategy to the Board in Q4.
Stands	Following the launch of the three stands of focus: Accelerating Zero, Lifting Participation and Resetting Globalisation in 2021, there were two deep dives at which business leaders presented to the Committee on how the Stands were being 'lived' in practice: • The first was from CPBB and focused on four key areas: mass market to lift participation; initiatives in small and medium enterprises (SME); ESG Products/Sustainable Finance; and Talent development initiatives. A number of initiatives were ongoing and a progress update from CPBB will be given to the Committee in 2023 • The second was from the new Chief Sustainability Officer and focused on the work taking place on the Accelerating Zero Stand, consolidation of the Group's sustainability aspirations and the Group's performance against the Group Sustainability Scorecard Metrics. More deep dives are planned for 2023.
Culture and Diversity and Inclusion	The Committee: • Oversaw the redefining of the Group's cultural aspiration to ensure that it sufficiently reflects the need for high performance and excellence in all we do • Reviewed the Group's approach to diversity and inclusion and discussed the various strands of diversity and the progress that was being made for each • Worked with Group Internal Audit to establish an approach to assessing behavioural risk during audit activities and received the first report of the output of this enhanced audit approach at the meeting in December 2022.
Board workforce engagement and workforce policies and practices	The Committee has responsibility for overseeing the Board's workforce engagement programme and ensuring workforce policies and practices remain consistent with the Group's valued behaviours. The Committee is overseeing a review of the existing framework and considering certain adjustments aimed to enhance Board workforce engagement. During the year, the Committee has overseen the following activity: • The annual employee engagement survey, My Voice, and probed the results to understand what was driving the scores and challenged the team on areas for improvement. More information on listening to our employees can be found on pages 60 to 63 • Monitored the impact of hybrid working on team members, particularly in relation to learning and career development for more junior team members and how changes in working patterns could be affecting mental health • The continued implementation of a Leadership Agreement, which all leaders will need to pledge to in 2023. More information on the Leadership Agreement can be found on page 61 • Reviewed the initiatives for the development and assessment of leaders throughout the Group • Reviewed the initiatives ongoing to improve psychological safety across the Group and the importance of strong leadership from both the top and throughout the layers of management • An informal lunch, hosted by the Board, with the UAE talent which provided an opportunity for the Board to hear directly from staff on how the Group's direction and strategy was lived and embedded in different parts of the Group • An interactive UAE townhall , hosted by the Group Chairman with members of the Board and Management Team. Over 500 colleagues attended in person and were encouraged to ask questions directly to the panel. In addition, it was live-streamed and facilitated by an online question and answer platform to enable engagement across the business. Further detail regarding Board workforce engagement can be found on **page 162**

Committee effectiveness review

During 2022, an external Board and Board Committee effectiveness review was facilitated by Independent Board Evaluation.

Progress against the 2022 Action Plan:

- Following a challenge by the Committee, Group Internal Audit has enhanced its audit approach to include a behavioural risk assessment with the development of testing plans and the recruitment of a specialist in this field; and by the end of 2022 had started reporting on the outcomes of this enhanced audit approach.
- In June, the Committee hosted a session on developments in China that was delivered by a pre-eminent industry expert in this field. All Board directors were invited to this session.
- The Committee has been tracking the Group's progress against the net zero milestones.

Key observations from the 2022 external effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted:

- The Committee Chair was rated as highly effective, and members noted that meetings ran to time and had an inclusive and participative tone. The Chair took a keen interest in the agenda and was felt to be extremely well qualified for the role
- Members report that the topics discussed at the Committee were both interesting and challenging. They noted that the committee Chair had done a good job of bringing rigour and data to potentially nebulous subjects and that debates were well founded and balanced as a result.

2023 Action Plan

The 2023 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the solid progress made last year:

- Review strengthening the links between the Committee and the business
- Consider the remit of the Committee and the overlap between the Board and other Board Committees
- Review of the Board/employee engagement tool
- Continue to focus on the net zero strategy and milestones.

Governance and Nomination Committee

"The Committee has been focused on planning for the transition of our long-standing non-executive directors, ensuring that the Board remains well balanced."

Committee composition

Scheduled meetings		Ad hoc
José Viñals (Chair)	4/4	2/2
Naguib Kheraj[1]	2/2	N/A
Maria Ramos[2]	1/1	1/1
Christine Hodgson, CBE[3]	4/4	2/2
Jasmine Whitbread[4]	3/4	1/2
Phil Rivett	4/4	2/2

Shirish Apte observed a number of meetings in 2022 ahead of his appointment to the Committee on 1 January 2023

1 Naguib stepped down from the Committee on 30 April 2022

2 Maria joined the Committee on 1 August 2022

3 Christine stepped down from the Committee on 31 December 2022

4 Jasmine was unable to attend one scheduled meeting and one ad hoc held on 8 November 2022 and 21 July 2022 respectively as a result of long-standing external board commitments

Who else attended Committee meetings in 2022?

The Group Chief Executive; Group Head, HR; and Group Company Secretary.

Biographical details of the committee members can be viewed on **pages 138 to 142**

What are the main responsibilities of the Committee?

The Committee has responsibility for keeping the size, structure and composition of the Board and its committees under review. As part of the Committee's succession planning for the Board, it takes into account the Group's strategy and challenges, and makes recommendations to the Board in respect of any adjustments to the Board's composition.

The Committee also: keeps under review the leadership needs of, and succession plans for, the Group in relation to both executive directors and other senior executives; has oversight of the process by which the Board, its committees and individual directors assess their effectiveness; keeps the diversity of the Board under review and monitors progress towards achieving its objectives in this area; considers any potential situational conflicts of interest declared by Board members; considers the impact of material changes to corporate governance regulation and legislation affecting the Group; and has oversight of the Group's approach to subsidiary corporate governance.

The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Committee has written Terms of Reference that can be viewed at **sc.com/termsofreference**

This year has seen a number of significant changes to the composition of the Board, following the retirement of a number of our long-standing and valued independent non-executive directors. I would like to thank Naguib Kheraj, former Deputy Chairman and Chair of the Board Risk Committee who retired from the Board in April for his dedication and significant and impactful contributions to the Board and Committee discussions. My thanks also go to Byron Grote who retired from the Board in November for his many contributions to the Board and its Committees. I would also like to thank Christine Hodgson, former Senior Independent Director and Chair of the Remuneration Committee for her insightful contributions as well as for agreeing to remain on the Board until 31 January 2023 to ensure a smooth transition to a new Remuneration Committee Chair, Shirish Apte. Before recommending the short extension beyond her nine-year term, the Committee conducted a robust assessment of her independence. We also announced that Jasmine Whitbread would not be seeking re-election at the 2023 AGM and would retire from the Board at that time.

The Committee has been focused on planning for the transition of our long-standing non-executive directors, ensuring that the Board remains well balanced with a strong pipeline of candidates with the appropriate skillsets, experience and capabilities, specifically across banking and financial services; executive and non-executive global listed experience; remuneration committee experience; and broad market and gender diversity. Over the course of 2022, and with the assistance of an external search firm we shortlisted and recommended to the Board the appointment of four experienced independent non-executive directors, Shirish Apte, Robin Lawther, Jackie Hunt and Linda Yueh, each of whom bring elements of these key attributes to the Board discussion. Details on each of the new directors can be found on pages 139, 141 and 142.

As well as focusing on the search for new directors, we also spent a great deal of time refreshing the committees' succession, notably the Chairs of the Board Risk and Remuneration Committees. This resulted in the appointment of Maria Ramos and Shirish Apte taking on the respective roles. Maria Ramos also took on the Senior Independent Director role from Christine Hodgson upon her reaching her nine-year tenure.

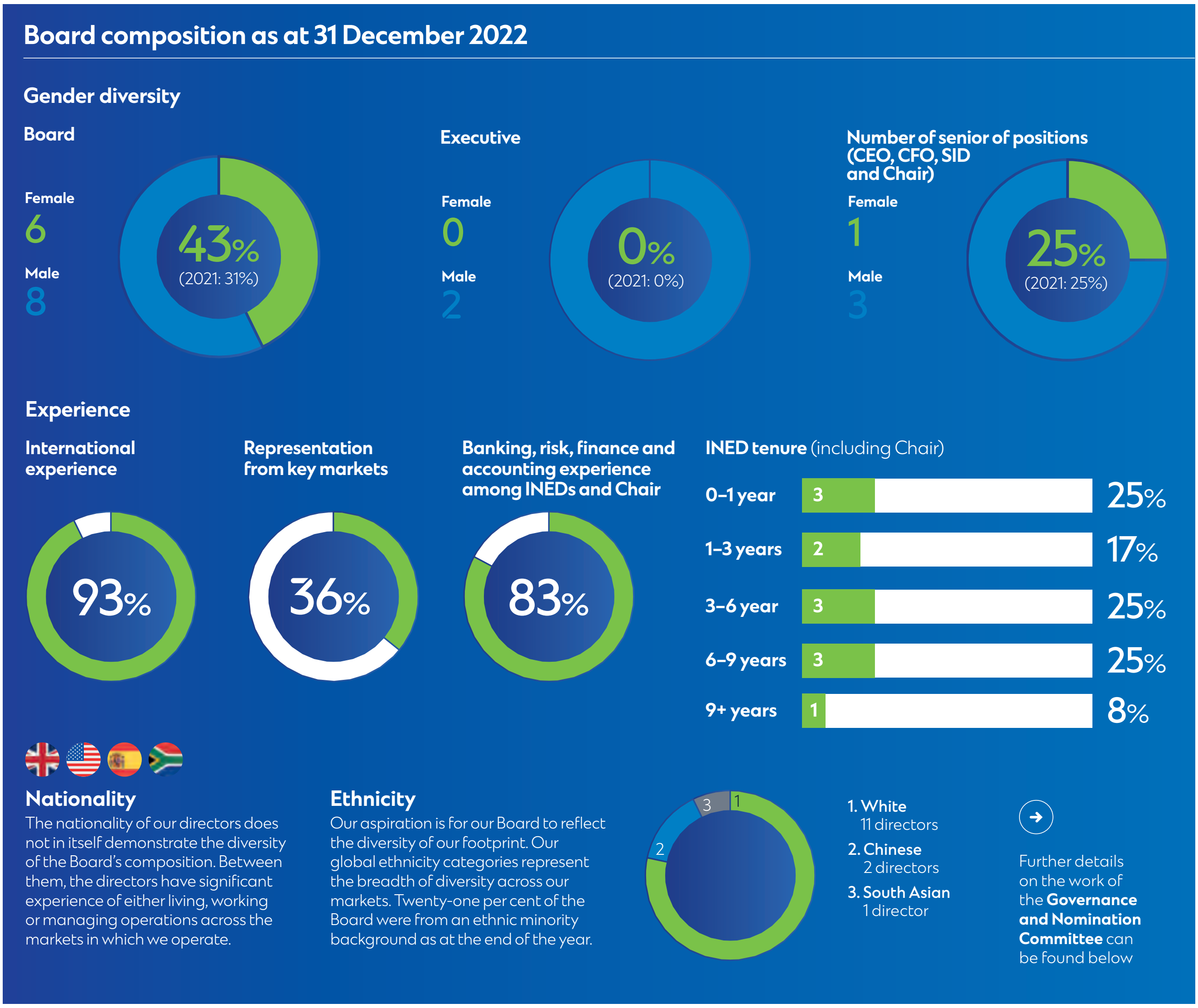
Earlier in the year, the Committee considered the significant progress which had been made by the Board Financial Crime Risk Committee in the area of financial crime risk since it was formed, and in line with the recommendations of the 2020 Board effectiveness review, recommended to the Board that its work was reallocated to a combination of the Board Risk Committee, Audit Committee and the Board, signalling a significant milestone in this area for the Group.

Detail of the Committee's annual review of the Board Diversity Policy and its assessment of progress against it can be found on pages 180 to 182. Following the significant realignment of the Policy a couple of years ago, only one material change was recommended in 2022, to increase the representation of women on the Board to at least 40 per cent, reflecting the Board's continued commitment to further balancing female representation on the Board and to align to the Financial Conduct Authority's (FCA) changes to the Listing Rules in this area.

As part of the Committee's governance oversight role, we continued to receive updates from the three regional CEOs who each have responsibility for the subsidiary governance processes across their regions and provide a holistic view of the governance framework and challenges faced across the Group's footprint. This was further reinforced with the return of the Global Subsidiary Conference in Dubai in November, attended by members of the Board and Management Team and the Chairs and selected INEDs from across the Group's diverse footprint. This conference provided an important opportunity for creating and maintaining appropriate linkages with the Group's subsidiaries, as well as sharing best practice.

The Committee also paid significant attention to enhancing the effectiveness of the Board and its committees. An externally facilitated Board effectiveness review was commissioned in the autumn which concluded that the Board continues to operate effectively while also signalling several areas for improvement, details of which can be found on page 156.

Dr José Viñals
Chair of the Governance and Nomination Committee



Activities during the year

Board and senior talent succession planning

- Engaged Russell Reynolds, a signatory to the voluntary code of conduct for executive search firms who also supplies senior resourcing to the Group, to review the market for future INED candidates with deep global banking and financial services experience, strong understanding of the remuneration environment, significant commercial experience and with representation from our key markets.
- Discussed the composition of the Board and considered the orderly succession of current INEDs and the skills, knowledge, experience, diversity (in the widest sense) and attributes required of future INEDs, both immediately and in the medium to longer term. In considering the Board's succession, the Committee takes into account the length of tenure of the INEDs, and the importance of regularly refreshing the Board membership.
- Systematically reviewed a number of INED long and short lists throughout the year to identify potential candidates with a diverse range of skills, experience, knowledge and perspectives. This process resulted in the Committee recommending to the Board the appointments of Shirish Apte, Robin Lawther, Jackie Hunt and Linda Yueh.
- Maintained oversight of the progress made by Shirish Apte, against his tailored Board and committee induction programmes.
- Provided oversight of the detailed executive and senior management (level below Management Team) succession plans, alongside other critical roles, including the oversight of a process of external market mapping of key management roles.
- Reviewed succession plans for the committee chair roles, identifying appropriate individuals with the necessary skills and attributes to provide emergency cover as required, as well as on a longer term basis, including acknowledging and addressing where gaps exist. Following this process, the Committee recommended to the Board the appointment of:
  - Maria Ramos as Senior Independent Director, Chair of the Board Risk Committee and a member of the Governance and Nomination Committee
  - Shirish Apte as a member and subsequently Chair of the Remuneration Committee and a member of the Governance and Nomination Committee
  - David Conner as a member of the Remuneration Committee
  - Robin Lawther as a member of the Remuneration Committee and Culture and Sustainability Committee
  - Jackie Hunt as a member of the Culture and Sustainability Committee and Audit Committee.

Activities during the year continued

Board and committees' effectiveness review	• Considered and recommended the appointment of Ffion Hague of Independent Board Evaluation to conduct the 2022 external evaluation of the Board and its committees. Provided oversight of the Board and committees' evaluation, and monitored progress against the 2022 Action Plan, which addressed the key observations from the 2021 effectiveness review. • Discussed the observations and recommendations which flowed from the 2022 externally facilitated Board and committees' review and discussed the shape of the Board's 2023 Action Plan. Details of this year's Board and committees' external evaluation, including the process which we followed, observations from the review and the resulting 2023 Action Plan can be found on **page 156**
Board Diversity Policy	• Reviewed progress made in 2022 against the agreed commitments set out in the Board Diversity Policy. • Conducted a review of the Board Diversity Policy to ensure that it continued to drive diversity in its broadest sense, while continuing to take account of best practice, specifically in the area of gender, social and ethnic backgrounds, knowledge, personal attributes, skills and experience. • Discussed the Board's commitment to ensuring female representation on the Board and increased its target from a minimum of 33 per cent to at least 40 per cent female in order to align with the changes to the UK Listing Rules in this area. • Reviewed the outcome of the FCA consultation on changes to the UK Listing Rules and Disclosure Guidance and Transparency Rules (DTRs) in relation to diversity and inclusion on company boards and considered the Company's current and projected compliance against the new targets. Further details of progress the Board has made against the key objectives set out in the **Board Diversity Policy** are set out on **page 182**
Independent advisers	• Recommended to the Board the extension, for a further 12 months, of Sir Iain Lobban's appointment as independent adviser to the Board and its committees on cyber security and cyber threats. • Recommended to the Board the extension, for a further 12 months, of Paul Khoo's appointment as independent adviser to the Board and its Committees on Financial Crime.
Conflicts of interest	• Conducted an annual review of the directors' existing and previously authorised potential and actual situational conflicts of interest and considered whether any circumstances would necessitate the authorisation being revoked or amended. Also noted directors' other directorships and business interests taken during the year in the context of time commitment, overboarding and the PRA limits on directorships as well as other regulatory requirements in this area.
Assessment of the non-executive directors' independence	• Conducted a robust assessment of Christine Hodgson's independence ahead of taking the decision that she remain on the Board for a short period beyond her nine-year tenure, to enable her to lead the shareholder consultation required in the wake of a significant minority vote against the remuneration policy in 2022, and to facilitate an orderly transition to Shirish Apte as the incoming Remuneration Committee Chair. • Considered the independence of each of the non-executive directors, taking into account any circumstances likely to impair, or which could impair, their independence. Noted the thorough process undertaken to assess individual director performance and effectiveness, taking these reviews into account along with tenure and succession plans in making its recommendation to appoint the INEDs for a further year.
Subsidiary governance	• Received updates from the three regional CEOs on the Group's approach to subsidiary governance. • Received assurance of effective oversight and compliance with the Group's Subsidiary Governance Policy and discussed material regulatory trends, initiatives, and considerations likely to impact the current or future governance of the Group's banking subsidiaries; the key actions arising from banking subsidiary board effectiveness reviews; and linkages between banking subsidiaries and the Group. • Approved the appointments of a new Chair and an independent non-executive director of Standard Chartered (Hong Kong) Limited.
Terms of Reference	• Considered the progress made by the Board Financial Crime Risk Committee, discussed the proposed future oversight of Financial Crime and recommended that its remit was allocated into a combination of the Audit Committee, Board Risk Committee and the Board's Terms of Reference. • Conducted a review of the Committee's Terms of Reference during the year, taking into account the responsibilities, obligations and best practice principles it has in the UK and Hong Kong.

Implementation of the Board Diversity Policy

The Committee conducted its annual review of the Board Diversity Policy (the Policy) during 2022, to ensure that it continues to promote and drive diversity in its broadest sense, while continuing to take account of best practice initiatives. We strive to maintain a diverse Board, recognising the benefits of having a Board made up of individuals with a diverse mix of gender, social and ethnic backgrounds, knowledge, personal attributes, skills and experience. We also aim to reflect the Group's aspirations in relation to its employees and its values and to position the Group as a global leader in these areas. This diversity provides a range of perspectives which we believe contribute to the effective Board dynamics.

We made good progress in improving the balance of female directors on the Board this year, with female representation on the Board at 43 per cent, above the new target being incorporated into the UK Listing Rules in 2023, of 40 per cent. However, this will continue to move around in the short term as the composition of the Board continues to change.

While acknowledging the importance of gender diversity around the board table and ultimately gender parity on the Board, we also recognise the importance of balancing gender diversity within the broader context of diversity, which is particularly relevant given the diverse markets in which the Group operates.

Aligned to the Policy's broad ambition, this year we report on the progress made against the seven objectives, including the updated commitments on female representation made at the end of 2022, which the Board remains committed to in order to further enhance progress in this area:

- increasing the representation of women on the Board with an aim to have a minimum of 40 per cent female representation
- adopting an ethnicity aspiration of a minimum of 30 per cent from an ethnic minority background
- ensuring that our Board diversity better reflects the diverse markets in which we operate
- ensuring that the Board is comprised of a good balance of skills, experience, knowledge, perspective and varied backgrounds
- ensuring that we consider the Group's aspirations in relation to disability, sexual orientation, gender identity and gender expression
- only engaging search firms that are signed up to the Voluntary Code of Conduct for Executive Search firms
- reporting annually on the diversity of the executive pipeline as well as the diversity of the Board, including progress being made on reaching the Board's gender and ethnicity aspirations.

Details of the Board's diverse composition are set out on **pages 138 to 142** of this report, and that of the Management Team can be found on **pages 143 to 145**

Details of the Group's wider diversity and inclusion strategy, including gender balance across the Group and targets for ethnic representation, can be found on **pages 60 to 63** of this report

A copy of the full Board Diversity Policy can be viewed at **sc.com/boarddiversitypolicy** and further details on the Group's approach to Diversity and Inclusion can be viewed at **sc.com/diversity-and-inclusion**

Progress made in 2022 against the key objectives set out in the Board Diversity Policy is set out below.

Board Diversity Policy objectives	Progress
Increasing the representation of women on the Board with an aim to have a minimum of 33 per cent female representation	Increasing gender representation on the Board remains an important focus of the Board's succession planning process, ensuring that female candidates are fairly represented on long and short lists. A number of changes to the composition of the Board were announced during 2022: the appointment of Shirish Apte, Robin Lawther, Jackie Hunt and Linda Yueh as well as the retirement of Naguib Kheraj, Byron Grote, Jasmine Whitbread and Christine Hodgson. The Board continues to strive to ensure that female representation continues to increase and the Committee recommended raising the Board's target for women's representation to 40 per cent, in line with the forthcoming changes to the Listing Rules. Compliance against new targets under the Listing Rules can be seen on page 180.
Adopting an ethnicity aspiration of a minimum of 30 per cent from an ethnic minority background	Despite changes to the composition of the Board during the year, representation from ethnic minority background remained steady at 21 per cent. We remain committed to our ethnicity aspiration and to ensuring a broad representation. Compliance against new targets under the Listing Rules can be seen on page 180.
Ensuring that our Board reflects the diverse markets in which we operate	What sets Standard Chartered apart is our diversity of people, cultures and networks. The Board has representation from across the regions in which we operate, including the UK, the EU, North America, Asia and Africa. Many of the INEDs have additional experience of having worked and lived in many of the Group's markets. As part of the Committee's succession planning in 2022, it has considered a significant number of potential future INED candidates who are representative of some of our key regions and markets.
Ensuring that the Board is comprised of a good balance of skills, experience, knowledge, perspective and varied backgrounds	Throughout the year, the Committee has focused on identifying the collective experience, skills and attributes required both immediately and in the medium to longer term. The Committee has systematically reviewed candidate long and short lists to identify potentially suitable INED candidates. Areas of particular focus in 2022 included: • Corporate institutional and commercial banking • Technology risks • Remuneration • Previous CEO/CFO experience • ASEAN experience • Regulatory understanding.
Ensuring that we consider the Group's aspirations in relation to disability, sexual orientation, gender identity and gender expression	We remain committed to all aspects of diversity as we undertake any Board succession process.
Engaging only search firms that are signed up to the Voluntary Code of Conduct for executive search firms	We continue to engage only search firms signed up to the Voluntary Code of Conduct. We worked with Russell Reynolds to assist us in identifying and building a pipeline of high-quality potential INED candidates for a number of assignments. Russell Reynolds is signed up to the Voluntary Code and is committed in supporting our ambitions to widen all aspects of diversity on the Board.
Reporting annually on the diversity of the executive pipeline as well as the diversity of the Board, including progress being made on reaching the Board's gender and ethnicity aspirations.	The Committee takes an active role in reviewing the succession planning for the executive, Management Team and senior management one level below the Management Team. We continue to improve our reporting of Board and senior talent succession planning as well as reporting on the importance of a diverse Board as a means of capturing differing perspectives and enhancing discussion. Progress in enhancing diversity along with the Board's gender and ethnicity aspirations will continue to be developed in line with the forthcoming changes to diversity reporting in the UK Listing Rules.

Committee effectiveness review

This year's Committee Effectiveness Review was conducted simultaneously with that of the Board and comprised an externally facilitated evaluation conducted by Ffion Hague of Independent Board Evaluation. Broadly, members and other contributors felt that the Committee is well chaired, methodical and diligent in its work. There has been significant focus on delivering more Board appointments during the year, although there was a sense that the process could be speeded up over the coming year as well as ensuring an orderly succession of key Board roles over the next few years. A summary of the key observations and the subsequent actions can be found below.

Progress against the 2022 Action Plan:

The 2022 Action Plan set out a number of actions from the internally facilitated Committee evaluation conducted in 2021. The 2022 Action Plan was reviewed during the year and good progress had been made against the actions.

Key observations from the 2022 external effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted:

- Members continued to feel that the Committee was well Chaired and the Board was kept well informed of its activities
- There was a sense from existing and new INEDs that the recruitment process could be streamlined and more pace and efficiency injected into the process
- Members supported greater flexibility in the tenure of INEDs on the Board, to create greater option in succession planning
- Confidence in the quality of the new joiners is high, but it is inevitable that some of the Board is in induction mode at present
- The succession plans for the years ahead should be discussed more widely.

2023 Action Plan

The 2023 Action Plan for the Committee reflects suggestions from the Board evaluation and continues to build on the solid progress made last year:

- Increase the pace of the INED appointment process
- Focus on increasing the level of technology experience on the Board
- Improve diversity by increasing representation from across our markets
- Continue to enhance the comprehensive induction programmes for new Board and Committee members, by including additional written information and scheduling a follow-up induction at the end of the first year
- Continue to oversee the development of the executive talent pipeline with a view to increasing the proportion on senior internal appointments.

Directors' remuneration report

Proportionate remuneration outcomes in the context of strong Group performance

Committee composition

Scheduled meetings

Member	Meetings
Shirish Apte[1] (Chair)	2/2
David Conner[2]	1/1
Byron Grote[3]	5/5
Christine Hodgson[4], CBE	5/5
Robin Lawther, CBE[5]	1/1
Maria Ramos	5/5
Jasmine Whitbread	5/5

1 Shirish joined the Committee on 1 August 2022 and was appointed as Committee Chair on 1 January 2023.

2 David joined the Committee on 1 October 2022.

3 Byron stepped down from the Committee on 30 November 2022.

4 Christine stepped down as Committee Chair on 31 December 2022 and from the Committee on 31 January 2023.

5 Robin joined the Committee on 1 October 2022.

Who else attended Committee meetings in 2022?

The Group Chairman; Group Chief Executive (CEO); Group Chief Financial Officer (CFO); Group Chief Risk Officer; Group Head, HR; Global Head, Performance, Reward and Benefits; Group General Counsel; Group Head, Conduct, Financial Crime and Compliance; Group Company Secretary.

Biographical details of the Committee members can be viewed on **pages 139 to 141**

What are the main responsibilities of the Committee?

The Committee is responsible for setting the governance framework for remuneration for all employees, ensuring alignment with our culture, the requirements of the UK Corporate Governance Code and any other relevant regulations. Key responsibilities of the Committee include:

- Oversight of our Fair Pay Charter including the development and implementation of remuneration policies and practices that are consistent with sound and effective risk management to support the Group's strategic priorities and enable long-term sustainable success.
- Approval of Group discretionary remuneration, including adjustment for risk, control and conduct matters.
- Determining and agreeing the remuneration framework and policies for the Group Chairman, executive directors and other senior executives, using the Fair Pay Charter principles, taking into account wider workforce remuneration, and ensuring the alignment of reward with culture and conduct.

The Committee has written terms of reference that can be viewed at **sc.com/termsofreference**

Summary of 2022 remuneration decisions

- The current economic environment remains challenging, with rising inflation across large parts of our network. In order to support our staff, especially junior colleagues, we are implementing salary increases in April 2023, at a global average of 6.6 per cent.
- Salary increases for executive directors and senior management, at 3.4 per cent, are 50 per cent lower than the average increase for other UK employees.
- Group performance in 2022 was strong, across financial and non-financial metrics, as measured through the Group balanced scorecard. As such, the approved aggregate discretionary remuneration for the year is USD1,589 million, up 16 per cent on 2021.
- Annual incentive awards for executive directors, Bill Winters (CEO) and Andy Halford (CFO), were assessed at 70 per cent of the maximum for Bill and at 69 per cent of the maximum for Andy.
- Reward for all Group employees, including executive directors, continues to be aligned to the Group's strategic priorities, through the annual and long-term incentive scorecards.

I am pleased to present our directors' remuneration report for the year ended 31 December 2022. I joined the Committee on 1 August 2022 and assumed responsibility as Committee Chair on 1 January 2023, after receiving all necessary regulatory approvals. I have the honour of taking over as Chair of the Remuneration Committee from Christine Hodgson, who has been the Committee Chair from May 2015 until December 2022. I would like to thank Christine for the significant contribution she has made to the Committee as Chair and for working with me through a very comprehensive handover process.

The Group has performed well in 2022, despite continuing challenges in the external environment, such as the ongoing impact of the pandemic, the Russia-Ukraine conflict and rising inflation. This report provides an overview of the Committee's work during 2022 with respect to remuneration for executive directors and the wider workforce. The decisions we have taken were based upon careful consideration of a broad range of factors such as rising inflation in several of our markets, economic difficulties faced by our colleagues, and the need for appropriate and fair reward for our workforce. The directors' remuneration policy has been operated as intended, to incentivise performance linked to the Group's strategy and to be aligned with shareholder interests.

Response to 2022 AGM remuneration votes

2022 directors' remuneration policy

The Committee engaged with shareholders during 2021 and early 2022 and feedback from this consultation was used as an input into the development of the 2022 directors' remuneration policy. At the AGM, the directors' remuneration policy received the support of 69 per cent of shareholders. In view of the number of opposing votes, the Committee continued to engage with shareholders to understand their concerns.

During this engagement, it was clear that the key issue impacting the vote outcome was the provision which provides the Committee the flexibility to disapply time proration on the vesting of long-term incentive plan (LTIP) awards for retiring executive directors. While we recognise that this provision is not standard practice in the UK, we have confirmed to shareholders that its application, if used, will not be automatic. Each case will be considered on its own merit by the Committee taking into account the Group's financial and non-financial performance and any other relevant circumstances. The directors' remuneration report at that time will contain full disclosure on the Committee's decision and rationale, and shareholders will then have the opportunity, through the AGM vote, to express their view on whether the specific disapplication was appropriately applied or not.

The shareholders we met with confirmed that they would consider the circumstances and explanation very carefully if the provision is ever used and vote accordingly.

2021 directors' remuneration report

The resolution to approve the directors' remuneration report for 2021 received the support of 73 per cent of shareholders. The main concern related to our response to the fine on the Group in December 2021 by the Prudential Regulation Authority (PRA) for liquidity reporting and governance failings.

A detailed review of the issues connected with the fine had been undertaken at the end of 2019, when the matter was first identified and a further review was carried out in 2021 when the fine was imposed. Remuneration actions were taken at a collective and individual level. We acknowledge that we should have provided more information on the significant steps taken by the Committee since 2019 to address this matter. We will take this feedback into account in our disclosures going forward.

Having reflected on the views expressed by shareholders during the engagement process, we remain satisfied that the remuneration adjustments made were appropriate. The Committee continues to be updated on risk matters at all its meetings.

Our performance in 2022

The Group delivered a strong set of results for the year. Underlying profit before tax is up 15 per cent on 2021, reflecting our resilient and improving financial performance. Return on tangible equity (RoTE) is up 120 basis points to 8 per cent, and on track to meet our increased ambition of 11 per cent by 2024. The Group remains well capitalised with Common Equity Tier 1 (CET1) ratio at 14 per cent, the top of our stated range of 13-14 per cent.

The formulaic outcome for Group performance, based on the balanced scorecard, was 71 per cent. Of this, 39 per cent (out of a possible 50 per cent) related to financial performance, including strong underlying income growth, income from new business and the increase in RoTE. The remaining 32 per cent related to achieving non-financial goals, including significant improvement in client satisfaction, strong performance against our engagement, diversity and inclusion targets and progress on our Stands (more information on our Stands can be found on page 24).

Group-wide remuneration

2022 discretionary annual incentives

Our strong performance in 2022, in the face of ongoing external challenges, is reflected in increased remuneration outcomes for the year.

The Group scorecard assessment of 71 per cent is a starting point for determining discretionary remuneration. In arriving at a distributable pool, the Committee considers additional factors such as share price performance, the impact of rising interest rates and overall affordability. The Committee also considers carefully all risk, control and conduct matters, including ongoing investigations and any matters raised by regulators. As ever, the Committee's assessment also takes into account our Fair Pay principles.

Following its review of these factors, the Committee determined that a reduction of 4 percentage points from the initial scorecard outcome was appropriate. This resulted in a final Group scorecard outcome of 67 per cent for the purposes of discretionary remuneration and an aggregate incentive pool of USD1,589 million, 16 per cent higher than 2021 on a reported basis and 28 per cent higher on a same store basis. Further details can be found on page 187.

2023 salaries

During 2022, we have seen high inflation in many of our markets due to global economic challenges. In response to this, we made targeted changes to salaries in 2022 to support colleagues in markets faced with the most extreme economic conditions.

As a result of ongoing cost of living pressures in many of our markets, average global salary increases of 6.6 per cent are being awarded in 2023. Increases have been weighted towards our junior colleagues and colleagues in countries where cost of living pressures are most significant. Executive director and senior management salary increases will be discounted by 50 per cent from the rate applicable in their respective market.

Executive director remuneration in 2022

Annual incentives for executive directors

In 2021, the Committee approved a change to the executive directors' scorecard by including an individual performance assessment measure of 10 per cent. Financial measures continue to make up 50 per cent of the total scorecard, while strategic and non-financial measures make up the balance of 40 per cent. These changes were covered in the 2021 report.

For the year 2022, the Committee approved scorecard outcomes, including individual performance assessments, of 70 per cent of the maximum for Bill, and 69 per cent of the maximum for Andy. Applying these scores to the annual incentive maximum, the Committee approved annual incentives of GBP1,499,344 for Bill, a 26 per cent increase over 2021, and GBP944,803 for Andy, a 24 per cent increase over 2021. The Committee is satisfied that these are appropriate given the strong performance of the Group in 2022 and the significant personal contributions from Bill and Andy. Further detail can be found on pages 194 to 196.

2020-22 LTIP awards vesting in March 2023

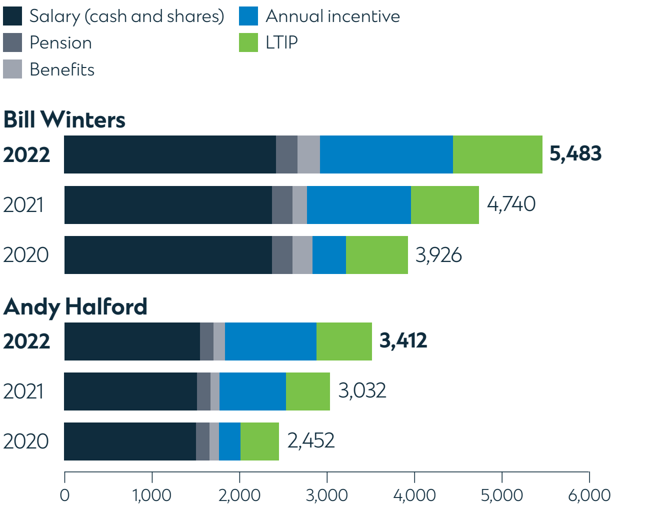
The 2020–22 LTIP awards are due to vest in March 2023 with the expected vesting currently at 22 per cent, based on performance against strategic measures. The final total shareholder return (TSR) performance will be assessed in March 2023. The projected values delivered by the 22 per cent outcome and included in the single total figures of remuneration for Bill and Andy are GBP1,024,408 and GBP634,488 respectively and are based on a share price of GBP5.78 (three-month average to 31 December 2022) compared with the share price on award of GBP5.20, an increase of 11 per cent.

The Committee considered the question of windfall gains from awards granted in 2020. The share price when the awards were granted was 15 per cent lower than the grant price in the prior year. The Committee decided not to make any adjustment at grant for the lower share price at the start of the pandemic. Instead the Committee opted to review any potential windfall gains at the end of the performance period. Having considered the position now, the Committee is comfortable that the share price increase over the performance period has been broadly consistent with improvement in underlying financial performance.

Single total figure of remuneration for 2022

The 2022 annual incentive and expected 2020–22 LTIP vesting results in a 2022 single figure for Bill of GBP5,483,442 and for Andy of GBP3,412,390. This represents a year-on-year increase of 16 and 13 per cent, respectively, reflecting the strong Group performance in 2022.

2022 single total figure of remuneration (£000)



A significant portion of both Bill's and Andy's total remuneration is delivered in shares which will be released over the next eight years. The deferral, retention and recovery provisions of their pay continue to reinforce alignment of their incentives with shareholder interests and the Group's long-term performance. Both Bill and Andy continue to exceed their shareholding requirements (see page 199 for further details).

Executive directors' remuneration in 2023

In accordance with the approved remuneration policy, the Committee considers annual salary increases for executive directors taking account of any increase in scope or responsibility, market competitiveness, and salary increases across the Group.

In line with our approach for all senior management, the Committee has awarded salary increases of 3.4 per cent to Bill and Andy, 50 per cent lower than the average increase awarded to the other UK employees. This increases their salaries in 2023 from GBP2,434,000 to GBP2,517,000 and from GBP1,556,000 to GBP1,609,000 respectively, effective from 1 April.

In September 2022, the UK Government announced measures to remove the cap on banker incentives imposed in 2014. On 19 December 2022, the PRA issued a consultative paper on this subject. Should the cap be removed as is expected we will consult extensively with shareholders before making changes to our remuneration policy.

2023-25 LTIP awards to be granted in March 2023

Having considered 2022 performance, the Committee has approved LTIP awards for the period 2023-25 of GBP3,212,880 and GBP2,053,920 to Bill and Andy respectively, representing 132 per cent of their salary. As in the past, these are performance linked awards, and vesting will depend upon achieving specified performance targets by the end of the three year review period (2025). Following the review period, the shares will vest pro-rata from years three to seven. There is an additional retention period of 12 months after vesting. Performance will be assessed based on RoTE with a CET1 underpin, TSR relative to a defined peer group, and the achievement of sustainability and other measures, including our Stands, that are aligned with the Group's strategic priorities.

Discussions with shareholders were held in January 2023 on the development of these performance measures and targets and the input received was incorporated into the final decisions by the Committee. Further details on the 2023–25 LTIP awards and the performance measures and targets can be found on pages 199 and 200.

In the rest of this report we present the disclosures required by regulations, as well as additional information to explain how remuneration for our executives aligns with our strategy, shareholder interests and wider workforce pay. In making remuneration decisions for 2022 and beyond, we have also been mindful of the experience of our wider stakeholder group.

I would like to thank Christine for her very significant contributions as Chair of the Committee. I would also like to thank my fellow Committee members for the work they have put into the Committee, and our shareholders for their ongoing support and engagement.

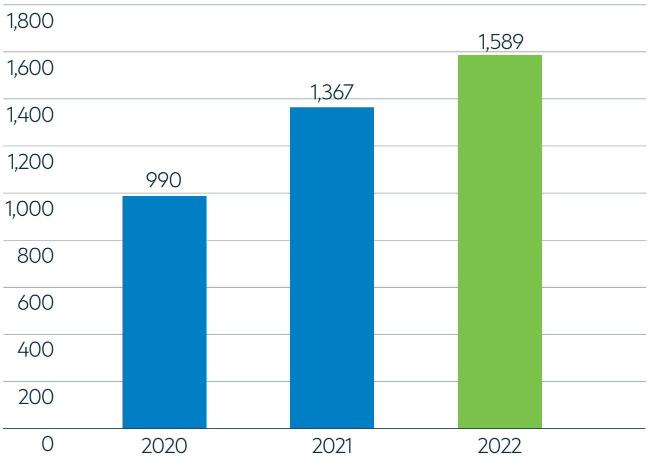
Shirish Apte
Chair of the Remuneration Committee

(All disclosures in the directors' remuneration report are unaudited unless otherwise stated. Disclosures marked as audited should be considered audited in the context of the financial statements as a whole)

Remuneration at a glance

Group-wide remuneration

Total discretionary remuneration, 2020–2022 ($m)



2022 Group scorecard outcome

Financials
39/50%

Clients
8/15%

Enablers
9/10%

Risk and controls
9/15%

2022 Group scorecard outcome
67%

Sustainability
5/10%

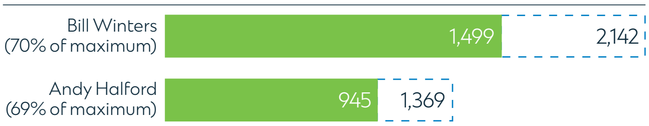
Progress against our Stands
+1ppt

Discretionary reduction to formulaic outcome
-4ppt[1]

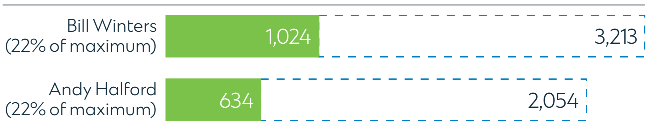
1 Considering all factors, the Committee determined that a reduction of 4 percentage points (ppt) to the formulaic outcome (71 per cent) was appropriate, resulting in an outcome of 67 per cent for the purposes of discretionary remuneration.

Executive directors' remuneration

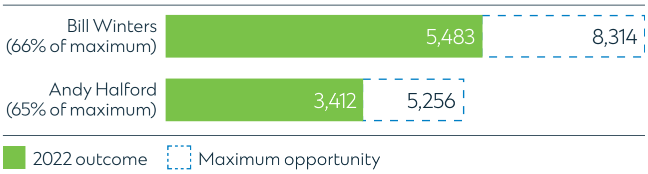
2022 annual incentive (£000)



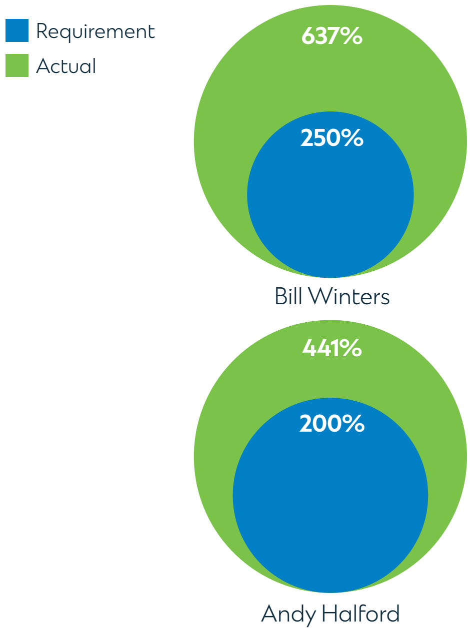
2020–22 LTIP outcome (£000)



2022 single figure (£000)



Share ownership as % of salary (at 31 December 2022)



Financial KPIs

Profit before tax
$4,762m
↑15%

Common Equity Tier 1 ratio
14.0%
↓19bps
The top of our target range of 13-14%

Return on tangible equity
8.0%
↑120bps
Underlying basis

Total shareholder return
41.4%
↑43.4ppt

Non-financial KPIs

Diversity and inclusion: women in senior roles
32.1%
↑1.4ppt

Sustainability Aspirations met or on track
85.7%
↑2.8ppt

Summary of the directors' remuneration policy

The forward-looking remuneration policy for executive directors and independent non-executive directors (INEDs) was approved at the AGM held on 4 May 2022 and applies for three years from that date. A summary of the executive director policy, including the key remuneration elements, is set out below and is provided for information only. The full policy, including recruitment and leaver provisions, can be found on pages 161 to 166 of the 2021 Annual Report and on our website.

Our approach to remuneration is consistent for all employees and is designed to create alignment with our Fair Pay Charter principles, which apply globally. However, our pay structures may vary according to location (to comply with local requirements) and, therefore, the table below explains the alignment between the executive directors and our UK workforce, being the most relevant market.

The full policy is available on our website at **sc.com**

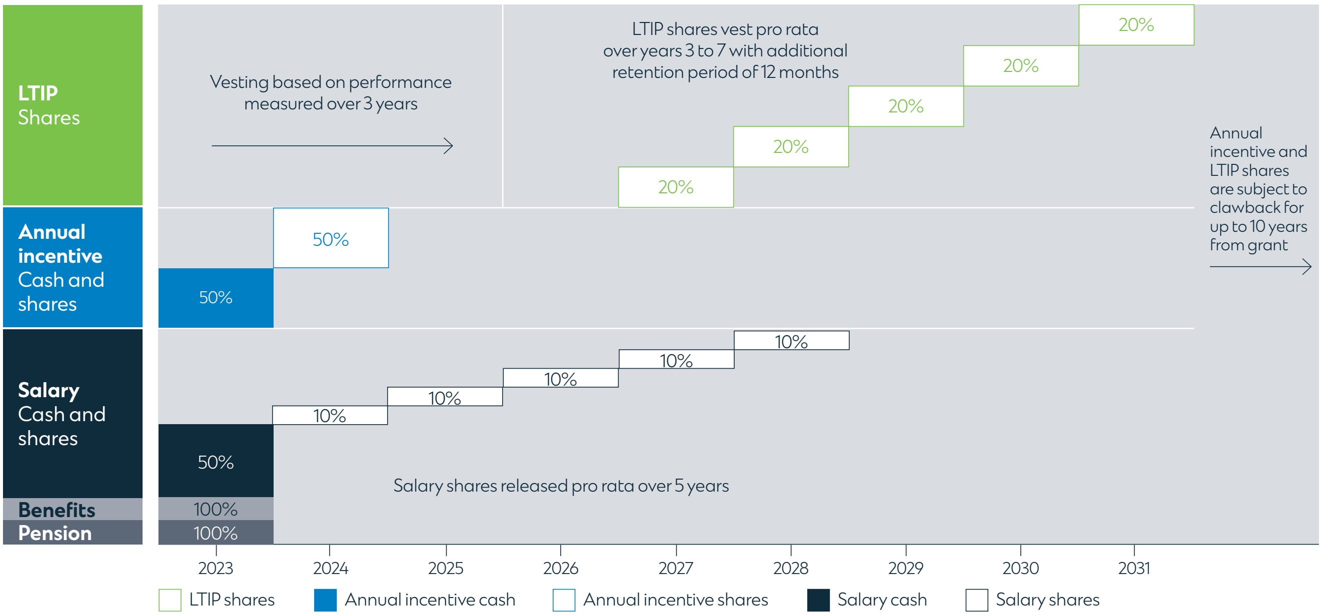
Fixed remuneration	Policy	Alignment with UK employees
Salary Set to reflect the role, and the skills and experience of the individual.	• Delivered part in cash and part in shares. • To maintain alignment with shareholders , the share element is subject to a holding period of five years, with 20 per cent being released annually.	• The process of setting and annually reviewing salaries against market information is the same for all employees. • For all other UK employees, salary is paid 100 per cent in cash in line with market practice.
Pension To facilitate long-term retirement savings.	• For current directors, an annual pension allowance or contribution of 10 per cent of salary is payable. • For new executive directors, 10 per cent of the cash element of salary only will be payable.	• Pension is set at 10 per cent of salary for both the executive directors and other UK employees, aligned with the provisions of the UK Corporate Governance Code.
Benefits A competitive benefits package to support executives to carry out their duties effectively.	• A range of benefits is provided including holiday and sick pay, a benefits cash allowance, private medical insurance, life insurance, financial advice and tax return preparation. A car and driver or other car-related service is available to executive directors, which is a role-based provision due to security requirements. • Executive directors receive a lower cash benefits allowance than other UK employees as a percentage of their salary.	• Core benefits are aligned with all employees. Some additional, role-specific benefits are received by the current executive directors. • Employees are eligible for tax return preparation in the year of an international relocation.

Variable remuneration	Policy	Alignment with UK employees
Annual incentive Remuneration based on measurable performance criteria linked to the Group's strategy and assessed over a period of one year.	• Annual incentive awards are delivered as a combination of cash and shares subject to holding requirements, and deferred shares. • The maximum value of an annual incentive award cannot exceed 88 per cent of salary and can be any amount from zero to the maximum. • Awards are determined by the Committee, based on the assessment of the Group scorecard which contains financial (at least 50 per cent of the scorecard) and strategic measures, as well as the personal performance of the individual.	• The annual incentive plan is operated for all employees, paid in cash to certain limits with the balance deferred over at least three years in shares and/or cash. • The same Group scorecard is used in assessing incentives for executive directors and other UK employees.
LTIP LTIP awards are granted to senior executives who have the ability to influence the long-term performance of the Group. Awards are performance dependent based on measurable, long-term criteria.	• LTIP awards are granted annually, based on performance in the relevant year. • The maximum value of an LTIP award cannot exceed 132 per cent of salary and can be any amount from zero to the maximum. • Following the grant of awards, performance is measured over three years with no award vesting before the third anniversary of the grant. • LTIP awards are delivered in shares and subject to holding requirements.	• Members of the Management Team are also eligible for LTIP awards, granted annually and assessed on the same performance measures and targets, with awards typically at a lower level. • LTIP awards may also be granted to other employees in the Group which may be subject to the same or different performance conditions.

Other remuneration	Policy	Alignment with UK employees
Sharesave Provides an opportunity for all employees to invest voluntarily in the Group.	• Participants are able to open a savings contract to fund the exercise of an option over shares. • The option price is set at a discount of up to 20 per cent of the share price at the date of the invitation to participate. • Savings per month of between £5 and the maximum set by the Group, which is currently £250.	• All employees are eligible to participate in the Sharesave plan, which enables employees to share in the success of the Group at a discounted share price.
Shareholding requirements Provides alignment with the interests of shareholders during employment.	• Executive directors are required to hold a specified level of shares, to be built up over a reasonable time frame from the date of appointment. • Under the policy, in 2022, the CEO and the CFO are required to hold 250 per cent and 200 per cent of salary in shares, respectively. • Post-employment shareholding requirement in place for two years following cessation of employment. The amount to be held is as described above or, if lower, the actual shareholding on departure.	• Formal shareholding and post-employment shareholding requirements are operated for the executive directors only. • However, other employees hold shares as part of the deferral and retention requirements.

Delivery of executive remuneration over time

The diagram shows how a portion of Bill's salary, annual incentive and long-term incentive is paid in shares which are released up to eight years following grant, with the final component of pay granted in 2023 being released in 2031. This creates strong alignment of interests between executives and shareholders to create long-term value. On a maximum opportunity basis, Bill's total remuneration is delivered 67 per cent in shares (including those subject to performance conditions) and 33 per cent in cash.



Remuneration alignment

Alignment with our culture

Our performance and reward framework supports us in embedding a high-performance culture and aligns with our principle that colleagues should share in the success of the Group. For example:

- All remuneration decisions are grounded in our Fair Pay Charter, with one consistent set of principles for the wider workforce and executive directors (further details on our Fair Charter are on page 193).
- Employee performance is assessed based on what is achieved and how it is achieved in line with our valued behaviours. Our remuneration structure and policies ensure that behaviours consistent with these values are appropriately recognised and rewarded.
- To support this approach, the wider workforce and our executive directors participate in continuous performance management and feedback.
- Our LTIP assessment measures include a conduct gateway to further support this.

Alignment with our strategy

Remuneration decisions made across the Group, including for our executive directors, align with our strategic priorities and our Stands, including our commitment to sustainable social and economic development through:

- Performance measures in our Group and LTIP scorecards are designed to drive achievement of the financial and strategic goals that will deliver long-term sustainable value for our stakeholders.
- Sustainability and our Stands are key considerations for setting and measuring financial and strategic targets.

Alignment with our approach to risk and control

The determination of remuneration policy and outcomes align with the Group's risk and control framework (see page 211 for further details). In particular:

- The Group and LTIP scorecards include risk and control measures.
- In addition, the Committee considers further discretionary risk adjustment in respect of the Group scorecard outcome and has a track record of applying discretion appropriately.
- The rules of the LTIP also give the Committee necessary discretion to further adjust vesting outcomes if the Committee considers that the outcome is inconsistent with underlying business performance.
- Long-term sustainable performance is supported through the ability to make adjustments to variable remuneration for risk, control and conduct behaviours, the deferral of variable remuneration, and the ability to apply malus and clawback where appropriate.
- The incentives for employees engaged in Audit, Risk and Compliance functions are set independent of the businesses they oversee.

How does our directors' remuneration policy address other key features set out in the UK Corporate Governance Code?

Proportionality

- In line with our commitment to pay for performance, a significant proportion of executive director pay is delivered through incentives based on performance metrics aligned with our strategy.
- Executive directors' interests are further aligned with long-term shareholder interests through the deferred release of salary, annual incentive and LTIP awards over a period ranging from one to eight years. Incentive awards are also subject to clawback provisions for up to 10 years from grant.
- Additional shareholding requirements are in place for executive directors requiring them to build and maintain a significant shareholding in Company shares while in employment and, for a period of two years post-employment. Both executive directors currently exceed their respective shareholding requirements.

Predictability

- The range of possible rewards to individual executive directors is set out in the scenario charts on page 203 where we also demonstrate the impact of a 50 per cent share price appreciation over the three-year performance period of the LTIP.
- Maximum awards levels for all incentives are capped at 220 per cent of salary and cannot exceed regulatory limits. Other than vesting levels which are driven by performance outcomes, the only source of variation in final payouts is that a significant part of incentive awards is delivered in shares and is linked to the share price.

Simplicity and clarity

- Simplicity is a key driver for the structure of our executive pay, subject to regulatory requirements arising from operating as a UK regulated bank.
- Additional information is included on the alignment of executive and wider workforce pay on pages 188 and 189 in the summary of the directors' remuneration policy in support of our commitment to clarity.

The Remuneration Committee

The Committee is responsible for setting the principles, parameters and governance framework for the Group's remuneration policy and overseeing its implementation. This includes determining the framework and policies for the remuneration of the Group Chairman, the executive directors and other senior management. The Committee also oversees the alignment of reward, culture, the strategic priorities and our Stands.

The Committee has written terms of reference that can be viewed at **sc.com/termsofreference**

Shareholder voting

The table below shows the votes cast[1] at the AGM in May 2022 on remuneration related matters.

	For	Against	Withheld
Advisory vote on the 2021 remuneration report	**408,108,378** 73.24%	**149,094,072** 26.76%	55,027,858
Binding vote to approve the 2022 directors' remuneration policy	**404,531,068** 68.81%	**183,344,607** 31.19%	24,340,637

1 Number of votes is equal to number of shares held

The Remuneration Committee engaged extensively with shareholders on the development of the directors' remuneration policy in 2021 and early 2022. Subsequently, following the voting outcome at the AGM, the Committee re-engaged with shareholders as explained on pages 184 and 185 and in our update statement in September 2022.

Advice to the Committee

The Committee was assisted in its considerations by PwC, who were formally re-appointed as the Committee's remuneration adviser in 2021. It is the Committee's practice to undertake a detailed review of potential advisers every three or four years.

PwC is a signatory to the voluntary Code of Conduct in relation to remuneration consulting in the UK. PwC also provides professional services to the Group in the ordinary course of business, including assurance, advisory, tax advice and certain services relating to Human Resources. The Committee considered PwC's role as an adviser to the Group and determined that there was no conflict or potential conflict arising. The Committee is satisfied that the advice it receives is objective and independent. The total fee paid to PwC (on an agreed fee basis) was £104,208, which includes advice to the Committee relating to executive directors' remuneration and regulatory matters.

The Group Chief Financial Officer and Group Chief Risk Officer provided the Committee with regular updates on finance and risk matters. The Committee recognises and manages any conflicts of interest when receiving views from executive directors or senior management on remuneration proposals and no individual is involved in deciding their own remuneration.

Committee effectiveness review

The feedback from the externally conducted 2022 Committee effectiveness review was positive. The key points raised and the action plan for 2023 are summarised below.

Key observations from the 2022 external effectiveness review

The key points highlighted by the review include:

- The Committee is recognised for dealing with difficult and sensitive issues, and the work the Committee Chair does in consulting with investors and attending subsidiary RemCo meetings is appreciated.
- The close coordination of remuneration and sustainability issues, strengthened by cross-membership of the Remuneration Committee and Culture and Sustainability Committee provides helpful alignment.
- Positive commentary was given on the support received from internal specialists (e.g. human resources, finance, risk) and PwC (the external advisers).
- Non-Committee members feel well informed of the key issues and areas of discussion.

2023 Action Plan

The 2023 Action Plan for the Committee reflects the recommendations from the effectiveness review and continues to build on the progress made last year:

- Consider how PwC can best provide further insight on how the Group's more sensitive remuneration proposals will be received by investors.
- Consider how non-Committee members can become more informed on the Committee's debate, while protecting confidentiality.

Committee activities in the year	19 Jan	31 Jan	27 Jul	29 Sep	24 Nov
Executive directors' remuneration					
Review of the directors' remuneration policy and implementation	✔	✔		✔	✔
Fixed and variable remuneration	✔	✔			✔
Senior management remuneration					
Joiners and leavers	✔			✔	✔
Fixed and variable remuneration	✔				✔
All employee remuneration					
Group-wide discretionary remuneration	✔			✔	✔
Outcomes from the annual performance and reward review	✔	✔			
Incentive performance measures, targets and outcomes	✔	✔		✔	✔
Group-wide reward, and the Fair Pay Charter	✔		✔	✔	✔
Reward governance					
Consideration of risk, control and conduct matters	✔		✔	✔	✔
Identification of material risk takers	✔		✔	✔	✔
Engagement with stakeholders and regulatory, investor and political matters	✔	✔	✔	✔	✔

The Committee held an additional strategy meeting to discuss the progress of the Group's Future of Work initiative, its Employee Value Proposition and to identify ongoing areas of focus and further development. The Committee considered the changes to traditional ways of working and discussed approaches to attracting and retaining future talent to drive a high-performance culture.

Understanding the views of our workforce

The Committee recognises the importance of seeking feedback from colleagues on remuneration to inform decision-making. This year, 87 per cent of colleagues responded to the Group's engagement survey, which sought to understand colleague sentiment in respect of performance management, the process of giving and receiving feedback and reward. Key insights were presented to the Committee for discussion, and results were shared with the workforce along with a summary of actions being taken.

The Board engages with and listens to the views of employees. In 2022, the Board hosted informal events with employees which provided an opportunity for the Board to understand how the Bank's strategy and culture are being lived and embedded across the Group.

Further information on our workforce engagement framework is included in our Culture and Sustainability Committee report on pages 176 to 178.

Group-wide remuneration

Our Fair Pay Charter

The Fair Pay Charter is the compass for our performance and reward strategy and outlines how we aim to ensure fairness in our approach to reward. It sets out the principles that underpin our performance and reward strategy and associated decisions – including providing a sufficient level of financial security, being competitive against the market, paying for performance, ensuring consistency and transparency in outcomes, supporting flexibility and wellbeing of colleagues, and rewarding colleagues in a way that is free from unjust bias.

Together with broader human resources initiatives supporting diversity and inclusion, organisational and individual development and the recognition of high performance, we are building a culture of excellence where, through innovation and continuous improvement, each and every one of our colleagues can fulfil their potential.

Full details of the Charter can be found in our Fair Pay Report here: **sc.com/fairpayreport**

Key highlights include:

Financial security during the cost of living crisis

During 2022, supporting colleagues' financial security in the face of widespread cost of living challenges has been a priority. We have taken a number of actions to support this, including intervening in markets faced by the most extreme economic circumstances, such as Sri Lanka, Pakistan and Zimbabwe, to address the challenges facing our more junior employees in particular. We have also set aside additional funding for 2023 salary increases, again prioritising junior colleagues.

Redefining our approach to manage and reward performance

In 2022, we launched a new approach to motivate outperformance and deliver a culture of excellence by redefining how we manage, recognise and reward performance across the Group. With this approach we are creating a more transparent, real-time feedback culture underpinned by continuous feedback, coaching, and open two-way performance and development conversations with people leaders.

We also introduced our Leadership Agreement, designed to set clear expectations of the leadership standards needed to drive and accelerate our performance, focused around behaviours that aspire, inspire and drive execution.

Diversity and pay

Since 2017, we have published gender pay gap analysis for the UK, Hong Kong, Singapore, UAE and the US. In 2022, for the first time, we have extended our diversity pay analysis to include ethnicity pay gap reporting in the UK and US. These analytics, which are included in our Fair Pay Report, combined with local insights on the unique dynamics and talent context of each market, enable us to better understand the strengths and gaps in the organisation, and to develop action plans to tap into the potential of a truly diverse and inclusive workforce.

Fair Pay Charter principles

1	We commit to pay a living wage in all our markets and seek to go beyond compliance with minimum wage requirements.
2	We provide an appropriate mix of fixed and variable pay and a core level of benefits to ensure a minimum level of earnings and security to colleagues and to reflect the Group's commitment to wellbeing.
3	We support colleagues in working flexibly, in ways that balance both business needs and their personal circumstances, and provide colleagues with the opportunity to select the combination and level of benefits that is right for them.
4	Pay is well administered with colleagues paid accurately, on time and in a way that is convenient for them.
5	We provide a competitive total fixed and variable pay opportunity that enables us to attract, motivate and retain colleagues based on market rates for their role, location, performance, skills and experience.
6	The structure of pay and benefits is consistent for colleagues based on their location and role, with a clear rationale for exceptions.
7	We are committed to rewarding colleagues in a way that is free from discrimination on the basis of diversity, as set out in our Group Code of Conduct.
8	We ensure pay decisions reflect the performance of the individual, the business they work in and the Group, and recognise the potential, conduct, behaviours and values demonstrated by each individual.
9	We set clear expectations for how colleagues are rewarded and the principles guiding decisions, including clear personal objectives and feedback.
10	We provide clear communication of pay and performance decisions, and seek feedback and input from colleagues on our pay structures and outcomes.

Directors' remuneration in 2022

This section, which is subject to an advisory vote at the 2023 AGM, sets out how remuneration was delivered to the executive directors in 2022 under the remuneration policy approved by shareholders in 2022. It also sets out the 2022 fees paid to the Group Chairman and the INEDs.

Annual incentive awards for the executive directors (audited)

Annual incentive awards for executive directors are based on the assessment of the Group scorecard and personal performance, embedded into the scorecard assessment for the executive directors in 2022, in line with the remuneration policy.

The personal element accounts for a maximum weighting of 10 per cent, with financial measures continuing to make up to 50 per cent and the strategic measures accounting for up to 40 per cent. The Committee has also considered progress demonstrated against our Stands in the determination of the overall scorecard outcome. The Group scorecard is used for all eligible employees, including the executive directors, to maintain alignment and a shared sense of purpose.

For Bill and Andy, the Committee considered Group performance, individual performance, and risk, control and conduct-related matters (with input from Risk and other control functions). The Committee considered that each director had exhibited an appropriate level of conduct and was deemed to have met the gateway requirement to be eligible for an incentive.

The annual incentive scorecard outcome for Bill and Andy is summarised below:

Executive director scorecard outcomes

	Weighting	Bill Winters outcome	Andy Halford outcome
Financial	50%	39%	39%
Strategic	40%	25%	25%
Personal performance	10%	9%	8%
Our Stands		1%	1%
Total		**74%**	**73%**
Committee adjustment (see page 185 for further details)		(4%)	(4%)
Final scorecard for determining annual incentives		**70%**	**69%**
Maximum annual incentive opportunity (£000)		2,142	1,369
Annual incentive outcome (£000)		**1,499**	**945**

Set out below are the assessments of performance in 2022 for the Group (financial, strategic and our Stands) and for Bill and Andy.

Assessment of the 2022 scorecard – financial measures[1]

	Weighting	Threshold (0%)	Target	Maximum (100%)	Achievement	Outcome
Income	10%	$14.4bn	$15.0bn	$15.6bn	$16.3bn	**10%**
Costs[2]	10%	$10.7bn	$10.2bn	$9.9bn	$10.4bn	**4%**
Operating profit	5%	$3.6bn	$4.0bn	$4.4bn	$4.8bn	**5%**
RoTE[3] with a CET1[4] underpin of the higher of 13% or the minimum regulatory requirement	20%	5.8%	6.4%	7.0%	8%	**20%**
Growth of high-quality liabilities mix[5]	5%	$3.8bn	$7.7bn	$11.5bn	$(17.8)bn	**0%**

1 Total income and operating profit are on an underlying basis. Certain items are presented as restructuring and other items that are excluded from the underlying results of the Group. These are income, costs and impairment and resulting operating profit relating to identifiable business units, products or portfolios from the relevant dates that they have been approved for restructuring, disposal, wind-down or redundancy. This includes realised and unrealised gains and losses from management's decisions to dispose of assets, as well as residual income, direct costs and impairment of related legacy assets of those identifiable business units, products or portfolios. See Note 2 on page 350.

2 Cost achievement has been adjusted by USD0.2 billion, to exclude additional performance related pay in relation specifically to overachievement of profit target, which was highlighted in our Q1 earnings release.

3 Underlying RoTE represents the ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines but, for remuneration purposes, this would be subject to review by the Committee.

4 The CET1 underpin was set at the higher of 13 per cent or the minimum regulatory level at 31 December 2022. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period.

5 Initiative that targets growth of efficient and regulatory friendly deposits to improve quality of our funding mix (liabilities) to support the Group's growth aspirations. The definition of high quality liabilities within the 2022 scorecard excludes term deposits, therefore the achievement of USD(17.8)billion excludes the migration to Term Deposits from CASA balances driven by the high interest rate environment.

Assessment of the 2022 scorecard – strategic measures[1,2]

Clients (network, affluent, mass)			
Target		**Assessment**	
• Improve client satisfaction rating. • Deliver growth in qualified clients across Affluent, Private Banking, and Wealth Management activity across top 11 affluent countries and increase the number of active personal clients. • Deliver network income growth in Corporate, Commercial & Institutional Banking. • Grow value of Digital Ventures.		• Client satisfaction outperformed across all businesses. • Affluent and Wealth Management adversely impacted by the pandemic restrictions, the onset of the Russia-Ukraine conflict and increases in interest rates to tackle inflation. • Network income growth exceeded targets. • Digital Ventures impacted by market volatility and delays in external approvals.	
Weighting	12%	Outcome	**7%**
Sustainability			
Target		**Assessment**	
• Progress against the Group's aim to achieve net zero by 2050. • Improve community engagement through employee volunteering participation.		• Net zero targets progressing well with delivery of green and transition finance on track. • Outperformance of community engagement from all markets including regional campaigns.	
Weighting	8%	Outcome	**4%**
Enablers (innovation, new ways of working and people)			
Target		**Assessment**	
• Grow proportion of digitally initiated transactions and digital sales adoption. • Improve end-to-end speed to deliver change (from idea formation to commercialisation). • Develop human capital by improving employee engagement, diversity and inclusion.		• Digital adoption below target impacted by external approvals and go live delays. • Speed to deliver targets achieved. • Improved employee inclusion and engagement outcomes and an increase in number of females in senior roles by 1.4ppt.	
Weighting	8%	Outcome	**7%**
Risk and controls			
Target		**Assessment**	
• Improve risk and control governance effectiveness. • Successfully deliver milestones within the cyber risk management plan.		• Non-financial risk index improved in 2022, reflecting a reduction in non-financial risk existing in the Bank. • Progress made in reducing risk across key information and cyber security domains.	
Weighting	12%	Outcome	**7%**

1 A maximum/minimum performance threshold was set for each performance measure. For strategic measures, the Committee used its judgement to determine scorecard outcomes within this range (with a higher than 50 per cent outcome for performance above target and a lower than 50 per cent outcome for below target performance).

2 The Committee considered the performance against the ESG metrics within the people and purpose element of the annual incentive scorecard and 2020–22 LTIP strategic measures, as well as the Group's wider progress on ESG metrics, and determined that the outcomes were appropriate and that the incentive structures do not raise ESG risks by motivating irresponsible behaviour.

Assessment of the 2022 scorecard – our Stands

Our Stands: Accelerating Zero; Lifting Participation; Resetting Globalisation	
A holistic assessment of the embedding of our Stands showed good progress has been made across the Group. See page 24 for further details and examples of the initiatives and programmes that have been implemented.	**1%**

Assessment of the 2022 scorecard – personal performance

The Committee considers areas of responsibility together with progress against key objectives for the year and personal contribution to the Group scorecard outcome. This element focuses on measures that reflect real personal impact, such as transformation of processes and improving the culture within the Bank. Key achievements against Bill's and Andy's personal objectives are summarised in the table below.

Bill Winters

Bill has continued to deliver as an authentic and trusted leader. The strong financial and strategic performance delivered by the Bank in 2022, our best performance over the past five years despite challenging circumstances, has been significantly influenced by Bill's personal drive and contribution throughout the year.

Goal	Assessment
Execution and prioritisation • Champion new ways of working across the Group to maximise productivity gains	• Bill has taken action throughout the year to simplify and champion new, collaborative ways of working and to drive ambition and execution. • His personal focus results in success for the Group with proven examples including performance in China, UAE, India and Korea. • He also led the strategic effort to realign the bank's Africa and Middle East footprint by exiting some markets and entering or increasing our presence in high potential markets, such as Saudi Arabia and Egypt. • He has overseen and influenced many enhancements in our internal capabilities which are contributing to improved performance. • For example, Bill set up a Global Strategy Delivery Squad, comprised of senior and experienced leaders from across the organisation, to accelerate progress against our strategic objectives and find solutions to embed other enterprise-wide strategic enablers.

Culture and transformation • Simplify processes and instil a high-performance culture. • Increase diversity and inclusion profile and promote action, both internally and externally.	• Bill drives our culture, promoting the core values of the bank, including diversity and inclusion, sustainability and our Stands. • He was instrumental in the development of our new performance management process, driving our ambition for a truly high-performance environment. • Bill has been a key advocate of our drive towards a culture of excellence, leading by example and maintaining a focus on risk and control issues, ensuring risk ownership across the business. • Our Group Management Team is more than 50% female with Mary Huen joining in 2022 and Sadia Ricke joining as Chief Risk Officer in 2023. • Through our employee survey, we have seen our Manager Net Promotor Score (mNPS) at its highest ever; there has also been an increase in the employee Net Promoter Score (eNPS) and scores related to the Bank exceeding employees' expectations.
Innovation • Drive innovation in new and core businesses.	• Bill has driven innovation in new and core businesses, both in our new ventures and in the success of our digital assets. • 30+ ventures in the portfolio across 10+ markets, 7 of which were commercialised in 2022. Examples include the successful launch of Nexus (Indonesia), Solv (Kenya) and Trust Bank (Singapore). • Digital capabilities have been launched in CPBB to support wealth education. • During 2022, both Zodia Custody and Zodia Markets commenced business as a key step in providing institutional client support for digital assets.
Key stakeholder interaction • Spend more time with clients and investors to increase impact • Fulfil external roles to improve credentials on global issues.	• Bill has successfully increased his level of engagement with key clients, investors and other stakeholders throughout the year. Investors are very supportive of him as evidenced by a recent investor perception survey. • Bill holds roles in various important external fora which enhances the Bank's international image and reputation, positioning us as a thought leader and relevant actor in sustainable finance, innovation and digital assets, in particular. • He currently co-chairs the B20 India Taskforce on Financing for Global Economic Recovery and is UK Chair of the India-UK Financial Partnership.
Sustainability • Promote our sustainability credentials.	• Bill takes a leadership position in various banking and markets efforts to address the climate challenge. • He has maintained a high-profile focus on sustainability generally and on carbon markets in particular. Partnerships include Advanced Market Commitment for the African Carbon Markets Initiative (ACMI), acting as a principal in the Glasgow Financial Alliance for Net Zero (GFANZ) and involvement in the Indonesian and Vietnamese Just Energy Transition Partnerships (JETPs). • Bill created the Group's Chief Sustainability Officer role and played a key role in hiring Marisa Drew for the position, and in refreshing our sustainability strategy.
Weighting 10%	Outcome **9%**

Andy Halford

During 2022, Andy has continued to be a strong partner to Bill, the Management Team and the Board. The strong financial results delivered by the Bank in 2022, despite challenging conditions, have been significantly influenced by Andy's focus and commitment to improve the bank.

Goal	Assessment
Transformation and execution • Deliver major programmes.	• Andy led on the implementation of the strategic actions we set out publicly in February 2022. • Significant progress made within our strategy function resulting in an enhanced focus on strategy across the Group. • He was instrumental in the assessment that resulted in the decision to streamline the bank's African presence. • Andy has personally driven the implementation of a multi-year programme to fundamentally upgrade the quality of the financial systems being used across the Group.
Stakeholder management • Increase investor confidence in the Group's refreshed strategy.	• Andy played a key role in sharpening the externally communicated goals and the progress of the Bank both with the investor community and the external media, building trust and confidence externally. • He has been an active board member contributing on multiple fronts both within and outside his core areas of finance expertise, including process improvements and efficiencies and governance and financial control improvements for new businesses in and around SC Ventures.
Risk and controls • Delivery of regulatory reporting remediation programme. • Deliver the Resolvability Assessment Framework.	• Andy has given considerable attention to upgrading the quality of the Group's regulatory reporting, with notable improvements in the overall financial control environment. • He has coordinated a significant multidisciplinary team to ensure that the Group is compliant with its Resolution responsibilities. • Andy created a new team to manage the verification and reporting of many of the new ESG metrics.
Financial performance • Contribute to delivery of Group financial performance, including through management of cost base.	• Andy actively managed the Group's cost base throughout the year, which enabled the rate of income growth to exceed the rate of cost growth by the largest margin in recent years. • Through his chairing of the Group Asset and Liability Committee during an unparalleled period of economic volatility, Andy ensured that the bank appropriately managed the resultant risks and realised many of the opportunities.
Weighting 10%	Outcome **8%**

Performance outcome for 2020–22 LTIP awards (audited)

The single total figure of remuneration table on page 198 shows that LTIP awards will vest in March 2023 with an estimated value of GBP1,024,408 and GBP634,488 for Bill and Andy, respectively. These LTIP awards were granted in 2020 with a face value of 120 per cent of fixed pay, to incentivise the achievement of the Group's refreshed strategic priorities over the three-year period 2020 to 2022. The awards are share-based and were subject to the satisfaction of stretching RoTE, TSR and strategic performance measures over three years. The targets for these measures were set at the beginning of 2020 and have not been adjusted to reflect the challenges caused by the onset of the pandemic. A conduct gateway requirement must be met before any awards vest.

The Committee concluded that Bill and Andy exhibited appropriate conduct during the performance period and therefore the conduct gateway was met.

The threshold RoTE target has not been achieved and the relative TSR threshold target will be measured in March 2023 but is estimated not to have been achieved. The Committee considered performance against the strategic proof points set out in the table below and determined that vesting of 22 per cent was appropriate.

The share price used to estimate the value of vesting of the 2020–22 LTIP awards is higher than the share price on the award date of GBP5.196 and the value attributable to share price growth for Bill and Andy can be seen in the single total figure of remuneration on the next page.

The Committee considered carefully the vesting of the LTIP awards, taking account of the share price at grant, which was 15 per cent lower than the share price of the awards made in the previous year. The stretching targets set at the beginning of 2020 were not adjusted to reflect the impact of the pandemic, and the share price increase to the end of the performance period has been broadly consistent with the improvement in underlying performance. Therefore, the Committee considers the values to be delivered remain appropriate, and are not a windfall.

The awards will vest pro rata over 2023 to 2027 and the shares will be subject to a 12 month retention period post-vesting. Malus and clawback provisions apply.

Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	Assessment of achievement	Vesting outcome
RoTE[1] in 2022 with a CET1 underpin	One-third	8.5%	11.0%	RoTE 8% and CET1 14%	0%
Relative TSR performance against peer group	One-third	Median	Upper quartile	Performance currently estimated below median. TSR performance will be measured in March 2023	0%
Strategic measures	One-third			Improved performance against our strategic priorities	22%
Total 2020–22 LTIP awards vesting outcome					**22%**

Strategic measure	Proof point	Assessment
Deliver our network and grow our affluent business	Improve client satisfaction rating	Client satisfaction metrics across Corporate, Commercial & Institutional Banking and Consumer, Private & Business Banking have met or exceeded targets in each year of the plan.
	Deliver network growth in target segments	Exceeded targets in 2022, with good performance in areas of strategic focus, following slower progress in 2021 and 2020.
	Deliver affluent growth in target markets	Progress made in 2022 but metric impacted by the pandemic restrictions and the onset of the Russia-Ukraine conflict during the performance period.
Transform and disrupt with digital	Successfully deliver key digital partnerships, platforms and technologies	Digital ventures adversely impacted in 2022 by market volatility and delays in external approvals. Strong performance in earlier years.
	Improve data analytics to develop new products and attract new clients	Strong performance across the three year period, with targets achieved in advance of the performance period end.
Purpose and people	Improve diversity, employee engagement and culture of inclusion	Improved employee inclusion and engagement outcomes in 2022. Increase in the number of females in senior roles by 3.6ppt over the three years.
	Successfully embed sustainable and responsible practices in relation to climate, infrastructure, environment and community engagements	Significant outperformance in sustainable finance revenues delivering USD500m in challenging markets, making material progress towards USD300bn target. Delivered on 2022 net zero public commitment milestones, fulfilled leading roles in key industry initiatives/standards setting and received A- 'leadership status' from CDP, recognising Standard Chartered among very few banks for its climate action.
Risk and controls	Successfully deliver milestones within the risk management plan	A significant push in 2022 to improve risk and controls following two years of slower progress. Non-financial risk reduction reflects a strong performance in 2022 against stretching targets and an improvement on previous years. Information and cyber security remedial actions from earlier years were extended in subsequent periods; however, an improvement in 2022 with risk reduction across key control domains. Audit targets were achieved in all years.
	Enhance compliance control effectiveness	
	Maintain risk profile within Group's risk appetite	

1. RoTE was based on profit attributed to ordinary shareholders, adjusted, on a tax-effected basis, for profits or losses of a capital nature, restructuring charges, amounts consequent to investment transactions driven by strategic intent and infrequent/exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period. The CET1 underpin was set at the higher of 13 per cent or the minimum regulatory level as at 31 December 2022 (taking into account any transition rules or material changes in regulatory rules).

Single total figure of remuneration for 2022 (audited)

The following table sets out the single total figure of remuneration for 2022 for the CEO and the CFO. The single figure consists of salary, pension, benefits and annual incentives receivable in respect of 2022 and the estimated values of 2020–22 LTIP awards vesting. The LTIP value is based on the outcome of awards made in 2020 and does not include the forward-looking awards to be made in March 2023, due to vest in early 2026. The single figure for Bill and Andy represents a year-on-year increase of 16 and 13 per cent respectively, reflecting the improved performance achieved.

	Bill Winters		Andy Halford	
£000	2022	2021	2022	2021
Salary	**2,418**	2,370	**1,546**	1,515
Pension	**245**	237	**154**	152
Benefits	**297**	165	**133**	107
Total fixed remuneration	**2,960**	2,772	**1,833**	1,774
Annual incentive award	**1,499**	1,189	**945**	760
Vesting of LTIP award				
Value of vesting awards based on performance	**921**	779	**570**	498
Value of vesting awards based on share price growth	**103**		**64**	
Total variable remuneration	**2,523**	1,968	**1,579**	1,258
Single total figure of remuneration	**5,483**	4,740	**3,412**	3,032

Notes to the single total figure of remuneration table

Salary	• Bill's salary is paid 50 per cent in cash and 50 per cent in shares and Andy's salary is paid 67 per cent in cash and 33 per cent in shares. • Bill and Andy's salaries were increased 2.7 per cent effective 1 April 2022.
Pension	• Pension is set as a percentage of salary and can be delivered as a contribution to the UK pension fund or paid as a cash allowance. • Pension for Bill is delivered as a cash allowance and a GBP4,000 contribution to the UK pension fund, and for Andy the pension is delivered as a cash allowance.
Benefits	• Bill has the use of a vehicle and driver. This is a role-based provision given the executive role and the associated security and privacy requirements. • Bill is entitled to a contribution to the preparation of his annual tax returns owing to the complexity of his tax affairs, in part due to travel requirements for Group business. • The benefits figures refer to UK tax years 2021/22 and 2020/21 respectively. • The increase in benefits compared with 2021 reflects the resumption of business travel to pre-pandemic levels, an increase in tax preparation assistance given the complexity in filings and an increase in benefit premiums.
Fixed remuneration	• Fixed remuneration is the total of salary, pension and benefits.
Annual incentive	• Executive directors' annual incentive awards are delivered 50 per cent in cash and 50 per cent in shares, subject to a minimum 12 month retention period. • The detail of how directors' annual incentive awards are determined is set out on pages 194 to 196.
Vesting of LTIP awards	• Further details on the performance outcome for the 2020–22 LTIP are provided on page 197. • The values of the LTIP 2019–21 vesting awards for 2021 have been restated based on the actual share price of £5.09 when the awards vested in March 2022.

No payments were made to, or in respect of, past directors in the year in excess of the minimum threshold of GBP50,000, set for this purpose.

Executive directors' shareholdings and share interests including share awards (audited)

Shares that count towards the executive director shareholding requirements are beneficially owned shares, including vested share awards subject to a retention period, and unvested share awards for which performance conditions have been satisfied (on a net-of-tax basis). As of 31 December 2022, both Bill and Andy significantly exceeded their shareholding requirement. Shares purchased voluntarily from their own funds are equivalent to 79 and 58 per cent of salary for Bill and Andy, respectively.

The following table summarises the executive directors' shareholdings and share interests:

	Shares held beneficially[1,2,3]	Unvested share awards not subject to performance measures (net of tax)[4,5]	Total shares counting towards shareholding requirement	Shareholding requirement as a percentage of salary	Salary	Value of shares counting towards shareholding requirement as a percentage of salary[1]	Unvested share awards subject to performance measures
Bill Winters	2,315,677	175,196	2,490,873	250%	£2,434,000	637%	2,315,512
Andy Halford	989,936	111,527	1,101,463	200%	£1,556,000	441%	1,465,157

1 All figures are as of 31 December 2022. There were no changes to any executive directors' interests in shares between 31 December 2022 and 15 February 2023. No director has either: (i) an interest in company preference shares or loan stocks of any subsidiary or associated undertaking of the Group; or (ii) any corporate interests in Company ordinary shares. The closing share price on 31 December 2022 was £6.224.

2 The beneficial interests of directors and connected persons in the shares of the Company are set out above. The executive directors do not have any non-beneficial interests in the Company's shares. None of the executive directors used shares as collateral for any loans.

3 The salary and shares held beneficially include shares awarded to deliver the executive directors' salary shares.

4 As Bill and Andy are both UK taxpayers, zero per cent tax is assumed to apply to Sharesave (as Sharesave is a UK tax qualified share plan) and 47 per cent tax is assumed to apply to other unvested share awards (marginal combined PAYE rate of income tax at 45 per cent and employee National Insurance contributions at 2 per cent) – rates may change.

5 The figures reported in the 2022 half year report were calculated assuming 48.25 per cent tax (marginal combined PAYE rate of income tax at 45 per cent and employee social security contributions at 3.25 per cent). As the Health and Social Care Levy was cancelled on 6 November 2022 the tax rate assumed to apply to unvested share awards of 47 per cent has been used.

LTIP awards for the executive directors to be granted in 2023

The size of the LTIP award has been determined based on Group and individual performance during the year. Awards for the 2022 performance year will be granted to Bill and Andy in March 2023 with a value of 132 per cent of salary (GBP3.2 million and GBP2.1 million, respectively), the maximum amount under the 2022 directors' remuneration policy. The amount that the executive directors will receive at the end of the three-year performance period will be based on the level of performance achieved against the performance measures and the future share price.

The performance measures and targets are aligned with our strategic priorities, and continue to incorporate measures that reflect our three Stands. The sustainability measures have been selected based on their level of impact for the Group and wider society and ability to drive financial returns in the medium term. Details of the sustainability and other strategic measures and targets are shown in the table below and are disclosed prospectively, except where the internal targets are considered commercially sensitive. Details of achievement against targets will be disclosed retrospectively at the end of the performance period.

The RoTE target range for the awards is increased to 10 to 12.5 per cent, from 7 to 11 per cent for the 2022–24 awards. A narrower range of 2.5 ppts is considered appropriate due to the increase in target range which reflects the progress in RoTE achieved in 2022 and our increased ambition of 11 per cent by 2024.

The peer group of companies selected for the calculation of the relative TSR performance are companies with generally comparable business activities, size or geographic spread to Standard Chartered or companies with which we compete for investor funds and talent. The peer group is intended to be representative of our geographic presence and business operations. The TSR peer group for the 2023–25 LTIP awards will be the same as for the 2022–24 LTIP and is detailed below. TSR is measured in sterling for each company and the TSR data is averaged over a month at the start and end of the three-year measurement period which starts from the date of grant.

Remuneration regulations for UK banks prohibit the award of dividend equivalent shares on vesting. The number of shares awarded in respect of the LTIP will take into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall market value of the award is maintained.

These awards will vest in five annual tranches beginning after the third anniversary of the grant (i.e. March 2026 to March 2030) subject to meeting the performance measures set out below at the end of 2025. All vested shares are subject to a 12 month retention period.

The performance measures for the 2023–25 LTIP awards are set out in the table on page 200.

Peer group for the TSR measure in the 2023–25 LTIP

Banco Santander	Credit Suisse	KB Financial Group
Bank of America	DBS Group	Oversea Chinese Banking Corporation
Bank of China	Deutsche Bank	Société Générale
Bank of East Asia	HSBC	Standard Bank
Barclays	ICBC	State Bank of India
BNP Paribas	ICICI	UBS
Citigroup	JPMorgan Chase	United Overseas Bank

Performance measures for 2023–25 LTIP awards

Measure	Weighting	Amount vesting (as a % of total award)	Threshold performance target	Maximum performance target
1. RoTE[1] in 2025 with a CET1[2] underpin of the higher of 13% or the minimum regulatory requirement	30%	Maximum – 30% Threshold – 7.5% Below threshold – 0%	10%	12.5%
If RoTE reaches 10 per cent then 7.5 per cent of the award vests. If RoTE reaches 12.5 per cent then 30 per cent of the award vests. If RoTE is between the threshold and maximum, vesting is calculated on a straight-line basis between these two points.				
2. Relative TSR against the peer group	30%	Maximum – 30% Threshold – 7.5% Below threshold – 0%	Median	Upper quartile
Relative TSR is measured against a peer group of companies. If the Group's TSR performance is at least equivalent to the median ranked company then 7.5 per cent of the award vests. If the Group's TSR performance is at least equal to the upper quartile ranked company then 30 per cent of the award vests. Between these points, the Group's TSR is compared with that of the peer companies positioned immediately above and below it and straight-line vesting applies.				
3. Sustainability	15%	Maximum – 15% Minimum – 0%	• Sustainable finance revenues in excess of $1bn by 2025 • Delivery of the net zero roadmap • Contribution to the advancement of the sustainability ecosystem	
4. Other strategic measures	25%	Maximum – 25% Minimum – 0%		
Our Stands			• Uplifting participation: increase access to financial services and lending to female entrepreneurs and SMEs • Resetting globalisation: create diversity and inclusion supplier plans; bank an increased proportion of our clients' international and domestic networks of suppliers and buyers	
Clients			• Improve client satisfaction rating evidenced in surveys and internal benchmarks • Deliver growth in affluent wealth client activity • Deliver network income growth in Corporate, Commercial & Institutional Banking • Increase China onshore and offshore profit before tax in line with externally disclosed targets • Drive digital ventures growth with meaningful value from digital creations	
Enablers (Ways of working and people)			• Ways of working: organisational effectiveness - reducing complexity • People: improve employee net promoter score; increase diversity; increase our culture of inclusion	
Risk and controls			• Reduction in non-financial risk, evaluating the elevated residual risks to allow for effective prioritisation and give credit for risk reduction • An assessment of the proportion of audit issues identified by the business/region/function compared to total issues raised, reflecting drive to improve risk awareness and culture across the Bank	

1 Underlying RoTE represents the ratio of the current year's underlying operating profit attributable to ordinary shareholders to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines and certain other adjustments but, for remuneration purposes, such adjustments are subject to review by the Committee.

2 The CET1 underpin will be set at the higher of 13 per cent or the minimum regulatory level as of 31 December 2025. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period, for example in relation to Basel IV.

Total variable remuneration awarded to directors in respect of 2022 (audited)

	Bill Winters		Andy Halford	
	2022	2021[1]	**2022**	2021[1]
Annual incentive (£000)	**1,499**	1,189	**945**	760
Annual incentive as a percentage of salary	**62%**	50%	**61%**	50%
LTIP award (value of shares subject to performance conditions) (£000)[2]	**3,213**	3,128	**2,054**	2,000
LTIP award as a percentage of salary	**132%**	132%	**132%**	132%
Total variable remuneration (£000)	**4,712**	4,317	**2,999**	2,760
Total variable remuneration as a percentage of salary	**194%**	182%	**193%**	182%

1. 2021 variable remuneration figures have been recalculated as a percentage of salary, in line with the 2022 Directors' remuneration policy approach.
2. LTIP awards for the 2022 performance year will be granted to executive directors in March 2023 and are based on 2022 salary.

Service contracts for executive directors

Copies of the executive directors' service contracts are available for inspection at the Group's registered office. These contracts have rolling 12 month notice periods and the dates of the executive directors' current service contracts are shown below.

The contracts were updated effective 1 January 2020 to reflect the changes made following the implementation of the 2019 remuneration policy and the change to pension contribution. Executive directors are permitted to hold non-executive directorship positions in other organisations. Where such appointments are agreed with the Board, the executive directors may retain any fees payable for their services. Both executive directors served as non-executive directors elsewhere and received fees for the period covered by this report as set out below. Andy stepped down from the Board of Marks and Spencer Group plc on 31 December 2022.

	Date of Standard Chartered employment contract	Details of any non-executive directorship	Fees retained for any non-executive directorship (local currency)
Bill Winters	1 January 2020	Novartis International AG	CHF360,000
Andy Halford	1 January 2020	Marks and Spencer Group plc	GBP104,298

Single figure of remuneration for the Chairman and INEDs (audited)

The Chairman and INEDs were paid in monthly instalments during the year. The INEDs are required to hold shares with a nominal value of $1,000. The table below shows the fees and benefits received by the Chairman and INEDs in 2022 and 2021. The INEDs' 2022 benefit figures are in respect of the 2021/22 tax year and the 2021 benefit figures are in respect of the 2020/21 tax year to provide consistency with the reporting of similar benefits in previous years and with those received by executive directors.

	Fees £000		Benefits £000[1]		Total £000		Shares beneficially held as at 31 December 2022[2]
	2022	2021	**2022**	2021	**2022**	2021	
Group Chairman							
José Viñals	**1,250**	1,250	**45**	17	**1,295**	1,267	**45,000**
Current INEDs							
Shirish Apte[3]	**128**	0	**0**	0	**128**	0	**2,000**
David Conner[4]	**233**	255	**1**	1	**234**	256	**10,000**
Byron Grote[5]	**156**	170	**0**	0	**156**	170	**–**
Christine Hodgson, CBE	**289**	325	**0**	0	**289**	325	**2,571**
Gay Huey Evans, CBE	**155**	200	**1**	0	**156**	200	**2,615**
Jackie Hunt[6]	**43**	0	**0**	0	**43**	0	**2,000**
Naguib Kheraj[7]	**96**	328	**1**	0	**97**	328	**–**
Robin Lawther, CBE[8]	**93**	0	**0**	0	**93**	0	**2,000**
Maria Ramos[9]	**239**	190	**0**	0	**239**	190	**2,000**
Phil Rivett	**234**	225	**0**	0	**234**	225	**2,128**
David Tang	**170**	170	**1**	1	**171**	171	**2,000**
Carlson Tong	**183**	205	**0**	0	**183**	205	**2,000**
Jasmine Whitbread	**210**	210	**0**	0	**210**	210	**3,615**

1. The costs of benefits (and any associated tax costs) are paid by the Group.
2. The beneficial interests of Chairman and INEDs, and connected persons in the shares of the Company are set out above. These directors do not have any non-beneficial interests in the Company's shares. None of these directors used shares as collateral for any loans. No director had either: (i) an interest in the Company's preference shares or loan stocks of any subsidiary or associated undertaking of the Group; or (ii) any corporate interests in the Company's ordinary shares. All figures are as of 31 December 2022 or on the retirement of a director unless otherwise stated.
3. Shirish Apte was appointed to the Board on 4 May 2022.
4. David Conner's fee includes his role on the Combined US Operations Risk Committee.
5. Byron Grote stepped down from the Board on 30 November 2022 and we are no longer tracking his shareholding. His reported fee for 2022 of £156,000 is in respect of the period of 1 January 2022 to 30 November 2022.
6. Jackie Hunt was appointed to the Board on 1 October 2022.
7. Naguib Kheraj stepped down from the Board on 30 April 2022 and we are no longer tracking his shareholding. His reported fee for 2022 of £96,000 is in respect of the period of 1 January 2022 to 30 April 2022. His benefits for 2022 of £1,000 are in respect of the period from 6 April 2021 to 5 April 2022, in line with the approach to disclose INED benefits in respect of the relevant tax year.
8. Robin Lawther was appointed to the Board on 1 July 2022.
9. The increase in fees for Maria Ramos is due to changes in Board and Committee responsibilities during the year.

INEDs' letters of appointment

The INEDs have letters of appointment, which are available for inspection at the Group's registered office. Details of the INEDs' appointments are set out on pages 138 to 142. INEDs are appointed for a period of one year, unless terminated by either party with three months' notice.

2023 policy implementation for directors

Remuneration for the executive directors in 2023 will be in line with our directors' remuneration policy, approved at the AGM in May 2022, as summarised on pages 188 and 189 of this report and set out in full on pages 161 to 166 of the 2021 Annual Report.

The 2022 policy is also set out on our website: **sc.com**

The key elements of remuneration for 2023 include salary (delivered in cash and shares), pension, benefits, an annual incentive and an LTIP award. A portion of the executive directors' salaries is paid in shares to strengthen shareholder alignment. Bill's pension is delivered as a contribution to a defined contribution plan and as a cash allowance. Andy's pension is delivered as a cash allowance. The pension allowance is set as a percentage of salary (both the cash and shares components).

The Committee reviews the salaries of the executive directors on an annual basis, after considering any changes to the scope or responsibility of the role, alignment with market-competitive levels, and consideration of the average salary increases made across the Group.

In response to the global cost of living challenges, salary increases across the Group have been focused towards junior employees and are generally higher than in 2022. Taking into account the average 2023 salary increase awarded to the Group's UK and global workforce, the Committee has determined that an increase is appropriate and has awarded salary increases of 3.4 per cent to Bill and Andy. In line with the approach used for all senior roles, these increases are 50 per cent lower than the average increase awarded to other UK employees. This increases their salaries from GBP2,434,000 to GBP2,517,000 and from GBP1,556,000 to GBP1,609,000 respectively. Details of fixed pay for Bill and Andy with effect from 1 April 2023 are set out below.

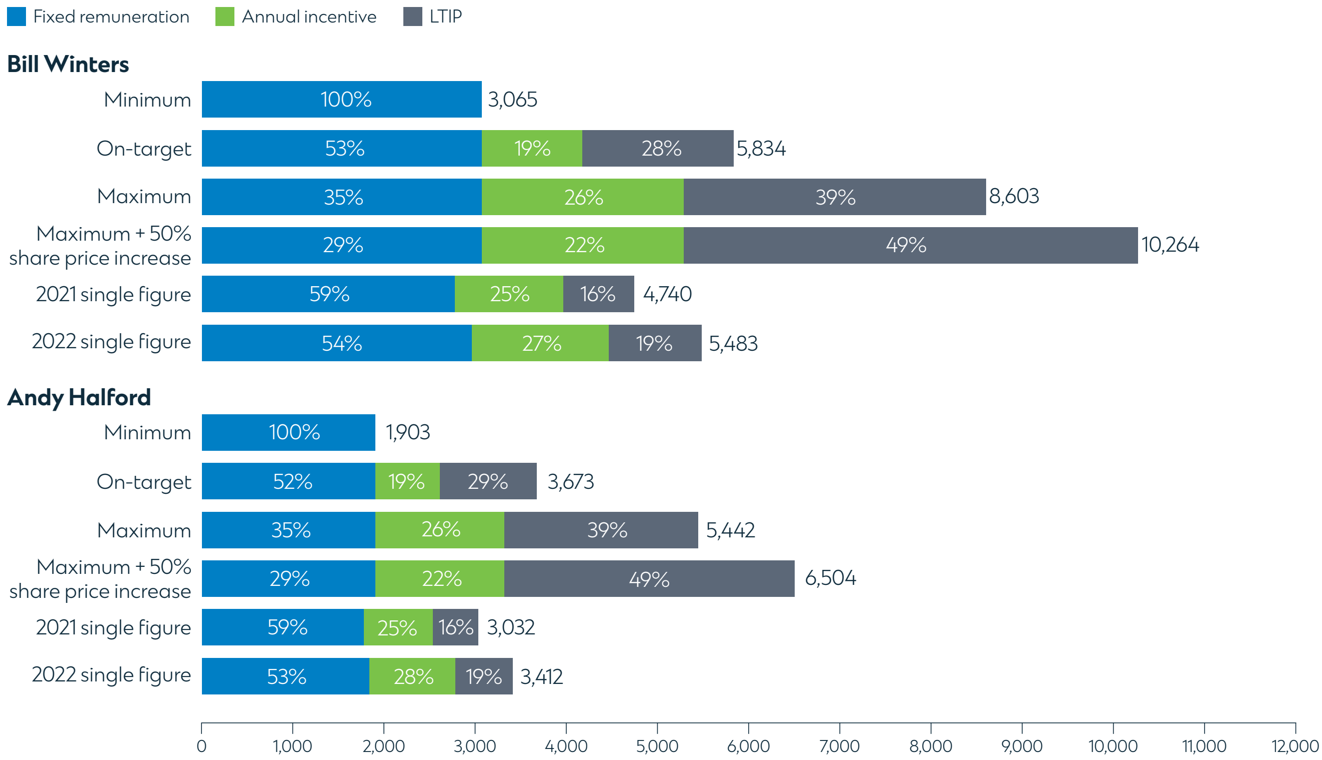
	Bill Winters			Andy Halford		
£000	**2023**	2022	% change	**2023**	2022	% change
Salary	**2,517**	2,434	3.4	**1,609**	1,556	3.4
of which cash	**1,258**	1,217	3.4	**1,078**	1,043	3.4
of which shares	**1,259**	1,217	3.4	**531**	513	3.4
Pension	**252**	243	3.4	**161**	156	3.4
Total fixed pay	**2,769**	2,677	3.4	**1,770**	1,712	3.4
Proportion of total fixed pay paid in cash	**55%**	55%	0	**70%**	70%	0
Proportion of total fixed pay paid in shares	**45%**	45%	0	**30%**	30%	0

Illustration of application of the 2023 remuneration policy

The charts below illustrate the potential outcomes under our directors' remuneration policy (i.e. for awards that would be made in March 2023, based on 2022 performance and fixed remuneration with effect from 1 April 2023).

The charts show potential remuneration outcomes for each executive director in four performance scenarios: minimum, on-target, maximum and maximum with 50 per cent share price appreciation, in line with reporting requirements. The percentages shown in each bar represent the amount of remuneration provided by each element of pay. Also shown are the 2021 and 2022 single total figures of remuneration for Bill and Andy.

Executive director remuneration (£000)



Definitions for the chart above showing potential remuneration outcomes for each executive director in four performance scenarios:

Fixed remuneration	**All scenarios**	• Consists of total fixed remuneration – salary, benefits and pension • Salary – salary as of 1 April 2023 • Benefits – based on 2022 single figure, actual fixed remuneration in 2023 will be dependent on the cost of benefits • Pension – 10 per cent of salary as of 1 April 2023
Incentives	**Minimum**	• No annual incentive is awarded • No LTIP award vests
	On-target	• Annual incentive of 50 per cent of target (44 per cent of salary) • LTIP award vests at 50 per cent total award (66 per cent of salary)
	Maximum	• Annual incentive of 100 per cent of target (88 per cent of salary) • LTIP award vests at 100 per cent total award (132 per cent of salary)
	Maximum + 50% share price increase	• Annual incentive of 100 per cent of target (88 per cent of salary) • LTIP award vests at 100 per cent total award (132 per cent of salary) • 50 per cent share price appreciation in the value of the vested LTIP award since time of grant
2021 single figure	**Fixed remuneration**	• Salary – received in 2021 • Benefits – received in 2020/21 tax year • Pension – contribution/cash allowance received in 2021
	Incentives	• Annual incentive – received in respect of 2021 performance year • LTIP – actual vesting of 2019–21 LTIP award
2022 single figure	**Fixed remuneration**	• Salary – received in 2022 • Benefits – received in 2021/22 tax year • Pension – contribution/cash allowance received in 2022
	Incentives	• Annual incentive – received in respect of 2022 performance year • LTIP – expected vesting of 2020–22 LTIP award

2023 annual incentive scorecard

Our annual incentive scorecard reflects our strategic priorities. The targets are set annually by the Committee and take into account the Group's annual financial plan and strategic priorities for the next few years which reflect the evolving macroeconomic outlook. The Committee will also consider progress demonstrated against our Stands in the determination of the overall scorecard outcome.

From 2022, to simplify the process, the Committee embedded the assessment of personal performance into the annual incentive scorecard assessment, accounting for a maximum weighting of 10 per cent. Financial measures continue to make up 50 per cent of the annual incentive scorecard. Strategic and personal measures are assessed by the Committee using a quantitative and qualitative framework.

The Committee considers such targets to be commercially sensitive and that it would be detrimental to the interests of the Group to disclose them before the end of the financial year. As such, targets will be disclosed retrospectively in the 2023 Annual Report alongside the level of performance achieved.

Step 1: Conduct gateway requirement to be met in order to be eligible for any annual incentive
Appropriate level of individual valued behaviours and conduct exhibited during the course of the year

Step 2: Measurement of performance against financial and other strategic and personal measures

Financial measures	**Weighting**	**Target**
Income[1]	10%	• Targets to be disclosed retrospectively
Costs	10%	
RoTE[2] with a CET1[3] underpin of the higher of 13% or the minimum regulatory requirement	30%	
Other strategic measures	**Weighting**	**Target**
Clients (network, affluent, mass, ventures)	12%	• Improve client satisfaction and client experience ratings. • Deliver growth in qualified clients across Affluent, Private Banking, and Wealth Management activity. • Deliver network income growth in Corporate, Commercial & Institutional Banking. • Grow value of Digital Ventures. • Mass market Retail growth through new to bank personal customers.
Sustainability	8%	• Progress against the Group's sustainable finance revenue targets and its aim to achieve net zero by 2050. • Improve community engagement through employee volunteering participation.
Enablers (ways of working and people)	8%	• Grow proportion of digitally initiated transactions and digital sales adoption. • Improve end-to-end speed to deliver change (from idea formation to commercialisation). • Improve organisational effectiveness. • Improve employee engagement, diversity and inclusion.
Risk and controls	12%	• Non-financial risk reduction. • Self-identification of audit issues.
Personal performance measures	**Weighting**	**Target**
Bill - performance goals	10%	• Continue personal push for innovation and simplification across the Group, and grow other sources of income in our footprint. • Further improve the Group's risk and control framework, accelerating progress and embedding a robust preventative risk culture. • Continue drive for a high-performance culture, including the development of internal talent and effective succession planning.
Andy - performance goals		• Drive collaboration within the Finance function across segments and markets. • Continue to improve financial reporting procedures. • Deliver the focus on achieving target RoTE and other strategic objectives.

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

2 Underlying RoTE represents the ratio of the current year's underlying operating profit attributable to ordinary shareholders to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines and certain other adjustments but, for remuneration purposes, such adjustments are subject to review by the Committee.

3 The CET1 underpin will be set at the higher of 13 per cent or the minimum regulatory level as at 31 December 2023. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period.

INED fees

The Board regularly reviews the fee levels, considering market data and the duties, time commitment and contribution expected for the PLC Board and, where appropriate, subsidiary boards, with the last increase taking place in 2019. The Chairman's fee has remained unchanged since his appointment in 2016. In recent years, the demands made of our Chairman and INEDs has increased in line with greater regulatory expectations, and an increase in the amount of learning and training required.

Considering this alongside the high inflationary pressures being faced in a number of our markets the Board determined an increase in fee levels was appropriate. The revised fees are set out in the table below. The Chairman and the INEDs are eligible for benefits in line with the directors' remuneration policy. Neither the Chairman nor the INEDs receive any performance-related remuneration.

	1 January 2022 £000	1 January 2023 £000
Group Chairman[1]	1,250	1,293
Board Member	105	110
Additional responsibilities		
Deputy Chairman[2]	75	–
Senior Independent Director	40	45
Chair		
Audit Committee	70	80
Board Risk Committee	70	80
Remuneration Committee	70	80
Board Financial Crime Risk Committee[3]	60	–
Culture and Sustainability Committee	60	70
Membership		
Audit Committee	35	40
Board Risk Committee	35	40
Remuneration Committee	30	40
Board Financial Crime Risk Committee[3]	30	–
Culture and Sustainability Committee	30	35
Governance and Nomination Committee	15	17

1 The Group Chairman receives a stand-alone fee which is inclusive of all services (including Board and Committee responsibilities).

2 The Group does not currently utilise the role of Deputy Chairman and does not plan to do so.

3 The Board Financial Crime Risk Committee was retired during 2022, with responsibilities reallocated to a combination of the Board, Audit and Board Risk Committees.

Additional remuneration disclosures

The following disclosures provide further information and context in relation to executive director remuneration and remuneration for the wider workforce as required by company reporting regulations, financial services regulations, corporate governance guidance and institutional investor guidelines. These include the Directors' Remuneration Report Regulations, the UK Corporate Governance Code, Pillar 3 disclosure requirements and the requirements of The Stock Exchange of Hong Kong Limited.

Appropriateness of executive directors' remuneration

Our approach to remuneration is consistent for all employees and is designed to help ensure pay is competitive and in line with the principles of our Fair Pay Charter. Remuneration for the executive directors, in line with other employees, is reviewed annually against internal and external measures to ensure that levels are appropriate. Further details on the alignment of executive director and wider workforce remuneration is set out on pages 188 and 189.

Measure	Approach
External market data	• We compete for talent in a global marketplace, with many of our key competitors based outside the UK. We review executive director fixed and variable remuneration levels against a peer group of UK and international banks to ensure that it remains appropriately competitive. Market data used in benchmarking is based on the latest published report and accounts. • In addition, we consider their remuneration against FTSE30 companies, with data sourced from an external provider.
Internal measures	• As with all employees, executive directors' salaries are reviewed annually. In addition, we review annually the year-on-year percentage change in remuneration for the executive directors and the wider employee population. • Our incentive plans have a clear link to Group and business performance, through published scorecards. The same Group scorecard is used in the assessment of incentives for colleagues including the executive directors. • Incentive decisions for colleagues, including the executive directors, are also driven by the assessment of individual performance including achievements against personal objectives and conduct. • The remuneration structure for executive directors was considered as part of the broader directors' remuneration policy review during 2021, taking account of the remuneration framework applicable to all colleagues.
CEO pay ratio	• In line with UK regulations, we annually report pay ratios comparing CEO remuneration to all UK employees. • We review year-on-year ratio changes to understand the reasons and appropriateness for such movements. • In addition, we review the median ratio against UK FTSE and industry peer averages.

The relationship between the remuneration of the Group CEO and all UK employees

Ratio of the total remuneration of the CEO to that of the UK lower quartile, median and upper quartile employees

		CEO	UK employee – £000			Pay ratio		
Year	**Method**	**£000**	**P25**	**P50**	**P75**	**P25**	**P50**	**P75**
2022	A	**5,483**	**95**	**145**	**228**	**58:1**	**38:1**	**24:1**
2021	A	**4,740**	**92**	**139**	**215**	**52:1**	**34:1**	**22:1**
2020	A	**3,926**	**84**	**128**	**199**	**46:1**	**31:1**	**20:1**
2019	A	**5,360**	**83**	**128**	**212**	**65:1**	**42:1**	**25:1**
2018	A	**6,287**	**78**	**124**	**208**	**80:1**	**51:1**	**30:1**
2017	A	**4,683**	**76**	**121**	**203**	**61:1**	**39:1**	**23:1**

The ratio will depend materially on long-term incentive outcomes each year for the CEO, and accordingly may fluctuate. Therefore, the Committee also discloses the pay ratios covering salary and salary plus annual incentive, as the majority of UK employees do not typically receive LTIP awards.

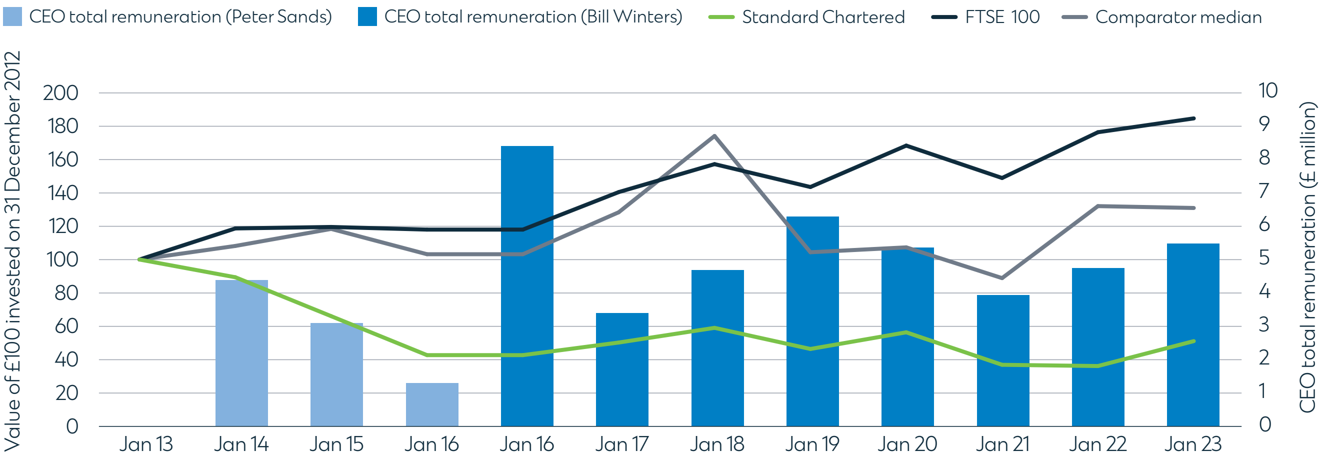
Additional ratios of pay based on salary and salary plus annual incentive

	CEO	UK employee – £000			Pay ratio		
Salary	**£000**	**P25**	**P50**	**P75**	**P25**	**P50**	**P75**
2022	**2,418**	**72**	**87**	**138**	**34:1**	**28:1**	**18:1**
2021	**2,370**	**68**	**100**	**136**	**35:1**	**24:1**	**17:1**
2020	**2,370**	**63**	**93**	**116**	**38:1**	**25:1**	**20:1**
2019	**2,353**	**65**	**90**	**128**	**36:1**	**26:1**	**18:1**
2018	**2,300**	**59**	**86**	**142**	**39:1**	**27:1**	**16:1**
2017	**2,300**	**55**	**81**	**124**	**42:1**	**28:1**	**19:1**
Salary plus annual incentive							
2022	**3,917**	**84**	**123**	**202**	**47:1**	**32:1**	**19:1**
2021	**3,559**	**79**	**122**	**186**	**45:1**	**29:1**	**19:1**
2020	**2,756**	**74**	**104**	**175**	**37:1**	**26:1**	**16:1**
2019	**3,604**	**73**	**109**	**187**	**49:1**	**33:1**	**19:1**
2018	**3,691**	**72**	**105**	**183**	**52:1**	**35:1**	**20:1**
2017	**3,978**	**69**	**103**	**182**	**58:1**	**39:1**	**22:1**

- The pay ratios are calculated using Option A published methodology, in line with investor guidance.
- Employee pay data is based on full-time equivalent pay for UK employees as of 31 December for the relevant year and excludes leavers, joiners and employee transfers in or out of the UK during the year to help ensure data is on a like-for-like basis. Total pay is calculated in line with the single figure methodology (i.e. fixed remuneration accrued during the financial year and variable remuneration relating to the performance year) and data for insured benefits are based on notional premiums. No other calculation adjustments or assumptions have been made.
- CEO pay is as per the single total figure of remuneration for 2022 and restated for 2021 to take account of the actual LTIP vesting in 2022. Further information on the single total figure is on page 198. The 2022 ratio will be restated in the 2023 directors' remuneration report to take account of the final LTIP vesting data for eligible employees and for the CEO.
- The Committee has considered the data for the three individuals identified at the lower quartile, median and upper quartile for 2022 and believes that it is a fair reflection of pay among the UK employee population. Each individual identified was a full-time employee during the year and received remuneration in line with the Group remuneration policy, and none received exceptional pay.
- Our LTIP is intended to link total remuneration to the achievement of the Group's long-term strategy and to reinforce alignment between executive remuneration and shareholder interest. Participation is typically senior employees who have line of sight to influence directly the performance targets on the awards. The lower quartile, median and upper quartile employees identified this year are not participants in the LTIP.

Group performance versus the CEO's remuneration

The graph below shows the Group's TSR performance on a cumulative basis over the past 10 years alongside that of the FTSE 100 and peer banks. The graph also shows historical levels of remuneration of the CEO over the 10 years ended 31 December 2022 for comparison. The FTSE 100 provides a broad comparison group against which shareholders may measure their relative returns.



The table below shows the single figure of total remuneration for the CEO since 2013 and the variable remuneration delivered as a percentage of maximum opportunity.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Single figure of total remuneration £000										
Peter Sands (CEO until 10 June 2015)	4,378	3,093	1,290	–	–	–	–	–	–	**–**
Bill Winters (appointed CEO on 10 June 2015)	–	–	8,399	3,392	4,683	6,287	5,360	3,926	4,740	**5,483**
Annual incentive as a percentage of maximum opportunity										
Peter Sands	50%	0%	0%	–	–	–	–	–	–	**–**
Bill Winters	–	–	0%	45%	76%	63%	55%	18.5%	57%	**70%**
Vesting of LTIP awards as a percentage of maximum opportunity										
Peter Sands	33%	10%	0%	0%	–	–	–	–	–	**–**
Bill Winters	–	–	–	–	–	27%	38%	26%	23%	**22%**

- Bill's single figure of total remuneration in 2015 includes his buyout award of £6.5 million to compensate for the forfeiture of share interests on joining from his previous employment.
- The 2021 single figure for Bill has been restated based on the actual vesting and share price when the 2019–21 LTIP awards vested in March 2022.

Annual percentage change in remuneration of directors and UK employees

In line with our Fair Pay Charter, we monitor year-on-year changes in salary, benefits and annual incentives for the CEO and the wider workforce.

In addition, as required under the Shareholder Rights Directive (part of UK Companies regulations), we compare the directors of the PLC Board against an average full-time equivalent UK employee. The regulations require this analysis to be undertaken for all individuals employed by Standard Chartered PLC (the parent company). As no individuals are employed by Standard Chartered PLC (they are employed by legal entities which sit below the parent company), we voluntarily disclose the comparisons against UK employees as we feel this provides a representative comparison.

	Salary/fees % change			Taxable benefits % change			Annual incentive % change		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
CEO Bill Winters[1]	**2.0**	0.0	0.7	**79.8**	(26.5)	(2.9)	**26.1**	208.1	(69.2)
CFO Andy Halford	**2.0**	0.7	3.7	**23.9**	(5.6)	30.2	**24.3**	208.9	(68.2)
Group Chairman José Viñals[1]	**0.0**	0.0	0.0	**170.2**	(61.5)	(11.7)	**–**	–	–
Current INEDs							**–**	–	–
Shirish Apte[2]	**–**	–	–	**–**	–	–	**–**	–	–
David Conner	**(8.8)**	(6.7)	(0.6)	**11.1**	5.9	(57.5)	**–**	–	–
Byron Grote[2]	**–**	0.0	0.0	**–**	0.0	0.0	**–**	–	–
Christine Hodgson, CBE	**(11.0)**	0.0	0.0	**0.0**	(100.0)	28.2	**–**	–	–
Gay Huey Evans, CBE	**(22.5)**	0.0	0.0	**100.0**	(100.0)	233.9	**–**	–	–
Jackie Hunt[2]	**–**	–	–	**–**	–	–	**–**	–	–
Naguib Kheraj[2]	**–**	(9.0)	0.0	**–**	(100.0)	7.9	**–**	–	–
Robin Lawther, CBE[2]	**–**	–	–	**–**	–	–	**–**	–	–
Maria Ramos[3]	**25.9**	–	–	**0.0**	–	–	**–**	–	–
Phil Rivett	**3.9**	–	–	**0.0**	–	–	**–**	–	–
David Tang	**0.0**	18.3	–	**11.1**	(82.3)	–	**–**	–	–
Carlson Tong	**(11.0)**	0.0	–	**0.0**	(100.0)	–	**–**	–	–
Jasmine Whitbread	**0.0**	0.0	0.0	**0.0**	(100.0)	(49.2)	**–**	–	–
Workforce Average FTE UK employee[4,5]	**3.3**	3.1	3.8	**(7.0)**	(2.0)	2.9	**14.3**	38.2	(22.1)

1. The increase in 2022 taxable benefits for Bill Winters and José Viñals are primarily due to the resumption of business travel to pre-pandemic levels.
2. In 2022, Naguib Kheraj and Byron Grote stepped down from the Board on 30 April and 30 November respectively. Shirish Apte, Robin Lawther and Jackie Hunt were appointed to the Board on 4 May, 1 July and 1 October respectively.
3. The increase in fees for Maria Ramos is due to changes in Board and Committee responsibilities during the year.
4. Employee data is based on full-time equivalent pay for UK employees as of 31 December of the relevant year. This data excludes leavers, joiners and employee transfers in or out of the UK during the year to help ensure data is on a like-for-like basis. Salary percentage change reflects increases decided at the end of 2021 and implemented in 2022.
5. Average FTE UK employee percentage change has been calculated on a mean basis. As the employee population will change yearly and the mean average considers the full range of data, it is expected this will provide a more consistent year-on-year comparison. Any percentage changes impacted by extremes at either end of the data set will be explained in the supporting commentary.

For the CEO, CFO, the Group Chairman and INEDs, the data the changes relate to are set out on pages 198 and 201, respectively. The change in taxable benefits relates to the change in the values for the 2021/20, 2020/21 and 2019/20 tax years.

Due to the low value of the taxable benefits received by INEDs, which have not exceeded £1,000 in 2022 (set out on page 201), small changes to these values are expected to cause the percentage change to fluctuate year-on-year.

Scheme interests awarded, exercised and lapsed during the year

Employees, including executive directors, are not permitted to engage in any personal investment strategies with regards to their Company shares, including hedging against the share price of Company shares. The main features of the outstanding shares and awards are summarised below:

Award	Performance measures	Performance outcome	Accrues notional dividends?[1]	No. of tranches	Tranche splits
2016–18 LTIP	33% RoE 33% TSR 33% Strategic	27%	Yes	5	Tranche 1: 50% Tranches 2–5: 12.5%
2017–19 LTIP		38%	Yes	5	5 equal tranches
2018–20 LTIP		26%	No	5	5 equal tranches
2019–21 LTIP	33% RoTE 33% TSR 33% Strategic	23%	No	5	5 equal tranches
2020–22 LTIP		22%	No	5	5 equal tranches
2021–23 LTIP	30% RoTE 30% TSR 15% Sustainability 25% Strategic	To be assessed at the end of 2023	No	5	5 equal tranches
2022–24 LTIP		To be assessed at the end of 2024	No	5	5 equal tranches

1 2016–18 and 2017–19 LTIP awards may receive dividend equivalent shares based on dividends declared between grant and vest. From 1 January 2017 remuneration regulations for European banks prohibited the award of dividend equivalent shares. Therefore, the number of shares awarded in respect of the 2018–20, 2019–21, 2020–22, 2021–23 and 2022-24 LTIP awards took into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall value of the award was maintained.

Change in interests during the period 1 January to 31 December 2022 (audited)

	Share award price (£)	As of 1 January	Awarded [1]	Dividends awarded [2]	Vested/ exercised [3,4]	Lapsed	As of 31 December	Performance period end	Vesting date
Bill Winters[5]									
2016–18 LTIP	5.560	33,506	–	2,517	36,023	–	–	11 Mar 2019	4 May 2022
		33,507	–	–	–	–	**33,507**		4 May 2023
2017–19 LTIP	7.450	45,049	–	3,380	48,428	–	–	13 Mar 2020	13 Mar 2022
		45,049	–	–	–	–	**45,049**		13 Mar 2023
		45,049	–	–	–	–	**45,049**		13 Mar 2024
2018–20 LTIP	7.782	28,178	–	–	28,178	–	–	9 Mar 2021	9 Mar 2022
		28,178	–	–	–	–	**28,178**		9 Mar 2023
		28,178	–	–	–	–	**28,178**		9 Mar 2024
		28,179	–	–	–	–	**28,179**		9 Mar 2025
2019–21 LTIP	6.105	133,065	–	–	30,604	102,461	–	11 Mar 2022	11 Mar 2022
		133,065	–	–	–	102,461	**30,604**		11 Mar 2023
		133,065	–	–	–	102,461	**30,604**		11 Mar 2024
		133,065	–	–	–	102,461	**30,604**		11 Mar 2025
		133,067	–	–	–	102,462	**30,605**		11 Mar 2026
2020–22 LTIP	5.196	161,095	–	–	–	–	**161,095**	9 Mar 2023	9 Mar 2023
		161,095	–	–	–	–	**161,095**		9 Mar 2024
		161,095	–	–	–	–	**161,095**		9 Mar 2025
		161,095	–	–	–	–	**161,095**		9 Mar 2026
		161,095	–	–	–	–	**161,095**		9 Mar 2027
2021–23 LTIP	4.901	150,621	–	–	–	–	**150,621**	15 Mar 2024	15 Mar 2024
		150,621	–	–	–	–	**150,621**		15 Mar 2025
		150,621	–	–	–	–	**150,621**		15 Mar 2026
		150,621	–	–	–	–	**150,621**		15 Mar 2027
		150,621	–	–	–	–	**150,621**		15 Mar 2028
2022–24 LTIP	4.876	–	151,386	–	–	–	**151,386**	14 Mar 2025	14 Mar 2026
		–	151,386	–	–	–	**151,386**		14 Mar 2027
		–	151,386	–	–	–	**151,386**		14 Mar 2028
		–	151,386	–	–	–	**151,386**		14 Mar 2029
		–	151,388	–	–	–	**151,388**		14 Mar 2030
Andy Halford[4,5]									
2016–18 LTIP	5.560	20,008	–	1,502	21,510	–	–	11 Mar 2019	4 May 2022
		20,009	–	–	–	–	**20,009**		4 May 2023
2017–19 LTIP	7.450	27,888	–	2,094	29,982	–	–	13 Mar 2020	13 Mar 2022
		27,888	–	–	–	–	**27,888**		13 Mar 2023
		27,890	–	–	–	–	**27,890**		13 Mar 2024
2018–20 LTIP	7.782	17,448	–	–	17,448	–	–	9 Mar 2021	9 Mar 2022
		17,448	–	–	–	–	**17,448**		9 Mar 2023
		17,448	–	–	–	–	**17,448**		9 Mar 2024
		17,448	–	–	–	–	**17,448**		9 Mar 2025
2019–21 LTIP	6.105	85,094	–	–	19,571	65,523	–	11 Mar 2022	11 Mar 2022
		85,094	–	–	–	65,523	**19,571**		11 Mar 2023
		85,094	–	–	–	65,523	**19,571**		11 Mar 2024
		85,094	–	–	–	65,523	**19,571**		11 Mar 2025
		85,096	–	–	–	65,524	**19,572**		11 Mar 2026
2020–22 LTIP	5.196	99,976	–	–	–	–	**99,976**	9 Mar 2023	9 Mar 2023
		99,976	–	–	–	–	**99,976**		9 Mar 2024
		99,976	–	–	–	–	**99,976**		9 Mar 2025
		99,976	–	–	–	–	**99,976**		9 Mar 2026
		99,977	–	–	–	–	**99,977**		9 Mar 2027
2021–23 LTIP	4.901	96,283	–	–	–	–	**96,283**	15 Mar 2024	15 Mar 2024
		96,283	–	–	–	–	**96,283**		15 Mar 2025
		96,283	–	–	–	–	**96,283**		15 Mar 2026
		96,283	–	–	–	–	**96,283**		15 Mar 2027
		96,283	–	–	–	–	**96,283**		15 Mar 2028
2022-24 LTIP	4.876	–	96,772	–	–	–	**96,772**	14 Mar 2025	14 Mar 2026
		–	96,772	–	–	–	**96,772**		14 Mar 2027
		–	96,772	–	–	–	**96,772**		14 Mar 2028
		–	96,772	–	–	–	**96,772**		14 Mar 2029
		–	96,773	–	–	–	**96,773**		14 Mar 2030
2019 Sharesave[6]	4.980	1,807	–	–	1,807	–	–	–	1 Dec 2022
2022 Sharesave[6]	4.230	–	2,127	–	–	–	**2,127**	–	1 Feb 2026

1. For the 2022-24 LTIP awards granted to Bill Winters and Andy Halford on 14 March 2022, the values granted were: Bill Winters: £3.1 million; Andy Halford £2.0 million. The number of shares awarded in respect of the LTIP took into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall value of the award was maintained. Performance measures apply to 2022-24 LTIP awards. The closing price on the day before grant was £4.876.
2. Dividend equivalent shares may be awarded on vesting for awards granted prior to 1 January 2018. On 31 March 2020, Standard Chartered announced that in response to the request from the PRA and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, the Board decided to withdraw the recommendation to pay a final dividend for 2019. Dividend equivalent shares allocated to the 2016-18 LTIP and 2017-19 awards vesting in 2022 did not include any shares relating to the cancelled dividend.
3. Shares (before tax) were delivered to Bill Winters and Andy Halford from the vesting element of LTIP awards. The number of shares and the closing share price on the day before the shares were delivered were as follows:

   2016-18 LTIP: 6 May 2022, 36,023 shares delivered to Bill Winters and 21,510 shares delivered to Andy Halford. Previous day closing share price: £5.65.

   2017-19 LTIP: 14 March 2022, 48,428 shares delivered to Bill Winters and 29,982 shares delivered to Andy Halford. Previous day closing share price: £4.876.

   2018-20 LTIP: 10 March 2022, 28,178 shares delivered to Bill Winters and 17448 shares delivered to Andy Halford. Previous day closing share price: £4.931.

   2019-21 LTIP: 21 March 2022, 30,604 shares delivered to Bill Winters and 19,571 shares delivered to Andy Halford. Previous day closing share price: £5.064.
4. Andy Halford chose to participant in the 2022 Sharesave. This unvested option was granted on 28 November 2022 under the 2013 Plan – to exercise this option, Andy has to pay an exercise price of £4.23 per share, which has been discounted by 20 per cent. On 29 December 2022, Andy Halford exercised his 2019 Sharesave option under the 2013 Plan at an exercise price of £4.98 per share. The closing share price on the day before exercise was £6.292.
5. The unvested LTIP awards held by Bill Winters and Andy Halford are conditional rights. They do not have to pay towards these awards. Under these awards, shares are delivered on vesting or as soon as practicable thereafter.
6. The vesting date relates to the end of the savings contract and the start of the six month exercise window.

As at 31 December 2022, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Historical LTIP awards

The current position on projected vesting for unvested LTIP awards from the 2020 and 2021 performance years based on current performance and share price as of 31 December 2022 is set out in the tables below. The TSR peer group for both awards is as set out on page 199.

Current position on the 2021–23 LTIP award: projected partial vesting

Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	2021–23 LTIP assessment as of 31 December 2022
RoTE in 2023 plus CET1 underpin of the higher of 13% or the minimum regulatory requirement	30%	6.0%	10.0%	RoTE between threshold and maximum therefore indicative partial vesting
Relative TSR performance against the peer group	30%	Median	Upper quartile	TSR positioned between median and upper quartile therefore indicative partial vesting
Sustainability	15%	Targets set for sustainability measures linked to the business strategy		Tracking above target performance therefore indicative partial vesting
Strategic measures	25%	Targets set for strategic measures linked to the business strategy		Tracking above target performance therefore indicative partial vesting

Current position on the 2022–24 LTIP award: projected partial vesting

Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	2022–24 LTIP assessment as of 31 December 2022
RoTE in 2024 plus CET1 underpin of the higher of 13% or the minimum regulatory requirement	30%	7.0%	11.0%	RoTE between threshold and maximum therefore indicative partial vesting
Relative TSR performance against the peer group	30%	Median	Upper quartile	TSR positioned above upper quartile therefore indicative full vesting
Sustainability	15%	Targets set for sustainability measures linked to the business strategy		Tracking above target performance therefore indicative partial vesting
Strategic measures	25%	Targets set for strategic measures linked to the business strategy		Tracking above target performance therefore indicative partial vesting

The Committee assesses the value of LTIP awards on vesting and has the flexibility to adjust if the formulaic outcome is not considered to be an appropriate reflection of the performance achieved and to avoid windfall gains.

The approach used to determine Group-wide total discretionary incentives in 2022 is explained on page 185 of this report. The following tables show the income statement charge for these incentives.

Income statement charge for Group discretionary incentives

	2022 $m	2021 $m
Total discretionary incentives	**1,589**	1,367
Less: discretionary incentives that will be charged in future years	**(242)**	(195)
Plus: current year charge for discretionary incentives from prior years	**150**	124
Total	**1,497**	1,296

	Actual		Expected	
Year in which income statement is expected to reflect discretionary incentives	2021 $m	**2022 $m**	2023 $m	2024 and beyond $m
Discretionary incentives awarded for 2020 and earlier	107	**65**	24	16
Discretionary incentives awarded for 2021	64	**85**	46	48
Discretionary incentives awarded for 2022	–	**77**	117	125
Total	171	**227**	187	189

Allocation of the Group's earnings between stakeholders

When considering Group variable remuneration, the Committee takes account of shareholders' concerns about relative expenditure on pay and determines the allocation of earnings to expenditure on remuneration carefully, and has approached this allocation in a disciplined way over the past five years. The table below shows the distribution of earnings between stakeholders over the past five years. The amount of corporate tax, including the bank levy, is included in the table because it is a significant payment and illustrates the Group's contribution through the tax system.

	Actual					Allocation				
	2022 $m	2021 $m	2020 $m	2019 $m	2018 $m	**2022 %**	2021 %	2020 %	2019 %	2018 %
Staff costs	**7,618**	7,668	6,886	7,122	7,074	**80**	84	85	74	75
Corporate taxation including levy	**1,486**	1,138	1,193	1,720	1,763	**16**	12	15	18	19
Paid to shareholders in dividends	**393**	375	0	720	561	**4**	4	0	8	6

Approach to risk adjustment

Remuneration is aligned with our long-term interests and the time frame over which financial risks crystallise. All colleagues have a duty to do the right thing and understand which behaviours are acceptable and unacceptable. Risk, control and conduct behaviours are considered and assessed as part of continuous performance management.

Risk adjustment	What and how?	When?
Collective adjustments	• At a collective level, the Group annual scorecard and LTIP performance criteria include risk and control measures. • In addition, the Committee carries out a detailed review of all risk, control and conduct matters including ongoing investigations and any matters raised by regulators, and may use its discretion to adjust scorecard outcomes or remuneration to reflect matters not adequately captured by the scorecards.	• Material restatement of the Group's financials • Significant failure in risk management. • Discovery of endemic problems in financial reporting. • Financial losses, due to a material breach of regulatory guidelines. • The exercise of regulatory or government action to recapitalise the Group following material financial losses.
Individual adjustments	• Individual risk adjustments to variable remuneration are considered based on the materiality of the issue. • At an individual level, risk adjustments can be applied through the reduction in the value of current year variable remuneration or the application of malus or clawback to unpaid or paid variable remuneration as appropriate, at the Committee's discretion.	• Deemed to have: (i) caused in full or in part a material loss for the Group as a result of reckless, negligent or wilful actions, or (ii) exhibited inappropriate behaviours, or (iii) applied a lack of appropriate supervision and due diligence. • The individual failed to meet appropriate standards of fitness and propriety.

Pillar 3 disclosures on material risk takers' remuneration and disclosures on the highest paid employees

Identification of material risk takers

Individuals have been identified as Material Risk Takers (MRTs) in line with the qualitative and quantitative criteria set by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). MRTs are identified on both a: (i) Standard Chartered PLC (Group) basis; and (ii) solo level consolidated entities under Standard Chartered Bank UK (Solo) basis.

Qualitative criteria

The qualitative criteria broadly identifies the following colleagues as Group MRTs:

- directors (both executive and non-executive) of Standard Chartered PLC
- a member of senior management
- senior colleagues within the audit, compliance, legal and risk functions
- senior colleagues within Material Business Units (MBUs)
- colleagues who are members of specific committees
- colleagues who are able to initiate or approve credit risk exposures above a certain threshold and sign off on trading book transactions at or above a specific value at risk limit
- colleagues whose professional activities may have a significant impact on the risk profile of a MBU and are above certain pay thresholds
- traders and senior colleagues in Financial Markets who earn above certain pay thresholds.

Quantitative criteria

The quantitative criteria identifies colleagues:

- who have been awarded total remuneration of GBP660,000 or more in the previous financial year
- whose total remuneration in the preceding year is within the top 0.3 per cent of the Group or Solo entity.

For the purpose of the Pillar 3 tables on pages 213 to 215, supervisory function is defined as non-executive directors of Standard Chartered PLC, management function is defined as executive directors of Standard Chartered PLC and other senior management is defined as senior managers under the Senior Manager and Certification Regime and members of the Group Management Team.

Solo MRTs are identified based on similar criteria applied to the Solo entity.

MRT remuneration delivery

Remuneration for MRTs was delivered in 2022 through a combination of salary, pension, benefits and variable remuneration.

Variable remuneration for MRTs is structured in line with the PRA and FCA's remuneration rules. For the 2022 performance year, the following structure applies:

- At least 40 per cent of an MRT's variable remuneration will be deferred over a minimum period of four years and a maximum of seven years depending on the applicable identification criteria.
- 60 per cent of an MRT's variable remuneration will be deferred if variable remuneration exceeds GBP500,000.
- Non-deferred variable remuneration will be delivered 50 per cent in shares, subject to a minimum 12 month retention period, and 50 per cent in cash.
- At least 50 per cent of deferred variable remuneration will be delivered entirely in shares, subject to a minimum 12 month retention period (with the exception of deferred shares awarded to higher paid MRTs, which are subject to a six month minimum retention period in line with the regulations).
- For some MRTs, part of their 2022 variable remuneration may be in LTIP share awards which are released after a minimum of four years, subject to the satisfaction of performance measures and holding periods.
- As explained on page 211, all variable remuneration is subject to remuneration adjustment provisions. This provides the Group with the ability to reduce or revoke variable remuneration in respect of a risk, control or conduct issue, event or behaviour.
- Material risk takers are subject to a 2:1 maximum ratio of variable to fixed remuneration.

Remuneration awarded to MRTs for the financial year (REM1)

	Management body			
	Supervisory function $m	Management function $m	Other senior management $m	Other identified staff $m
Fixed remuneration				
Number of identified staff	**14**	**2**	**16**	**580**
Total fixed remuneration	**4.35**	**5.86**	**31.62**	**306.95**
Cash-based	**4.35**	**3.74**	**31.62**	**306.95**
Shares or equivalent ownership interests	–	**2.12**	–	–
Share-linked instruments or equivalent non-cash instruments	–	–	–	–
Other instruments	–	–	–	–
Other forms	–	–	–	–
Variable remuneration				
Number of identified staff	**14**	**2**	**16**	**580**
Total variable remuneration	–	**9.52**	**45.64**	**315.74**
Cash-based	–	**1.51**	**18.14**	**160.03**
Of which deferred	–	–	**9.01**	**82.78**
Shares or equivalent ownership interests	–	**8.01**	**27.50**	**155.71**
Of which deferred	–	**6.50**	**18.38**	**82.79**
Share-linked instruments or equivalent non-cash instruments	–	–	–	–
Of which deferred	–	–	–	–
Other instruments	–	–	–	–
Of which deferred	–	–	–	–
Other forms	–	–	–	–
Of which deferred	–	–	–	–
Total remuneration	**4.35**	**15.38**	**77.26**	**622.69**

Special payments to staff whose professional activities have a material impact on institutions' risk profile (MRTs) (REM2)
No special payments were made during the period.

MRT deferred remuneration in 2022 (REM3)

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods $m	Of which due to vest in the financial year $m	Of which vesting in subsequent financial years $m	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year[1] $m	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years $m	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments) $m	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year $m	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods $m
Management body Supervisory function	–	–	–	–	–	–	–	–
Cash-based	–	–	–	–	–	–	–	–
Shares or equivalent ownership interests	–	–	–	–	–	–	–	–
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Management body Management function	**45.75**	**16.68**	**29.07**	**(6.33)**		**11.73**	**10.35**	**4.98**
Cash-based	–	–	–	–	–	–	–	–
Shares or equivalent ownership interests	**45.75**	**16.68**	**29.07**	**(6.33)**		**11.73**	**10.35**	**4.98**
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Other senior management	**128.14**	**24.52**	**103.62**	**(11.48)**		**26.75**	**13.04**	**6.69**
Cash-based	**23.82**	**2.62**	**21.21**	–	–	–	**2.62**	–
Shares or equivalent ownership interests	**104.32**	**21.90**	**82.41**	**(11.48)**		**26.75**	**10.42**	**6.69**
Share-linked instruments or equivalent non-cash instruments	–	–	–	–	–	–	–	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Other identified staff	**505.15**	**159.06**	**346.09**	**(0.18)**	–	**86.09**	**152.98**	**56.08**
Cash-based	**169.43**	**43.69**	**125.73**	–	–	–	**40.63**	–
Shares or equivalent ownership interests	**296.05**	**104.80**	**191.26**	**(0.18)**	–	**75.92**	**101.78**	**56.08**
Share-linked instruments or equivalent non-cash instruments	**39.67**	**10.57**	**29.10**	–	–	**10.17**	**10.57**	–
Other instruments	–	–	–	–	–	–	–	–
Other forms	–	–	–	–	–	–	–	–
Total amount	**679.04**	**200.26**	**478.78**	**(17.99)**	–	**124.57**	**176.37**	**67.75**

1 Includes LTIP award lapse following testing of performance conditions

Remuneration of 1 million EUR or more per year (REM4)[1]

Remuneration band EUR	Number of employees
1,000,000 to below 1,500,000	148
1,500,000 to below 2,000,000	44
2,000,000 to below 2,500,000	20
2,500,000 to below 3,000,000	14
3,000,000 to below 3,500,000	8
3,500,000 to below 4,000,000	4
4,000,000 to below 4,500,000	–
4,500,000 to below 5,000,000	5
5,000,000 to below 6,000,000	2
6,000,000 to below 7,000,000	1
7,000,000 to below 8,000,000	–
8,000,000 to below 8,500,000	–
8,500,000 to below 9,000,000	1
9,000,000 to below 9,500,000	1
9,500,000 to below 10,000,000	–
10,000,000 to below 10,500,000	1
13,000,000 to below 13,500,000	1
Total	250

1 Data presented in EUR in accordance with the requirements of CRR Article 450, converted at the exchange rates used by European Commission for financial programming and the budget for December of the reporting year, as published on its website

Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (MRTs) (REM5)

	Management body remuneration			Business areas						
	Supervisory function	Management function	Total	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff	14	2	16	263	32	8	163	133	13	612
Of which: members of the management body	14	2	16	–	–	–	16	–	–	16
Of which: other senior management	–	–	–	3	1	–	9	3	–	16
Of which: other identified staff	–	–	–	260	31	8	138	130	13	580
Total remuneration of identified staff $m	4.35	15.38	19.73	373.56	45.65	7.09	197.75	84.84	10.80	719.69
Of which: variable remuneration	–	9.51	9.51	208.92	25.68	3.10	94.67	33.75	4.78	370.90
Of which: fixed remuneration	4.35	5.87	10.22	164.64	19.97	3.99	103.08	51.09	6.02	348.79

Remuneration of the five highest paid individuals and the remuneration of senior management

In line with the requirements of The Stock Exchange of Hong Kong Limited, the following table sets out, on an aggregate basis, the annual remuneration of: (i) the five highest paid employees; and (ii) senior management for the year ended 31 December 2022.

Components of remuneration	Five highest paid[1] $000	Senior management[2] $000
Salary, cash allowances and benefits in kind	19,110	28,317
Pension contributions	349	1,417
Variable remuneration awards paid or receivable	31,235	42,254
Payments made on appointment	–	–
Remuneration for loss of office (contractual or other)[3]	–	243
Other	–	–
Total	**50,694**	**72,231**
Total HKD equivalent	**397,190**	**565,953**

1 The five highest paid individuals include Bill Winters.

2 Senior management comprises the executive directors and the members of the Group Management Team at any point during 2022.

3 Value reported relates to contractual payments made for loss of office.

Share award movements for the five highest paid individuals for the year to 31 December 2022[1]

	LTIP[2]	Deferred /Restricted shares[2]	Sharesave
Outstanding at 1 January 2022	4,272,880	2,283,710	–
Granted[3,4,5]	1,454,130	1,347,609	4,246
Lapsed	1,064,794	–	–
Vested/Exercised	178,688	533,892	–
Outstanding at 31 December 2022	**4,483,528**	**3,097,427**	**4,246**
Exercisable as at 31 December 2022	**–**	**–**	**–**

1 The five highest paid individuals include Bill Winters.

2 Granted under the 2021 Plan and 2011 Plan. Employees do not contribute to the cost of these awards.

3 1,448,057 (LTIP) granted on 14 March 2022, 4,989 (LTIP) granted as a notional dividend on 1 March 2022, 1,084 (LTIP) granted as a notional dividend on 8 August 2022, 1,346,460 (Deferred/Restricted shares) granted on 14 March 2022, 774 (Deferred/Restricted shares) granted as a notional dividend on 1 March 2022, 375 (Deferred/Restricted shares) granted as a notional dividend on 8 August 2022 under the 2021 Share Plan. 4,246 (Sharesave) granted on 28 November 2022 under the 2013 Sharesave Plan.

4 LTIP and deferred/restricted shares were granted at a share price of £4.876, being the closing price on the last trading day preceding the grant date. The vesting period for these awards ranges from 1 to 7 years.

5 For Sharesave granted in 2022 the exercise price is £4.23 per share, a 20% discount from the closing price on 1 November 2022. The closing price on 1 November 2022 was £5.282.

For details of awards and options for Bill Winters and Andy Halford refer to pages 209 and 210.

For a view of share awards and options for all employees refer to page 436.

The accounting standard adopted for share awards is IFRS2: please refer to page 434 for details.

The table below shows the emoluments of: (i) the five highest paid employees; and (ii) senior management for the year ended 31 December 2022.

Remuneration band HKD	Remuneration band USD equivalent	Number of employees	
		Five highest paid	Senior management[1]
11,000,001 - 11,500,000	1,403,921 – 1,467,735	–	1
20,000,001 - 20,500,000	2,552,583 – 2,616,398	–	1
20,500,001 - 21,000,000	2,616,398 – 2,680,212	–	1
21,000,001 - 21,500,000	2,680,212 – 2,744,027	–	1
23,500,001 - 24,000,000	2,999,285 – 3,063,100	–	1
25,000,001 - 25,500,000	3,190,729 – 3,254,544	–	1
25,500,001 - 26,000,000	3,254,544 – 3,318,358	–	1
28,500,001 - 29,000,000	3,637,431 – 3,701,246	–	1
29,500,001 - 30,000,000	3,765,060 – 3,828,875	–	1
39,000,001 - 39,500,000	4,977,537 – 5,041,352	–	1
40,000,001 - 40,500,000	5,105,167 – 5,168,981	–	1
46,500,001 - 47,000,000	5,934,756 – 5,998,571	–	1
52,500,001 - 53,000,000	6,700,531 – 6,764,345	1	–
73,500,001 - 74,000,000	9,380,743 – 9,444,558	1	1
75,500,001 - 76,000,000	9,636,002 – 9,699,816	1	1
83,500,001 - 84,000,000	10,657,035 – 10,720,849	1	1
110,500,001 - 111,000,000	14,103,022 – 14,166,837	1	–
Total		**5**	**15**

1 Senior management comprises the executive directors and the members of the Group Management Team at any point during 2022

The exchange rates used in this report

Unless an alternative exchange rate is detailed in the notes to the relevant table, the exchange rates used to convert the disclosures to US dollars are set out in the table below.

	2022	2021
EUR	**0.9520**	0.8421
GBP	**0.8106**	0.7246
HKD	**7.8352**	7.7704

Shirish Apte
Chair of the Remuneration Committee

16 February 2023

Other disclosures

The Directors' report for the year ended 31 December 2022 comprises 134 to 231 of this report (together with the sections of the Annual Report incorporated by reference). The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, and as noted in this Directors' report, to include certain matters in its Strategic report that would otherwise be disclosed in this Directors' report. Both the Strategic report and the Directors' report have been drawn up and presented in accordance with English company law, and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law. Other information to be disclosed in the Directors' report is given in this section. In addition to the requirements set out in the Disclosure Guidance and Transparency Rules relating to the Annual Report, information required by UK Listing Rule 9.8.4 to be included in the Annual Report, where applicable, is set out in the table below and cross-referenced.

Information to be included in the Annual Report (UK Listing Rules 9.8.4)

Relevant Listing Rule	Pages
LR 9.8.4 (1) (2) (5-14) (A) (B)	**N/A**
LR 9.8.4 (4)	**197, 199 and 200**

Principal activities

We are a leading international banking group, with over 160 years of history in some of the world's most dynamic markets. Our purpose is to drive commerce and prosperity through our unique diversity. The Group's roots in trade finance and commercial banking have been at the core of its success throughout its history, but the Group is now more broadly based across Consumer, Private and Business Banking and Ventures in its footprint markets in Asia, Africa and the Middle East. The Group operates in the UK and overseas through a number of subsidiaries, branches and offices.

Further details on our business, including key performance indicators, can be found within the **Strategic report** on pages 1 to 133.

Fair, balanced and understandable

On behalf of the Board, the Audit Committee has reviewed the Annual Report and the process by which the Group believes that the Annual Report, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, strategy and business model of the Group. Following its review, the Audit Committee has advised the Board that such a statement can be made in the Annual Report.

UK Corporate Governance Code compliance

The table below contains examples of where the Company has applied the principles of the UK Corporate Governance Code in this Annual Report.

A copy of the UK Corporate Governance Code can be found at **frc.org.uk**

	Principles	Pages/reference
Board leadership and company purpose	A – Promoting long-term sustainable success and value	2 to 133, 136 to 230
	B – Purpose, value, strategy and alignment with culture	2 to 133, 136 to 230
	C – Performance measures, controls and risk management	136, 147 to 150 and 163 to 175
	D – Shareholder and other stakeholder engagement	54 to 124, 136, 149 and 158 to 162
	E – Workforce policies and practices	60 to 124, 168 and 177
Division of responsibilities	F – Chair role and responsibilities	138, 150 and 152
	G – Board roles and responsibilities	138 to 142, 150, 152, 157, 179 to 183
	H – Non-executive directors role and capacity	150, 152, 157 and 181
	I – Board effectiveness and efficiency	156
Composition, succession and evaluation	J – Board appointments and succession plans	179 to 183
	K – Board skills, experience, knowledge and tenure	138 to 142, 179 to 183
	L – Board evaluation of composition, diversity and effectiveness	154, 156, 169, 175, 178, 183, 191
Audit, risk and internal control	M – Independence and effectiveness of internal and external audit functions, integrity of financial and narrative statements	163 to 169
	N – Fair, balanced and understandable assessment of the Company's position and prospects	218
	O – Risk management and internal controls	147, 163 to 175
Remuneration	P – Remuneration policies and practices	184 to 217
	Q – Procedure for developing remuneration policy	Remuneration Committee Terms of Reference
	R – Independent judgement and discretion when authorising remuneration outcomes	Remuneration Committee Terms of Reference

The Remuneration Committee has written Terms of Reference that can be viewed at **sc.com/termsofreference**

Events after the balance sheet date

For details on post balance sheet events, see Note 37 to the financial statements.

Code for Financial Reporting Disclosure

The Group's 2022 financial statements have been prepared in accordance with the principles of the UK Finance Disclosure Code for Financial Reporting Disclosure.

Disclosure of information to auditor

As far as the directors are aware, there is no relevant audit information of which the Group statutory auditor, EY, is unaware. The directors have taken all reasonable steps to ascertain any relevant audit information and ensure that the Group statutory auditors are aware of such information.

Viability and going concern

Having made appropriate enquiries, the Board is satisfied that the Company and the Group as a whole has adequate resources to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from 16 February 2023 and therefore continues to adopt the going concern basis in preparing the financial statements.

The directors' viability statement in respect to the Group can be found in the Strategic report on pages 132 and 133, while the directors' going concern considerations of the Group can be found on page 350.

Sufficiency of public float

As at the date of this report, the Company has maintained the prescribed public float under the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), based on the information publicly available to the Company and within the knowledge of the directors.

Research and development

During the year, the Group invested $1.98 billion (2021: $1.89 billion) in research and development, of which $0.94 billion (2021: $0.94 billion) was recognised as an expense. The research and development investment primarily related to the planning, analysis, design, development, testing, integration, deployment and initial support of technology systems.

Political donations

The Group has a policy in place which prohibits donations being made that would: (i) improperly influence legislation or regulation, (ii) promote political views or ideologies, and (iii) fund political causes. In alignment to this, no political donations were made in the year ended 31 December 2022.

Directors and their interests

The membership of the Board, together with their biographical details, are given on pages 138 to 142. Details of the directors' beneficial and non-beneficial interests in the ordinary shares of the Company are shown in the Directors' remuneration report on pages 184 to 217. The Group operates a number of share-based arrangements for its directors and employees.

Details of these arrangements are included in the Directors' remuneration report and in Note 31 to the financial statements

The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 3.13 of the Hong Kong Listing Rules and still considers all of the non-executive directors to be independent.

At no time during the year did any director hold a material interest in any contracts of significance with the Company or any of its subsidiary undertakings.

In accordance with the Companies Act 2006, we have established a process requiring directors to disclose proposed outside business interests before any are entered into. This enables prior assessment of any conflict or potential conflict of interest and any impact on time commitment. On behalf of the Board, the Governance and Nomination Committee reviews existing conflicts of interest annually to consider if they continue to be conflicts of interest, and also to revisit the terms upon which they were determined to be. The Board is satisfied that our processes in this respect continue to operate effectively.

Subject to company law, the Articles of Association and the authority granted to directors in general meeting, the directors may exercise all the powers of the Company and may delegate authorities to committees. The Articles of Association contain provisions relating to the appointment, re-election and removal of directors. Newly appointed directors retire at the AGM following appointment and are eligible for election. All directors are nominated for annual re-election by shareholders subject to continued satisfactory performance based upon their annual assessment.

Non-executive directors are appointed for an initial period of one year and subject to (re)election by shareholders at AGMs, in line with the UK Corporate Governance Code 2018.

The Company has granted indemnities to all of its directors on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2022 and remain in force at the date of this report.

Qualifying pension scheme indemnities

Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2022 for the benefit of the UK's pension fund corporate trustee (Standard Chartered Trustees (UK) Limited), and remain in force at the date of this report.

Significant agreements

The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company. The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Future developments in the business of the Group

An indication of likely future developments in the business of the Group is provided in the Strategic report.

Results and dividends

2022: paid interim dividend of 4 cents per ordinary share (2021: paid interim dividend of 3 cents per ordinary share)
2022: proposed final dividend of 14 cents per ordinary share (2021: paid final dividend of 9 cents per ordinary share)
2022: total dividend of 18 cents per ordinary share (2021: total dividend, 12 cents per ordinary share)

Share capital

The issued ordinary share capital of the Company was reduced by a total of 184,369,245 over the course of 2022. This was due to the cancellation of ordinary shares as part of the Company's two share buy-back programmes. No ordinary shares were issued during the year. The Company has one class of ordinary shares, which carries no rights to fixed income. On a show of hands, each member present has the right to one vote at our general meetings. On a poll, each member is entitled to one vote for every $2 nominal value of share capital held.

The issued nominal value of the ordinary shares represents 86.8 per cent of the total issued nominal value of all share capital. The remaining 13.2 per cent comprises preference shares, which have preferential rights to income and capital but which, in general, do not confer a right to attend and vote at our general meetings.

Further details of the Group's share capital can be found in Note 28 to the financial statements

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. There are no specific restrictions on voting rights and the directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Articles of Association

The Articles of Association may be amended by special resolution of the shareholders.

A copy of the Company's Articles of Association can be found on our website here **sc.com/investors**

Authority to purchase own shares

At the AGM held on 4 May 2022, our shareholders renewed the Company's authority to make market purchases of up to 302,578,862 ordinary shares, equivalent to approximately 10 per cent of issued ordinary shares as at 21 March 2022, and up to all of the issued preference share capital.

The authority to make market purchases up to 10 per cent of issued ordinary share capital was used during the year through two buy-back programmes announced in February and July 2022. These were utilised to reduce the number of ordinary shares in issue and as part of the Group's approach to dividend growth and capital returns. The first share buy-back programme was launched on 21 February 2022 and ended on 19 May 2022. The second share buy-back programme was launched on 1 August 2022 and ended on 10 October 2022. A total of 184,369,245 ordinary shares with a nominal value of $0.50 were re-purchased for an approximate aggregate consideration paid of $1,250 million.

A monthly breakdown of the shares purchased during the period including the lowest and highest price paid per share is set out in Note 28 to the financial statements. All ordinary shares which were bought back were cancelled.

In accordance with the terms of a waiver granted by The Stock Exchange of Hong Kong Limited (HKSE) as subsequently modified, the Company will comply with the applicable law and regulation in the UK in relation to holding of any shares in treasury and with the conditions of granting the waiver by the HKSE. No treasury shares were held during the year.

Further details can be found in Note 28 to the financial statements

Authority to issue shares

The Company is granted authority to issue shares by the shareholders at its AGM. The size of the authorities granted depends on the purposes for which shares are to be issued and is within applicable legal and regulatory requirements.

Shareholder rights

Under the Companies Act 2006, shareholders holding 5 per cent or more of the paid-up share capital of the Company carrying the right of voting at general meetings of the Company are able to require the directors to hold a general meeting. A request may be in hard copy or electronic form and must be authenticated by the shareholders making it. Where such a request has been duly lodged with the Company, the directors are obliged to call a general meeting within 21 days of becoming subject to the request and must set a date for the meeting not more than 28 days from the date of the issue of the notice convening the meeting.

Under the Companies Act 2006, shareholders holding 5 per cent or more of the total voting rights at an AGM of the Company, or 100 shareholders entitled to vote at the AGM with an average of at least £100 paid-up share capital per shareholder, are entitled to require the Company to circulate a resolution intended to be moved at the Company's next AGM. Such a request must be made not later than six weeks before the AGM to which the request relates or, if later, the time notice is given of the AGM. The request may be in hard copy or electronic form, must identify the resolution of which notice is to be given and must be authenticated by the shareholders making it.

Shareholders are also able to put forward proposals to shareholder meetings and enquiries to the Board and/or the Senior Independent Director by using the 'contact us' information on the Company's website sc.com or by emailing the Group Corporate Secretariat at **group-corporate.secretariat@sc.com**

Major interests in shares and voting rights

As at 31 December 2022, Temasek Holdings (Private) Limited (Temasek) is the only shareholder that has an interest of more than 10 per cent in the Company's issued ordinary share capital carrying a right to vote at any general meeting.

Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website.

As at 10 February 2023, the Company has been notified of the following information, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital. The information provided in the table below was correct at the date of notification; however, the date received may not have been within 2022. It should be noted that these holdings are likely to have changed since the Company was notified.

However, notification of any change is not required until the next notifiable threshold is crossed.

Ahead of joining the Group in May 2022, Shirish Apte stepped down as an independent non-executive director of Pierfront Capital Mezzanine Fund, a 90 per cent owned subsidiary of Temasek.

Notifiable interests	Interest in ordinary shares (based on voting rights disclosed)	Percentage of capital disclosed	Nature of holding as per disclosure
Temasek Holdings (Private) Limited	**474,751,383**	**16.00**	**Indirect**
BlackRock Inc.	**183,640,172**	**5.55**	**Indirect (5.01%)** **Securities Lending (0.39%)** **Contracts for Difference (0.14%)**
Dodge & Cox	**150,620,884**	**5.08**	**Indirect**

Related party transactions

Details of transactions with directors and officers and other related parties are set out in Note 36 to the financial statements.

Connected/continuing connected transactions

By virtue of its shareholding of over 10 per cent in the Company, Temasek and its associates are related parties and connected persons of the Company for the purposes of the UK Listing Rules and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx") ("the HK Listing Rules") respectively (together "the Rules").

The Rules are intended to ensure that there is no favourable treatment to Temasek or its associates to the detriment of other shareholders in the Company. Unless transactions between the Group and Temasek or its associates are specifically exempt under the Rules or are subject to a specific waiver, they may require a combination of announcements, reporting and independent shareholders' approval.

On 12 November 2021, the HKEx extended a waiver (the "Waiver"), it previously granted to the Company for the revenue banking transactions with Temasek which do not fall under the passive investor exemption ("the Passive Investor Exemption") under Rules 14A.99 and 14A.100 of the HK Listing Rules. Under the Waiver, the HKEx agreed to waive the announcement requirement, the requirement to enter into a written agreement and set annual caps, and the annual report disclosure (including annual review) requirements under Chapter 14A of the HK Listing Rules for the three-year period ending 31 December 2024 on the conditions that:

a) The Company will disclose details of the Waiver (including nature of the revenue banking transactions with Temasek and reasons for the Waiver) in subsequent annual reports; and

b) The Company will continue to monitor the revenue banking transactions with Temasek during the three years ending 31 December 2024 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded.

The main reasons for seeking the Waiver were:

- The nature and terms of revenue banking transactions may vary and evolve over time; having fixed-term written agreements would not be suitable to accommodate the various banking needs of the Company's customers (including Temasek) and would be impractical and unduly burdensome.
- It would be impracticable to estimate and determine an annual cap on the revenue banking transactions with Temasek as the volume and aggregate value of each transaction are uncertain and unknown to the Company as a banking group due to multiple factors including market driven factors.
- The revenues generated from revenue banking transactions were insignificant. Without a waiver from the HKEx or an applicable exemption, these transactions would be subject to various percentage ratio tests which cater for different types of connected transactions and as such may produce anomalous results.

For the year ended 31 December 2022, the Group provided Temasek with money market and foreign exchange revenue transactions that were revenue transactions in nature.

As a result of the Passive Investor Exemption and the Waiver, the vast majority of the Company's transactions with Temasek and its associates fall outside of the connected transactions regime. However, non-revenue transactions with Temasek or any of its associates continue to be subject to monitoring for connected transaction issues.

The Company confirms that:

- The revenue banking transactions entered into with Temasek in 2022 were below the 5 per cent threshold for the revenue ratio test under the HK Listing Rules; and
- It will continue to monitor revenue banking transactions with Temasek during the three years ending 31 December 2024 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded.

The Company therefore satisfied the conditions of the Waiver.

Non-revenue transaction with Temasek

The following non-revenue transaction between Temasek and the Group was entered into and during the year ended 31 December 2022 and relevant announcement had been made by the Company on 3 November 2022 in accordance with the HK Listing Rules:

On 3 November 2022, the Company's wholly owned subsidiary, Standard Chartered Overseas Holdings Limited ("SCOHL"), entered into a share subscription agreement with Partior Pte. Ltd. ("Partior") ("Share Subscription Agreement"), pursuant to which SCOHL agreed to subscribe for 31,923 ordinary shares and 9,036,404 Series A preference shares in Partior (collectively the "Subscription Shares") at a price of US$2.573 per Subscription Share, and for a total subscription price of US$23,332,806 in order to acquire 25% shareholding in Partior, subject to the satisfaction of certain conditions.

On completion of the Share Subscription Agreement, SCOHL will enter into a shareholders' agreement ("Shareholders' Agreement") with Partior, Silverheels Investments Pte. Ltd. ("Silverheels"), DBS Finnovation Pte. Ltd. and JPMC Strategic Investments I Corporation (with the latter two collectively the "Other Transaction Parties"). The Shareholders' Agreement contains terms and shareholder rights customary for transactions of this nature, including as to board representation, voting, transfer restrictions and exit provisions. Regarding the Other Transaction Parties, to the best of the Company's knowledge, information and belief having made all reasonable enquiry, save for DBS Finnovation Pte. Ltd. in which Temasek is an indirect substantial shareholder, JPMC Strategic Investments I Corporation and its ultimate beneficial owner are both independent third parties of the Company and connected persons of the Company. Immediately before the signing of the Share Subscription Agreement, Partior's shares were held by Silverheels and the Other Transaction Parties in equal proportion.

The equity investment in Partior builds on the Company's desire to shape the Future of Payments by assuring the Company could provide a payment foundation that is able to meet its clients' emerging needs. It allows the Company to deepen its blockchain innovation capabilities and ramp up its commitment to building a more transparent, efficient and secure infrastructure for global value movement.

As Temasek is a substantial shareholder of the Company as defined under the HK Listing Rules, Temasek is a connected person of the Company. By virtue of Temasek holding more than 30% of its issued share capital, via Silverheels, Temasek's indirect wholly-owned subsidiary, Partior is also a connected person of the Company. Pursuant to Chapter 14A of the HK Listing Rules, SCOHL's entry into the Share Subscription Agreement between SCOHL and Partior and the Shareholders' Agreement between SCOHL, Partior, Silverheels and the Other Transaction Parties constitutes a connected transaction for the Company.

As at 31 December 2022, Standard Chartered Overseas Holdings Limited had changed its name to Standard Chartered Strategic Investments Limited.

Fixed assets

Details of additions to fixed assets are presented in Note 18 to the financial statements.

Loan capital

Details of the loan capital of the Company and its subsidiaries are set out in Notes 22 and 27 to the financial statements.

Debenture issues and equity-linked agreements

During the financial year ended 31 December 2022, the Company made no issuance of debentures or equity-linked agreements.

Risk management[1]

The Board is responsible for maintaining and reviewing the effectiveness of the risk management system. An ongoing process for identifying, evaluating and managing the significant risks that we face is in place. The Board is satisfied that this process constitutes a robust assessment of all of the principal risks, topical and emerging risks and Integrated risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

Key areas of risk on financial instruments for the directors included the impairment of loans and advances and valuation of financial instruments held at fair value. This risk assessment and management is explained further in the Audit Committee Key areas and Action taken on pages 164 and 165.

The Risk review and Capital review on **pages 236 and 325** sets out the principal risks, topical and emerging risks and integrated risks, our approach to risk management, including our risk management principles, an overview of our Enterprise Risk Management Framework and the risk management and governance practices for each principal risk type. The Board-approved Risk Appetite Statement can be found on **pages 301 to 309**

In accordance with Article 435(1)(e) of the UK onshored Capital Requirements Regulation, and the Disclosure (CRR) Part of the PRA Rulebook, the Board Risk Committee, on behalf of the Board, has considered the adequacy of the risk management arrangements of the Group and has sought and received assurance that the risk management systems in place are adequate with regard to the Group's profile and strategy.

Internal control[1]

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system. Its effectiveness is reviewed regularly by the Board, its committees, the Management Team and Group Internal Audit.

For the year ended 31 December 2022, the Board Risk Committee has reviewed the effectiveness of the Group's system of internal control. As part of this review, affirmation was received from the Interim GCRO (in situ at the time of the review as the new GCRO awaited regulatory approval) that the Group's risk management and internal control framework is materially effective and improvement areas were highlighted for management attention. Group Internal Audit represents the third line of defence and provides independent assurance of the effectiveness of management's control of business activities (the first line) and of the control processes maintained by the Risk Framework Owners and Policy Owners (the second line). The audit programme includes obtaining an understanding of the processes and systems under audit review, evaluating the design of controls, and testing the operating effectiveness and outcomes of key controls. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology. The Board considers the internal control systems of the Company to be effective and adequate.

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

Group Internal Audit reports regularly to the Audit Committee, the Group Chairman and the Group Chief Executive; and the Group Head, Internal Audit reports directly to the Chair of the Audit Committee and administratively to the Group Chief Executive. The findings of all adverse audits are reported to the Audit Committee, the Group Chairman and the Group Chief Executive where immediate corrective action is required.

The Board Risk Committee is responsible for exercising oversight, on behalf of the Board, of the key risks of the Group. It reviews the Group's Risk Appetite Statement and Enterprise Risk Management Framework and makes recommendations to the Board. The Audit Committee is responsible for oversight and advice to the Board on matters relating to financial reporting. The Committee's role is to review, on behalf of the Board, the Group's internal controls including internal financial controls.

The risk management approach starting on **page 295** describes the Group's risk management oversight committee structure.

Our business is conducted within a developed control framework, underpinned by policy statements and standards. There are written policies and standards designed to ensure the identification and management of risk, including Credit Risk, Traded Risk, Treasury Risk, Operational and Technology Risk, Information and Cyber Security Risk, Compliance Risk, Financial Crime Risk, Model Risk, Climate Risk and Reputational and Sustainability Risk. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines.

Delegated authorities are documented and communicated. Executive risk committees regularly review the Group's risk profile. The performance of the Group's businesses is reported regularly to senior management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Financial information is prepared using appropriate accounting policies, which are applied consistently.

Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions. In respect of handling inside information, we have applied relevant controls on employees who may handle inside information, including controls over the dissemination of such information and their dealings in the Company's shares. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Employee policies and engagement

We work hard to ensure that our employees are kept informed about matters affecting or of interest to them, and more importantly have the opportunities to provide feedback and engage in a dialogue.

We continue to listen and act on feedback from colleagues to ensure internal communications are timely, informative, meaningful, and in support of the Group's strategy and transformation. In addition to the Bridge (our primary internal communications platform) which allows colleagues to receive key updates, exchange ideas and provide feedback, we also leverage a range of channels including email, digital newsletters with customised content for each employee segment, audio and video calls, virtual and face-to-face townhalls, and other staff engagement and recognition events. To continue to improve the way we communicate and ensure our employee communications remain relevant, we also periodically analyse and measure the impact of our communications through a range of survey and feedback tools. We are currently assessing our suite of communication channels as we prepare to launch improved solutions and discontinue those that are less effective.

Our senior leaders and people leaders continue to play a critical role in engaging our teams across the network, ensuring that they are kept up to date on key business developments related to our performance and strategy. We provide additional support to our people leaders with specific calls and communications packs to help them provide context and guidance to their team members to better understand their role in executing and delivering the Group's strategy.

Across the organisation, regular team meetings with people leaders, one-to-ones and various management meetings provide an important platform for colleagues to discuss and clarify key issues. Regular performance conversations provide the opportunity to discuss how individuals, the team and the business area have contributed to our overall performance and how any compensation awards relate to this. The Group's senior leadership also regularly share global, business, function, region and market updates on performance, strategy, structural changes, HR programmes, community involvement and other campaigns.

The Board engages with and listens to the views of the workforce through several sources, including through interactive engagement sessions. More information can be found on pages 162 and 177 in the Directors' report.

Employees, past, present and future can follow our progress through the Group's LinkedIn network and Facebook page, as well as other social network channels including Instagram, which collectively have over 2.4 million followers.

The diverse range of internal and external communication tools and channels we have put in place ensure that all our colleagues receive timely and relevant information to support their effectiveness.

The wellbeing of our employees is central to our thinking about benefits and support, so that they can thrive at work and in their personal lives. Our Group minimum standards provide employees with a range of flexible working options, in relation to both location and working patterns. In terms of leave, employees are provided with at least thirty days' leave (through annual leave and public holidays), a minimum of twenty calendar weeks' fully paid maternity leave, a minimum of two calendar weeks of leave for spouses or partners, and two calendar weeks for adoption leave. Combined, this is above the International Labour Organisation minimum standards.

We seek to build productive and enduring partnerships with various employee representative bodies (including unions and work councils). In our recognition and interactions, we are heavily influenced by the 1948 United Nations Universal Declaration of Human Rights (UDHR), and several International Labour Organisation (ILO) conventions including the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) and the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87). 14 per cent of employees across 19 markets have collective representation through unions or employee representative bodies. The working conditions and terms of employment of other employees are based on our Group and country policies, and in accordance with individual employment contracts issued by the Group.

The Group Grievance Standard provides a formal framework for dealing with concerns that employees have in relation to their employment or another colleague, which affects them directly, and cannot be resolved through informal mechanisms, such as counselling, coaching or mediation. This can include concerns related to bullying, harassment, discrimination and victimisation, as well as concerns regarding conditions of employment (for example, health and safety, new working practices or the working environment). Employees can raise grievances to their People Leader or a Human Resources (HR) Representative. The global process for addressing grievances involves an HR representative and a member of the business reviewing the grievance, conducting fact finding into the grievance and providing a written outcome to the aggrieved employee. If a grievance is upheld, the next steps might include remedying a policy or process, or initiating a disciplinary review of the conduct of the colleague who is the subject of the grievance. The Group Grievance Standard and accompanying process is reviewed on a periodic basis in consultation with stakeholders across HR, Legal, Compliance and Shared Investigative Services. Grievance trends are reviewed on a quarterly basis and action is taken to address any concerning trends.

There is a distinct Group Speaking Up Policy which covers instances where an employee wishes to 'blow the whistle' on actual, planned or potential wrongdoing by another employee or the Group.

The Group is committed to creating a fair, consistent, and transparent approach to making decisions in a disciplinary context. This commitment is codified in our Fair Accountability Principles, which underpin our Group Disciplinary Standard. Dismissals due to misconduct issues and/or performance (where required by law to follow a disciplinary process) are governed by the Group Disciplinary Standard. Where local law or regulation requires a different process with regards to dismissals and other disciplinary outcomes, we have country variances in place.

Our Group Diversity and Inclusion Standard has been developed to ensure a respectful workplace, with fair and equal treatment, diversity and inclusion, and the provision of opportunities for employees to participate fully and reach their full potential in an appropriate working environment. The Group aims to provide equality of opportunity for all, protect the dignity of employees and promote respect at work. All individuals are entitled to be treated with dignity and respect, and to be free from harassment, bullying, discrimination and victimisation. This helps to support productive working conditions, decreased staff attrition, positive employee morale and engagement, maintains employee wellbeing, and reduces people-related risk. All employees and contractors are required to take personal responsibility to comply with the Standard, including conducting themselves in a manner that demonstrates appropriate, non-discriminatory behaviours.

The Group is committed to provide equal opportunities and fair treatment in employment. We do not accept unlawful discrimination in our recruitment or employment practices on any grounds including but not limited to: sex, race, colour, nationality, ethnicity, national or indigenous origin, disability, age, marital or civil partner status, pregnancy or maternity, sexual orientation, gender identity, expression or reassignment, HIV or AIDS status, parental status, military and veterans status, flexibility of working arrangements, religion or belief. We strive for recruitment, appraisals, pay and conditions, training, development, succession planning, promotion, grievance/disciplinary procedures and employment termination practices that are inclusive and accessible; and that do not directly or indirectly discriminate. Recruitment, employment, training, development and promotion decisions are based on the skills, knowledge and behaviour required to perform the role to the Group's standards. Implied in all employment terms is the commitment to equal pay for equal work. We will also make reasonable workplace adjustments (including during the hiring process) to ensure all individuals feel supported and are able to participate fully and reach their potential. If employees become disabled, we will proactively seek to support them with appropriate training and workplace adjustments where possible and explore every opportunity to ensure their employment continues.

Health and safety

Our Health, Safety and Wellbeing (HSW) programme covers both mental and physical health and wellbeing. The Group complies with both external regulatory requirements and internal policy and standards for HSW in all markets. It is Group policy to ensure that the more stringent of the two requirements is always met, ensuring our HSW practices meet or exceed the regulatory minimum. Compliance rates are reported at least biannually to each country's Management Team.

We follow the ILO code of practice on recording and notification of occupational accidents and diseases, as well as aligning to UK Health and Safety Executive, and ensuring we meet all local H&S regulatory reporting requirements. We record and report all work-related illness and injuries, including sub-contractors, visitors and clients.

HSW performance and risks are reported annually to the Group Risk Committee and Board Risk Committee. We use a health and safety management system across all countries to ensure a consistently high level of health and safety reporting for all our colleagues and clients.

The Bank sponsors medical and healthcare services for all employees, except in markets where cover is provided through State-mandated healthcare, which represent less than 0.5 per cent of the Group's employees. All staff also have access to professional counselling via our Employee Assistance Program, as well as to more proactive mental health support through our holistic wellbeing app and wellbeing platform.

Furthermore, we consider and treat mental health in the same way that we would treat physical health. Our global Mental Health First Aid (MHFA) programme offers help to someone developing a mental health problem, experiencing a worsening of an existing mental illness or a mental health crisis. The mental health support is given until appropriate professional help is received, or the crisis resolved. To date we have trained over 500 mental health first aiders in 48 markets, covering more than 99 per cent of colleagues.

In 2022, we recorded one work-related fatality where a contractor was fatally injured when crossing a road in Pakistan. Major injuries (per the UK Health & Safety Executive definition) decreased from 24 in 2021 to 21, with fractures the most common type of major injury (21%).

Overall, reported injuries increased by 5.1% per cent, with 'slips/trips/falls' and 'transport/commuting' remaining the most common causes of injury. Our injury rates remain aligned to, or better than industry benchmarks. Hazards and near miss reports increased 23% per cent between 2021 and 2022, and all premises are inspected at least annually to identify any hazards, risks, and incidences of non-compliance. The overall increase in accidents and incidents was due to the large increase in staff returning to office locations in 2022 after the lockdowns and restrictions of 2021.

One hundred and twenty of our largest premises were certified with the WELL Health & Safety Rating; an evidence-based, third-party certification that validates our efforts to address the hygiene and safety of our workspaces during COVID-19 and prepare our buildings for re-entry post-pandemic.

Our regular Workplace Experience survey, conducted across 60 countries, returned our highest ever H&S and security satisfaction scores. The Health and Wellbeing index increased by 7%, and staff reported improved scores for work-life balance, wellbeing at home, and overall wellbeing. Staff also reported that our workplace design better supports their wellbeing and physical health compared with previous years.

Throughout 2022, the COVID-19 pandemic reduced its impact, with lockdowns and restrictions easing across most markets and staff returning to the office in greater numbers. That said, we still encourage flexible and hybrid work arrangements as part of our Future Work Now programme. A H&S online assessment tool is available for staff to assess their home working area for hazards, with a virtual assessments of the individual's work environment. All staff opting to work flexibly received an allowance to purchase ergonomic office equipment. Our work injury insurance covers all staff working from home.

Health, Safety & Security training is mandatory for all colleagues' training, and 2022 saw both our initial and annual refresher training packages completely updated and refreshed, with emphasis on mental health and wellbeing, as well as work from home aspects.

Major customers

Our five largest customers together accounted for 1.9 per cent of our total operating income in the year ended 31 December 2022.

Major suppliers

In 2022, $4.3 billion was spent with approximately 11,700 suppliers. Of this, 74 per cent of the total spend was spent in the Asia region, with 18 per cent in Europe and the Americas, and 8 per cent in Africa and the Middle East.

Furthermore, 80 per cent of total spend in 2022 was with 465 suppliers. In addition, 80 per cent of carbon emissions were with 652 suppliers. In 2022, our five largest suppliers together accounted for 14 per cent of total spend, with the largest ten amounting to 21 per cent of total spend.

Supply chain management

To support the operation of our businesses we source a variety of goods and services governed through a third-party risk management framework which ensures that we follow the highest standards in terms of vendor selection, due diligence, and contract management.

For information about how the Group engages with suppliers on environmental and social matters, please see our Supplier Charter and Supplier Diversity and Inclusion Standard.

As set out under the UK Modern Slavery Act 2015, the Group is required to publish a Modern Slavery Statement annually. The Group's 2022 Modern Slavery Statement is issued at the same time as the Annual Report. This document gives further detail on the actions the Group has taken as it seeks to prevent modern slavery and human trafficking in its operations, financing and supply chain during 2022.

Our Supplier Charter and Supplier Diversity and Inclusion standard can be viewed at **sc.com/suppliercharter and sc.com/supplierdiversity**

Details of how we create value for our suppliers and other stakeholder groups can be found on **pages 54 to 63**

Product responsibility

We aim to design and offer products based on client needs to ensure fair treatment and outcomes for clients.

The Group has in place a risk framework, comprising policies and standards, to support these objectives in alignment with our Conduct Risk Framework. This framework covers sales practices, client communications, appropriateness and suitability, and post-sales practices. There are controls across all activities above and the controls are tested on a regular basis to provide assurance on the framework. As part of this, we ensure products sold are suitable for clients and comply with relevant laws and regulations. We also review our products on a periodic basis and refine them to keep them relevant to the changing needs of clients and regulators.

We have processes and guidelines specific to each of our client industries, to promptly resolve client complaints and understand and respond to client issues. Conduct considerations are given significant weighting in frontline incentive structures to drive the right behaviours.

For more information on our approach to product design, product pricing, treating customers fairly and protecting customers, and incentivising our frontline employees, see pages 55 and 56. For more information on fraud identification see page 121.

Safeguarding intellectual property rights

The Group has processes in place to manage the Group's trade mark rights and it respects third party intellectual property rights.

Group Code of Conduct

The Board has adopted a Group Code of Conduct (the Code) relating to the lawful and ethical conduct of business and this is supported by the Group's valued behaviours. This has been communicated to all directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, employees and regulators in the communities in which the Group operates. Directors and employees are asked to recommit to the Code annually, and 99.5 per cent have completed the 2022 recommitment. All Board members have recommitted to the Code.

Managing environmental and social risk

The Board is responsible for ensuring that high standards of responsible business are maintained and that an effective control framework is in place. This encompasses risk associated with clients' operations and their potential impact on the environment, including climate change, and local communities.

The Board recognises its responsibility to manage these risks and that failure to manage them adequately could have adverse impact on stakeholders as well as the Group. The Board, via the Culture and Sustainability Committee, reviews sustainability priorities, and oversees the development of, and delivery against, public commitments regarding the activities and/or businesses that the Group will or will not accept in alignment with our here for good brand promise.

At a management level, the Chief Sustainability Officer is responsible for Sustainable Finance, which incorporates E&S risk management. A cross-business Sustainability Forum is responsible for developing and delivering the Group's sustainability strategy, and in 2022 this Forum was chaired by the Group Head, Corporate Affairs, Brand & Marketing from January to July, and from August onwards 2022 by the Chief Sustainability Officer.

The Group Responsibility and Reputational Risk Committee (GRRRC), chaired by the Group Head, Conduct, Financial Crime and Compliance, oversees management of the Reputational and Sustainability Risk profile for the Group, including oversight of our Position Statements and associated risk tolerance thresholds.

Community engagement

We collaborate with local partners to support social and economic development in communities across our markets. We are committed to sustainable social and economic development through our business, operations and communities. We aim to create more inclusive economies by sharing our skills and expertise and developing community initiatives that transform lives. We continue to support our communities through Futuremakers by Standard Chartered, our global initiative to tackle youth economic inclusion and enable the next generation to learn, earn and grow. For more information on Futuremakers, as well as our employee volunteering and community investment expenditure, please see pages 122 to 123 in the 'Sustainability' section and page 492.

ESG reporting guide

Compliance with Listing Rules

We comply with the requirements for environmental, social and governance reporting under Appendix 27 of the Hong Kong Listing Rules with the exception of A1.3 on hazardous waste and A1.6 on production and handling of hazardous waste and A2.5 on packaging and B2.2 on lost days due to work injury. As an office-based financial services provider, we generate minimal hazardous waste or packaging material. As such, these issues are not material and we do not report them.

We aim to design and offer products based on client needs to ensure fair treatment and outcomes for clients. The Group has in place a risk framework, comprising policies and standards, to support these objectives in alignment with our Conduct Risk Framework. This framework covers sales practices, client communications, appropriateness and suitability, and post-sales practice. As part of this, we ensure products sold are suitable for clients and comply with relevant laws and regulations. The Group does not manufacture products and therefore does not have a defined quality assurance process or recall procedures; nor does it sell or ship products that would be liable for return on health and safety grounds.

Compliance with Task Force on Climate-related Financial Disclosures (TCFD)

In line with our 'comply or explain' obligation under the UK's Financial Conduct Authority's Listing Rules, we can confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended Disclosures in this Annual Report, except for one area: we do not fully disclose Scope 3 greenhouse gas emissions as we currently focus on the sectors which are most carbon intensive. Further information is available on pages 79 to 80.

In line with the current UK Listing Rules requirements, our TCFD disclosures also take into account the implementation guidance included in the TCFD 2021 Annex.

EU Taxonomy

The European Union Sustainable Finance Taxonomy ("EU Taxonomy") is a classification system that establishes a list of environmentally sustainable economic activities. It has come into force as of 1 January 2022 for entities falling within the scope of disclosures.

Standard Chartered Bank AG has assessed that implementation of the EU Taxonomy is not mandatory for Standard Chartered Bank AG at this stage given certain qualification thresholds; however, given the amendments introduced by the Corporate Sustainability Reporting Directive ("CSRD") Standard Chartered Bank AG and Standard Chartered PLC (the Group) have commenced preparation to embed EU Taxonomy classifications and metrics and will continue to monitor expected policy developments from the European Commission concerning guidance on Taxonomy Alignment and Technical Screening Criteria to incrementally enhance our assessment and support reporting as required.

In this regard, the Group is developing digital capability to help facilitate reporting against the different taxonomies that are being developed across the jurisdictions in which the Group operates. As the EU Taxonomy is the most advanced, the digital solution will adopt a rules-based approach to assess if a client and any client activity with the Group is in-scope and eligible for EU Taxonomy reporting. The intention is to expand this digital capability to include local taxonomy reporting and climate-related financial disclosures requirements.

The Group will consider taxonomy alignment in our business decisions, including at a client and transaction level, as well as more broadly at a sector strategy level. Given our footprint across Europe/UK, Asia, Africa and the Middle East, we need to continually review our ability to assess taxonomy-alignment based on information available from clients and through our due diligence process.

Environmental impact of our operations

We aim to minimise the environmental impact of our operations as part of our commitment to be a responsible company. We report on energy, water and non-hazardous waste data which become the basis of our Greenhouse Gas (GHG) emissions management, as well as the targets we have set to reduce energy, water and waste consumption.

Disclosures related to the Group's environmental policies as well as GHG, energy efficiency, water and waste performance metrics are included in the Sustainability section of the Strategic Report on pages 74 and 75, and in the Supplementary Environment Data table on pages 489 to 491.

Our reporting methodology is based upon the World Resources Institute/ World Business Council for Sustainable Development Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised Edition). We report on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations.

Using conversion factors from the International Energy Agency 2021 Emissions Factors and the UK Government's Department for Business, Energy & Industrial Strategy, emissions are reported in metric tonnes of carbon dioxide equivalent (tCO_2e), encompassing the six Kyoto gases.

Scope 1 emissions are defined as arising from the consumption of energy from direct sources, during the use of property occupied by the Group. On-site combustion of fuels, including diesel, liquefied petroleum gas (LPG) and natural gas, is recorded using meters, or where metering is not available, collated from fuel vendors' invoices. Emissions from the combustion of fuel in Group-operated transportation devices, as well as fugitive emissions, are excluded as being immaterial.

Scope 2 emissions are defined as arising from the consumption of indirect sources of energy, during the use of property occupied by the Group. Energy generated off-site in the form of purchased electricity, heat, steam or cooling, is collected as kilowatt hours consumed using meters or where metering is not available, collated from vendor's invoices.

Applicable to both Scope 1 and 2 emissions, we include all indirect and direct sources of energy consumed by building services (amongst other activities) within the space occupied by the Group, leased or owned. This can include base building services under landlord control, but over which we typically hold a reasonable degree of influence.

All data centre facilities with conditioning systems and hardware remaining under the operational control of the Group are included in the reporting. This does not include energy used at outsourced data centre facilities which are captured under Scope 3, Category 1.

Scope 3 emissions occur as a consequence of the Group's activities but arising from sources not controlled by us. We have made great strides to enhance our Scope 3 GHG reporting for both upstream and downstream categories. Further information on the principles and methodologies used to calculate the GHG emissions of the Group can be found on pages 74 to 83 within the Strategic Report and in our reporting criteria document at **sc.com/environmentcriteria.**

Reporting period

The reporting period of our Scope 1 and 2, Scope 3 Category 6 (business flights), Scope 3 Category 1 (data centres) and environmental resource efficiency data is from 1 October 2021 to 30 September 2022. This allows sufficient time for independent assurance to be gained on our Scope 1 and 2 emissions prior to the publication of results. Our Scope 1 and 2 emissions are assured by an independent body, Global Documentation, against the requirements of ISO14064.

Accordingly, the operating income used in this inventory corresponds to the same time period rather than the calendar year used in financial reporting.

It is noted that there is a one year lag on data used for financed emissions. This is a result of time taken for our clients to report their financial and carbon emission information. Therefore, the Group's baseline as released in 2021 utilised the 2020 year-end balance sheet date for client exposures, financial and carbon information and the 2022 updated financed emissions utilises the 2021 year end balances. We still refer to these as the 2022 and 2021 updates.

Assurance

Our Scope 1 and 2 emissions are independently assured by Global Documentation, in accordance with ISO 14064.

	Units	2022	2021	2020
Reporting coverage of data				
Headcount	No. of employees	**83,266**	81,957	83,657
Annual operating income from 1 October to 30 September	$ million	**15,863**	14,541	15,233
Net internal area of occupied property	m^2	**946,234**	998,571	1,050,414
Greenhouse gas emissions (location based)[1]				
Scope 1 & 2: 2				
Scope 1 emissions (combustion of fuels)	tCO_2e	**2,071**	2,902	3,988
Scope 2 emissions (purchased electricity – location based)	tCO_2e	**47,363**	82,761	113,870
Scope 1 & 2 emissions (location based)	tCO_2e	**49,434**	85,662	117,858
Scope 1 & 2 emissions (UK and offshore area only)	tCO_2e	**–**	–	–
Scope 3:				
Purchased goods (Global data centres)	tCO_2e	**706**	43,132	29,562
Business travel (Air travel)	tCO_2e	**39,107**	3,654	33,930
Total scope 1,2 and 3	tCO_2e	**89,247**	132,448	181,350
T GHG emissions – Intensity:				
Total Scope 1, 2 & 3 emissions/headcount	tCO_2e/headcount/year	**1.07**	1.62	2.17
Total Scope 1, 2 & 3 emissions/operating income	tCO_2e/$m	**5.63**	9.11	11.91
Environmental resource efficiency				
Energy				
Indirect non-renewable energy consumption	GWh/year	**142**	142	184
Indirect renewable energy consumption	GWh/year	**24**	28	14
Direct non-renewable energy consumption	GWh/year	**10**	12	17
Direct renewable energy consumption	GWh/year	**1**	1	1
Energy consumption[3]	GWh/year	**177**	183	216
Energy consumption (UK and offshore area only)	GWh/year	**6**	5	–
Energy consumption/Headcount	kWH/headcount/year	**2,129**	2,233	2,544

1 Standard Chartered measures greenhouse gas emissions using the Greenhouse Gas emissions protocol

2 Despite only a 5 per cent reduction in our measured real estate, we reduced our Scope 1 and 2 emissions by more than 42 per cent to 49,434 tonnes during 2022. This has been possible through a consumption reduction of 3 per cent to 177.3 GWh through energy-efficient investment, plus a 12 per cent increase in renewable energy (being through direct power purchase agreements, green utilities and renewable energy certificates) across the portfolio.

3 Included in energy consumption is our scope 1 emissions from the combustion of fuel. This energy usage has been measured in litres of fuel and converted to GWh/year using an energy intensity factor

Further detail on our environment performance, as well as associated assumptions and methodologies can be found on **pages 74 to 83** within the Strategic Report and in our reporting criteria document at **sc.com/environmentcriteria.**

Electronic communication

The Board recognises the importance of good communications with all shareholders. Directors are in regular contact with our institutional shareholders and general presentations are made when we announce our financial results. The AGM presents an opportunity to communicate with all shareholders. Our shareholders are encouraged to receive our corporate documents electronically. The annual and interim financial statements, Notice of AGM and any dividend circulars are all available electronically. If you do not already receive your corporate documents electronically and would like to do so in future, please contact our registrars at the address on page 509. Shareholders are also able to vote electronically on the resolutions being put to the AGM through our registrars' website at investorcentre.co.uk.

Annual General Meeting

Our 2023 AGM will be held at 11:00am (UK time) (6:00pm Hong Kong time) on 3 May 2023. Further details regarding the format, location and business to be transacted will be disclosed within the 2023 Notice of AGM.

Our 2022 AGM was held on 4 May 2022 at 11:00am (UK time) (6:00pm Hong Kong time). Special business at the meeting included the approval of the power to allot ECAT1 Securities for cash without certain formalities.

+ All Board recommended resolutions were passed at the meeting; a shareholder requisitioned resolution concerning a proposed revision to the Group's net-zero pathway was not passed, the details of which can be viewed on our website at **sc.com/agm**

Non-audit services

The Group's non-audit services policy ("the policy") was reviewed and approved by the Audit Committee on 22 September 2022. The policy is based on an overriding principle that, to avoid any actual or perceived conflicts of interest, the Group's auditor should only be used when either there is evidence that there is no alternative in terms of quality and there is no conflict with their duties as auditor. EY can be used where the work is required by a regulator or competent authority.

The policy clearly sets out the criteria for when the Audit Committee's prior written approval is required. The policy requires a conservative approach to be taken to the assessment of requests for EY to provide non-audit services. Subject to the overriding principle, the Audit Committee's view is that EY can be of value in a range of non-audit service activities and should be allowed to tender subject to the terms of the policy. The Group is required to take a conservative approach to interpreting the potential threats to auditor independence and requires commensurately robust safeguards against them.

UK legislation and guidance from the FRC sets out threats to audit independence, including self-interest, self-review, familiarity, taking of a management role or conducting advocacy. In particular, maintaining EY's independence from the Group requires EY to avoid taking decisions on the Group's behalf. It is also recognised as essential that management retains the decision-making capability as to whether to act on advice given by EY as part of a non-audit service. This means not just the ability to action the advice given, but to have sufficient knowledge of the subject matter to be able to make a reasoned and independent judgement as to its validity.

All of this is contained within the policy.

By way of (non-exhaustive) illustration of the application of the principles set out in the policy, the following types of non-audit services are likely to be permissible under the policy:

- Reviews of interim financial information and verification of interim profits – the Group would also extend this to work on investor circulars in most foreseeable circumstances
- Extended audit or assurance work on financial information and/or financial or operational controls, where this work is closely linked to the audit engagement
- Agreed upon procedures on materials within or referenced in the annual report of the Group or an entity within the Group
- Internal control review services

Strictly prohibited under the policy:

- Bookkeeping, information technology and internal audit services
- Corporate finance services, valuation services or litigation support
- Tax or regulatory structuring proposals
- Services where fees are paid on a contingent basis (in whole or in part)
- Consulting services that actively assist in running the business in place of management as opposed to providing or validating information, which management then utilises in the operation of the business

The policy is not a prescribed list of non-audit services that EY is permitted to provide. Rather, each request for EY to provide non-audit services will be assessed on its own merits. The Audit Committee believes that such a case-by-case approach best accommodates (i) the need for the appropriate rigour and challenge to be applied to each request for EY to provide non-audit services while (ii) preserving sufficient flexibility for the Group to engage EY to provide non-audit services where they are able to deliver particular value to the Group and where the proposed services can be provided without compromising EY's objectivity and independence. To ensure that the Group will comply with a cap that limits fees on non-audit services provided by EY to under 70 per cent of the average Group audit fee from the previous three consecutive financial years, (which will apply from EY's fourth year of being the Group's external auditor), the policy requires that annual non-audit service fees are lower than 70 per cent of the average annual Group audit fee up to this time. The caps exclude audit related non-audit services and services carried out pursuant to law or regulation. For 2022, without deducting non-audit service fees which were required by law or regulation and performed by EY, the ratio was 0.3:1. Details relating to EY's remuneration as the Group statutory auditor and a description of the broad categories of the types of non-audit services provided by EY are given in Note 38 to the financial statements.

Auditor

The Audit Committee reviews the appointment of the Group's statutory auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the auditors for non-audit services and the balance of audit and non-audit fees paid.

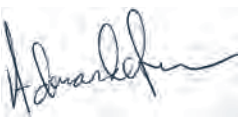
Following an annual performance and effectiveness review of EY, it was felt that EY is considered to be effective, objective and independent in its role as Group statutory auditor.

Each director believes that there is no relevant information of which our Group statutory auditor is unaware. Each has taken all steps necessary as a director to be aware of any relevant audit information and to establish that the Group statutory auditor is made aware of any pertinent information.

EY will be in attendance at the 2023 AGM. A resolution to re-appoint EY as auditor was proposed at the Company's 2022 AGM and was successfully passed.

EY is a Public Interest Entity Auditor recognised in accordance with the Hong Kong Financial Reporting Council Ordinance.

By order of the Board



Adrian de Souza
Group Company Secretary

16 February 2023

Standard Chartered PLC
Registered No. 966425

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law:

- The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards and International Financial Reporting Standards as adopted by the European Union;
- The Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with UK-adopted International Accounting Standards and International Financial Reporting Standards as adopted by the European Union;
- Assess the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control[1] as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the emerging risks and uncertainties that they face

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Andy Halford
Group Chief Financial Officer

16 February 2023

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group

Risk review and Capital review

Real-time trade transaction status with Trade Track-It

In October, we launched Trade Track-It, a digital transaction-tracking portal which gives our clients end-to-end visibility of their trade-transaction status globally.

The tool is integrated with DHL's tracking system and Lloyd's List Intelligence's vessel-tracking solution providing our clients, and their customers, with 24/7 access to near real time updates for trade transactions, document delivery and vessel status.

Before the introduction of Trade Track-It, clients would have to wait hours – and sometimes days – for an update on the status of their trade transactions and related document and goods flows.

Read more online at **sc.com/tradetrackit**

Risk review and Capital review

The following parts of the Risk review and Capital review form part of these financial statements and are audited by the external auditors:

- **a) Risk review:** Disclosures marked as 'audited' from the start of Credit risk section (page 236) to the end of other principal risks in the same section (page 301); and
- **b) Capital review:** Tables marked as 'audited' from the start of 'Capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (pages 321 to 322).

Risk profile

Credit Risk (audited)

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 16 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 contractual obligations to pay the Group. Credit exposures arise from both the banking and trading books.

Impairment model

IFRS 9 mandates an impairment model that requires the recognition of expected credit losses (ECL) on all financial debt instruments held at amortised cost, Fair Value through Other Comprehensive Income (FVOCI), undrawn loan commitments and financial guarantees.

Staging of financial instruments

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month expected credit loss provision is recognised.

Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit-impaired (stage 3).

Instruments will transfer to stage 2 and a lifetime expected credit loss provision is recognised when there has been a significant change in the Credit Risk compared to what was expected at origination.

The framework used to determine a significant increase in Credit Risk is set out below.

Stage 1
- 12-month ECL
- Performing

Stage 2
- Lifetime expected credit loss
- Performing but has exhibited significant increase in Credit Risk (SICR)

Stage 3
- Credit-impaired
- Non-performing

IFRS 9 expected credit loss principles and approaches

The main methodology principles and approach adopted by the Group are set out in the following table.

Title	Description	Supplementary information	Page
Approach for determining expected credit losses	For material loan portfolios, the Group has adopted a statistical modelling approach for determining expected credit losses that makes extensive use of credit modelling. These models leveraged existing advanced internal ratings based (IRB) models, where these were available. Where model performance breaches model monitoring thresholds or validation standards, a post model adjustment may be required to correct for identified model issues, which will be removed once those issues have been remedied.	IFRS 9 expected credit loss methodology Determining lifetime expected credit loss for revolving products Post-model adjustments	269 269 276
Incorporation of forward-looking information	The determination of expected credit loss includes various assumptions and judgements in respect of forward-looking macroeconomic information. Refer to pages 271 to 274 for incorporation of forward-looking information, forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity and sensitivity of expected credit loss calculation to macroeconomic variables. Judgemental adjustments, including management overlays may also be used to capture risks not identified in the models.	Incorporation of forward-looking information and impact of non-linearity Forecast of key macroeconomic variables underlying the expected credit loss calculation Judgemental adjustments and sensitivity to macroeconomic variables	271 272 275

Title	Description	Supplementary information	Page
Significant increase in Credit Risk (SICR)	Expected credit loss for financial assets will transfer from a 12-month basis (stage 1) to a lifetime basis (stage 2) when there is a significant increase in Credit Risk (SICR) relative to that which was expected at the time of origination, or when the asset becomes credit-impaired. On transfer to a lifetime basis, the expected credit loss for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date. SICR is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Group's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, the weight of which will depend on the type of product and counterparty.	Quantitative criteria Significant increase in Credit Risk thresholds Specific qualitative and quantitative criteria per segment: Corporate, Commercial & Institutional Banking (CCIB) clients Consumer and Business Banking clients Private Banking clients Debt securities	278 279 279 279 279 279 280
Assessment of credit-impaired financial assets	Credit-impaired (stage 3) financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay. This definition is consistent with internal Credit Risk management and the regulatory definition of default. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death. It also includes credit-related modifications of contractual cashflows due to significant financial difficulty (forbearance) where the Group has granted concessions that it would not ordinarily consider. Interest income for stage 3 assets is recognised by applying the original effective interest rate to the net asset amount (that is, net of credit impairment provisions). When financial assets are transferred from stage 3 to stage 2, any contractual interest recovered in excess of the interest income recognised while the asset was in stage 3 is reported within the credit impairment line.	Consumer and Business Banking clients CCIB and Private Banking clients	280 280
Transfers between stages	Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit-impaired. Assets will not be considered credit-impaired only if the customer makes payments such that the obligations are current in line with the original contractual terms. Assets may transfer to stage 1 if they are no longer considered to have experienced a significant increase in Credit Risk. This will be immediate when the original probability of default based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in Credit Risk no longer applies (and as long as none of the other transfer criteria apply).	Movement in loan exposures and expected credit losses	247
Modified financial assets	Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cashflows and the modified cashflows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument. If the modification is credit related, such as forbearance or where the Group has granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's Credit Risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms with the remaining lifetime PD based on the original contractual terms.	COVID-19 relief measures Forbearance and other modified loans	255 256
Governance and application of expert credit judgement in respect of expected credit losses	The models used in determining ECL are reviewed and approved by the Group Credit Model Assessment Committee and have been validated by Group model validation, which is independent of the business. A quarterly model monitoring process is in place that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds. Where a model's performance breaches the monitoring thresholds then an assessment of whether an ECL adjustment is required to correct for the identified model issue is completed. The determination of expected credit losses requires a significant degree of management judgement which had an impact on governance processes, with the output of the expected credit models assessed by the IFRS 9 Impairment Committee.	Group Credit Model Assessment Committee IFRS 9 Impairment Committee	280 281

Maximum exposure to Credit Risk (audited)

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 31 December 2022, 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 reduced by $6 billion to $790 billion (31 December 2021: $796 billion).

Loans and advances to customers increased by $12 billion to $311 billion (31 December 2021: $298 billion). This includes a $24 billion increase in Treasury and securities backed loans held to collect partly offset by a $13 billion reduction from risk-weighted asset optimisation actions undertaken by CCIB and a $8 billion reduction from currency translation. Excluding the above, there was 3 per cent underlying loan growth, with growth in Trade partly offset by deleveraging in Wealth Management.

Excluding reverse repurchase agreements, loans and advances to customers reduced by $5 billion. The reduction was primarily in the CPBB business and was mainly driven by a decrease in Private Bank exposure (largely from UK, Hong Kong, and Singapore in all classes) and Residential Mortgage segment in Korea (due to tightened Debt Service Ratio following new government guidelines). This was partly offset by $0.6 billion increase in Ventures from portfolio growth in Mox and the launch of Trust Bank in Singapore.

Derivative exposures increased by $11.3 billion to $64 billion and investment debt securities increased by $9 billion to $172 billion. This was offset by a decrease of $14 billion of cash and balances at Central banks.

Off-balance sheet instruments increased by $12 billion to $229 billion, driven by higher undrawn commitments which increased from $159 billion to $169 billion.

	2022				2021			
		Credit risk management				Credit risk management		
	Maximum exposure $million	Collateral[8] $million	Master netting agreements $million	Net exposure $million	Maximum exposure $million	Collateral[8] $million	Master netting agreements $million	Net exposure $million
On-balance sheet								
Cash and balances at central banks	**58,263**			**58,263**	72,663			72,663
Loans and advances to banks[1]	**39,519**	**978**		**38,541**	44,383	1,079		43,304
of which – reverse repurchase agreements and other similar secured lending[7]	**978**	**978**		**–**	1,079	1,079		–
Loans and advances to customers[1]	**310,647**	**135,194**		**175,453**	298,468	131,397		167,071
of which – reverse repurchase agreements and other similar secured lending[7]	**24,498**	**24,498**		**–**	7,331	7,331		–
Investment securities – Debt securities and other eligible bills[2]	**171,640**			**171,640**	162,700			162,700
Fair value through profit or loss[3,7]	**102,575**	**64,491**	**–**	**38,084**	123,234	80,009	–	43,225
Loans and advances to banks	**976**			**976**	3,847			3,847
Loans and advances to customers	**6,546**			**6,546**	9,953			9,953
Reverse repurchase agreements and other similar lending[7]	**64,491**	**64,491**		**–**	80,009	80,009		–
Investment securities – Debt securities and other eligible bills[2]	**30,562**			**30,562**	29,425			29,425
Derivative financial instruments[4,7]	**63,717**	**9,206**	**50,133**	**4,378**	52,445	8,092	39,502	4,851
Accrued income	**2,706**			**2,706**	1,674			1,674
Assets held for sale	**1,388**			**1,388**	52			52
Other assets[5]	**39,295**			**39,295**	40,068			40,068
Total balance sheet	**789,750**	**209,869**	**50,133**	**529,748**	795,687	220,577	39,502	535,608
Off-balance sheet[6]								
Undrawn Commitments	**168,668**	**2,951**		**165,717**	158,523	3,848		154,675
Financial Guarantees and other equivalents	**60,410**	**2,592**		**57,818**	58,535	2,240		56,295
Total off-balance sheet	**229,078**	**5,543**	**–**	**223,535**	217,058	6,088	–	210,970
Total	**1,018,828**	**215,412**	**50,133**	**753,283**	1,012,745	226,665	39,502	746,578

1 An analysis of credit quality is set out in the credit quality analysis section (page 240). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 257)

2 Excludes equity and other investments of $808 million (31 December 2021: $737 million). Further details are set out in Note 13 Financial instruments

3 Excludes equity and other investments of $3,230 million (31 December 2021: $5,861 million). Further details are set out in Note 13 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 Hong Kong certificates of indebtedness, 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

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.

Analysis of financial instrument by stage (audited)

The total balance of financial instruments held increased by $15.3 billion to $858 billion (31 December 2021: $843 billion).

Total stage 1 balances increased by $22 billion, of which around $16 billion was in loans and advances to customers, primarily due to increased levels of reverse repurchase agreements in Central and other items segment. CPBB decreased by $5.2 billion due to mortgages and secured wealth. CCIB increased by $4 billion to $126 billion (31 December 2021: $122 billion). Off-balance sheet exposures increased by $15 billion primarily in undrawn commitments from increased customer demand.

Stage 2 financial instruments reduced to $28.1 billion (31 December 2021: $34.6 billion) due to exposure changes and transfers to stage 1 in CCIB, particularly in the Transport, telecoms and utilities and Energy sectors, partly offset by increase in commercial real estate, primarily in Asia. As a result, the proportion of loans and advances to customers classified in stage 2 reduced by $3.8 billion.

Stage 3 financial instruments were stable at $9.3 billion (31 December 2021: $9.1 billion).

	2022											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million	Gross balance[1] $million	Total credit impairment $million	Net carrying value $million
Cash and balances at central banks	57,643	–	57,643	333	(8)	325	295	–	295	58,271	(8)	58,263
Loans and advances to banks (amortised cost)	39,149	(9)	39,140	337	(3)	334	59	(14)	45	39,545	(26)	39,519
Loans and advances to customers (amortised cost)	295,219	(559)	294,660	13,043	(444)	12,599	7,845	(4,457)	3,388	316,107	(5,460)	310,647
Debt securities and other eligible bills[5]	166,103	(25)		5,455	(90)		144	(106)		171,702	(221)	
Amortised cost	59,427	(9)	59,418	271	(2)	269	78	(51)	27	59,776	(62)	59,714
FVOCI[2]	106,676	(16)		5,184	(88)		66	(55)		111,926	(159)	–
Accrued income (amortised cost)[4]	2,706		2,706			–			–	2,706	–	2,706
Assets held for sale	1,083	(6)	1,077	262	(4)	258	120	(67)	53	1,465	(77)	1,388
Other assets	39,294	–	39,294	–	–	–	4	(3)	1	39,298	(3)	39,295
Undrawn commitments[3]	162,958	(41)		5,582	(53)		128	–		168,668	(94)	
Financial guarantees, trade credits and irrevocable letters of credit[3]	56,683	(11)		3,062	(28)		665	(147)		60,410	(186)	
Total	820,838	(651)		28,074	(630)		9,260	(4,794)		858,172	(6,075)	

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 (2021: $33 million) originated credit-impaired debt securities with impairment of $13 million (2021: Nil)

	2021											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance[1] $million	Total credit impair-ment $million	Net carrying value $million	Gross balance[1] $million	Total credit impair-ment $million	Net carrying value $million	Gross balance[1] $million	Total credit impair-ment $million	Net carrying value $million	Gross balance[1] $million	Total credit impair-ment $million	Net carrying value $million
Cash and balances at central banks	72,601	–	72,601	66	(4)	62	–	–	–	72,667	(4)	72,663
Loans and advances to banks (amortised cost)	43,776	(12)	43,764	580	(4)	576	54	(11)	43	44,410	(27)	44,383
Loans and advances to customers (amortised cost)	279,178	(473)	278,705	16,849	(524)	16,325	8,095	(4,657)	3,438	304,122	(5,654)	298,468
Debt securities and other eligible bills[5]	157,352	(67)		5,315	(42)		113	(66)		162,780	(175)	
Amortised cost	41,092	(13)	41,079	200	(1)	199	113	(66)	47	41,405	(80)	41,325
FVOCI[2]	116,260	(54)		5,115	(41)		–	–		121,375	(95)	
Accrued income (amortised cost)[4]	1,674		1,674			–			–	1,674	–	1,674
Assets held for sale[4]	52		52			–			–	52	–	52
Other assets	40,067	–	40,067	–	–	–	4	(3)	1	40,071	(3)	40,068
Undrawn commitments[3]	149,530	(42)		8,993	(60)		–	–		158,523	(102)	
Financial guarantees, trade credits and irrevocable letters of credit[3]	54,923	(15)		2,813	(22)		799	(207)		58,535	(244)	
Total	799,153	(609)		34,616	(656)		9,065	(4,944)		842,834	(6,209)	

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 $33 million originated credit-impaired debt securities and Nil impairment

Credit quality analysis (audited)

Credit quality by client segment

For CCIB, 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. Consumer and Business Banking portfolios are analysed by days past due and Private Banking by the type of collateral held.

Mapping of credit quality

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

	Corporate, Commercial & Institutional Banking			Private Banking[1]	Consumer & Business Banking[4]
Credit quality description	**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+	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+[2]	0.426 to 15.75	Class II and Class III	Loans past due till 29 days
Higher risk	Grade 12	CCC+ to C[3]	15.751 to 99.999	Stressed Assets Group (SAG) 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: BB to CCC/C

3 Banks' rating: CCC to C

4 Medium enterprise clients within Business Banking are managed using the same internal credit grades 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 increased by $16 billion to $295 billion (31 December 2021: $279 billion) and represent an increase of 1 percentage point to 93 per cent of loans and advances to customers (31 December 2021: 92 per cent). The stage 1 coverage ratio remained at 0.2 per cent compared with 31 December 2021.

In CCIB, the proportion of stage 1 loans has increased to $126 billion, being 88 per cent (31 December 2021: 85 per cent), and the percentage of stage 1 loans rated as strong is higher at $90 billion, being 71 per cent (31 December 2021: 64 per cent) as the Group continues to focus on the origination of investment grade lending. This is primarily due to a $10.5 billion increase in exposures in Financing, insurance and non-banking from a few notable clients, $1.5 billion from rating upgrades in Transport, telecom and utilities clients, offset by $2.8 billion decrease in Manufacturing and $5.3 billion decrease in China Real Estate sector from repayments and downgrades into stage 2.

CPBB stage 1 loans decreased by $5 billion to $129 billion (31 December 2021: $134 billion), mainly driven by a decrease in Private Bank exposure (largely from UK, Hong Kong, and Singapore in all classes), and a decrease in exposure of the Residential Mortgage segment in Korea (due to tightened Debt Service Ratio following new government guidelines). The proportion of loans and advances rated as strong increased to 97 per cent (31 December 2021: 96 per cent).

Ventures increased by $609 million to $691 million (31 December 2021: $82 million) from new lending in Mox Bank and the launch of Trust Bank in Singapore.

Central and other items segment increased by $17 billion to $39.1 billion (31 December 2021: $22.4 billion), due to higher levels of reverse repurchase agreements with Non Bank Financial Institutions and placements with governments.

Stage 2:

Stage 2 loans and advances to customers decreased by $4 billion to $13.0 billion (31 December 2021: $16.8 billion), primarily in CCIB due to exposure reductions and rating upgrades in Transport, telecom and utilities sectors, $1 billion decrease in the Energy sector, offset by increase in stage 2 in China commercial real estate. The proportion of stage 2 loans also reduced to 4.1 per cent (31 December 2021: 5.5 per cent).

Stage 2 loans to customers classified as 'Higher risk' was at $1.8 billion due to the downgrade of Pakistan. This was largely offset by downgrades to stage 3 primarily as a result of Sri Lanka and Ghana sovereign rating downgrade.

CPBB stage 2 loans reduced by $0.2 billion primarily due to the transfers into stage 1 arising from the change in Credit Risk thresholds for certain credit card portfolios, largely in Asia.

The overall stage 2 cover ratio increased by 0.3 per cent to 3.4 per cent (31 December 2021: 3.1 per cent). CCIB cover ratio increased to 2.8 per cent (31 December 2021: 2.3 per cent) primarily within higher risk exposures from sovereign downgrades offset by full release of COVID-19 overlay. CPBB stage 2 cover ratio decreased to 7.2 per cent (31 December 2021: 9.5 per cent), primarily driven by the release of $30 million of COVID-19 management overlays arising from the reassessment of residual risk after manifestation of such risk through individual impairments, partly offset by worsening macroeconomic variables and portfolio maturity in the China loan book.

Stage 3:

Gross stage 3 loans decreased by $0.3 billion to $7.8 billion (31 December 2021: $8.1 billion) as a result of upgrades and debt sales in CCIB which was offset by the downgrade of Sri Lanka and Ghana and China commercial real estate clients.

CPBB stage 3 loans were materially unchanged at $1.5 billion, the $0.1 billion decrease was largely in Secured wealth and Mortgages portfolio.

Ventures stage 3 was $1 million primarily driven by downgrades in Mox Bank Hong Kong.

Central and other items stage 3 balances increased to $248 million (31 December 2021: Nil) due to downgrade of local currency loans to Sri Lanka Sovereign.

Loans and advances by client segment (audited)

	2022							
		Customers						
Amortised cost	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
Stage 1	39,149	126,261	129,134	691	39,133	295,219	162,958	56,683
– Strong	27,941	89,567	124,734	685	39,133	254,119	148,303	39,612
– Satisfactory	11,208	36,694	4,400	6	–	41,100	14,655	17,071
Stage 2	337	11,355	1,670	18	–	13,043	5,582	3,062
– Strong	148	2,068	1,215	10	–	3,293	1,449	522
– Satisfactory	119	7,783	146	4	–	7,933	3,454	2,134
– Higher risk	70	1,504	309	4	–	1,817	679	406
Of which (stage 2):								
– Less than 30 days past due	5	109	148	4	–	261	–	–
– More than 30 days past due	6	23	310	4	–	337	–	–
Stage 3, credit-impaired financial assets	59	6,143	1,453	1	248	7,845	128	665
Gross balance[1]	39,545	143,759	132,257	710	39,381	316,107	168,668	60,410
Stage 1	(9)	(143)	(406)	(10)	–	(559)	(41)	(11)
– Strong	(3)	(43)	(332)	(10)	–	(385)	(28)	(3)
– Satisfactory	(6)	(100)	(74)	–	–	(174)	(13)	(8)
Stage 2	(3)	(323)	(120)	(1)	–	(444)	(53)	(28)
– Strong	–	(30)	(62)	(1)	–	(93)	(6)	–
– Satisfactory	(2)	(159)	(17)	–	–	(176)	(42)	(15)
– Higher risk	(1)	(134)	(41)	–	–	(175)	(5)	(13)
Of which (stage 2):								
– Less than 30 days past due	–	(2)	(17)	–	–	(19)	–	–
– More than 30 days past due	–	(1)	(41)	–	–	(42)	–	–
Stage 3, credit-impaired financial assets	(14)	(3,662)	(776)	(1)	(18)	(4,457)	–	(147)
Total credit impairment	(26)	(4,128)	(1,302)	(12)	(18)	(5,460)	(94)	(186)
Net carrying value	39,519	139,631	130,955	698	39,363	310,647		
Stage 1	0.0%	0.1%	0.3%	1.4%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.0%	0.3%	1.5%	0.0%	0.2%	0.0%	0.0%
– Satisfactory	0.1%	0.3%	1.7%	0.0%	0.0%	0.4%	0.1%	0.0%
Stage 2	0.9%	2.8%	7.2%	5.6%	0.0%	3.4%	0.9%	0.9%
– Strong	0.0%	1.5%	5.1%	10.0%	0.0%	2.8%	0.4%	0.0%
– Satisfactory	1.7%	2.0%	11.6%	0.0%	0.0%	2.2%	1.2%	0.7%
– Higher risk	1.4%	8.9%	13.3%	0.0%	0.0%	9.6%	0.7%	3.2%
Of which (stage 2):								
– Less than 30 days past due	0.0%	1.8%	11.5%	0.0%	0.0%	7.3%	0.0%	0.0%
– More than 30 days past due	0.0%	4.3%	13.2%	0.0%	0.0%	12.5%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	23.7%	59.6%	53.4%	100.0%	7.3%	56.8%	0.0%	22.1%
Cover ratio	0.1%	2.9%	1.0%	1.7%	0.0%	1.7%	0.1%	0.3%
Fair value through profit or loss								
Performing	24,930	44,461	28	–	2,557	47,046	–	–
– Strong	21,451	36,454	27	–	2,409	38,890	–	–
– Satisfactory	3,479	8,007	1	–	148	8,156	–	–
– Higher risk	–	–	–	–	–	–	–	–
Defaulted (CG13-14)	–	37	–	–	–	37	–	–
Gross balance (FVTPL)[2]	24,930	44,498	28	–	2,557	47,083	–	–
Net carrying value (incl FVTPL)	64,449	184,129	130,983	698	41,920	357,730	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $24,498 million under Customers and of $978 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $40,537 million under Customers and of $23,954 million under Banks, held at fair value through profit or loss

	2021 (Restated)[1]							
		Customers						
Amortised cost	Banks $million	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking[1] $million	Ventures[1] $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
Stage 1	43,776	122,368	134,289	82	22,439	279,178	149,530	54,923
– Strong	30,813	77,826	129,486	82	22,333	229,727	132,274	37,418
– Satisfactory	12,963	44,542	4,803	–	106	49,451	17,256	17,505
Stage 2	580	14,818	1,912	9	110	16,849	8,993	2,813
– Strong	126	2,366	1,253	–	–	3,619	2,786	714
– Satisfactory	105	11,180	308	–	–	11,488	5,235	1,546
– Higher risk	349	1,272	351	9	110	1,742	972	553
Of which (stage 2):								
– Less than 30 days past due	–	77	308	–	–	385	–	–
– More than 30 days past due	–	49	351	9	–	409	–	–
Stage 3, credit-impaired financial assets	54	6,520	1,575	–	–	8,095	–	799
Gross balance[2]	44,410	143,706	137,776	91	22,549	304,122	158,523	58,535
Stage 1	(12)	(103)	(369)	(1)	–	(473)	(42)	(15)
– Strong	(4)	(58)	(282)	(1)	–	(341)	(23)	(5)
– Satisfactory	(8)	(45)	(87)	–	–	(132)	(19)	(10)
Stage 2	(4)	(341)	(181)	(2)	–	(524)	(60)	(22)
– Strong	(2)	(62)	(104)	–	–	(166)	(6)	(1)
– Satisfactory	(2)	(179)	(32)	–	–	(211)	(46)	(9)
– Higher risk	–	(100)	(45)	(2)	–	(147)	(8)	(12)
Of which (stage 2):								
– Less than 30 days past due	–	(2)	(32)	–	–	(34)	–	–
– More than 30 days past due	–	(3)	(45)	(2)	–	(50)	–	–
Stage 3, credit-impaired financial assets	(11)	(3,861)	(796)	–	–	(4,657)	–	(207)
Total credit impairment	(27)	(4,305)	(1,346)	(3)	–	(5,654)	(102)	(244)
Net carrying value	44,383	139,401	136,430	88	22,549	298,468		
Stage 1	0.0%	0.1%	0.3%	1.2%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.1%	0.2%	1.2%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.1%	0.1%	1.8%	0.0%	0.0%	0.3%	0.1%	0.1%
Stage 2	0.7%	2.3%	9.5%	22.2%	0.0%	3.1%	0.7%	0.8%
– Strong	1.6%	2.6%	8.3%	0.0%	0.0%	4.6%	0.2%	0.1%
– Satisfactory	1.9%	1.6%	10.4%	0.0%	0.0%	1.8%	0.9%	0.6%
– Higher risk	0.0%	7.9%	12.8%	22.2%	0.0%	8.4%	0.8%	2.2%
Of which (stage 2):								
– Less than 30 days past due	0.0%	2.6%	10.4%	0.0%	0.0%	8.8%	0.0%	0.0%
– More than 30 days past due	0.0%	6.1%	12.8%	22.2%	0.0%	12.2%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	20.4%	59.2%	50.5%	0.0%	0.0%	57.5%	0.0%	25.9%
Cover ratio	0.1%	3.0%	1.0%	3.3%	0.0%	1.9%	0.1%	0.4%
Fair value through profit or loss								
Performing	22,574	69,356	67	–	1,774	71,197	–	–
– Strong	20,132	53,756	67	–	1,772	55,595	–	–
– Satisfactory	2,442	15,600	–	–	2	15,602	–	–
– Higher risk	–	–	–	–	–	–	–	–
Defaulted (CG13-14)	–	38	–	–	–	38	–	–
Gross balance (FVTPL)[3]	22,574	69,394	67	–	1,774	71,235	–	–
Net carrying value (incl FVTPL)	66,957	208,795	136,497	88	24,323	369,703	–	–

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

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $7,331 million under Customers and of $1,079 million under Banks, held at amortised cost

3 Loans and advances includes reverse repurchase agreements and other similar secured lending of $61,282 million under Customers and of $18,727 million under Banks, held at fair value through profit or loss

Loans and advances by client segment credit quality analysis

			Corporate, Commercial & Institutional Banking							
			2022							
			Gross				Credit impairment			
Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Strong			89,567	2,068	–	91,635	(43)	(30)	–	(73)
1A-2B	0 – 0.045	AA– and above	8,247	117	–	8,364	(4)	–	–	(4)
3A-4A	0.046 – 0.110	A+ to A-	36,379	321	–	36,700	(5)	–	–	(5)
4B-5B	0.111 – 0.425	BBB+ to BBB-/BB+	44,941	1,630	–	46,571	(34)	(30)	–	(64)
Satisfactory			36,694	7,783	–	44,477	(100)	(159)	–	(259)
6A-7B	0.426 – 1.350	BB+/BB to BB-	23,196	2,684	–	25,880	(67)	(94)	–	(161)
8A-9B	1.351 – 4.000	BB-/B+ to B+/B	9,979	3,116	–	13,095	(20)	(35)	–	(55)
10A-11C	4.001 – 15.75	B to B-/CCC+	3,519	1,983	–	5,502	(13)	(30)	–	(43)
Higher risk			–	1,504	–	1,504	–	(134)	–	(134)
12	15.751 – 99.999	CCC+/C	–	1,504	–	1,504	–	(134)	–	(134)
Credit-impaired			–	–	6,143	6,143	–	–	(3,662)	(3,662)
13-14	100	Defaulted	–	–	6,143	6,143	–	–	(3,662)	(3,662)
Total			126,261	11,355	6,143	143,759	(143)	(323)	(3,662)	(4,128)

			2021							
			Gross				Credit impairment			
Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Strong			77,826	2,366	–	80,192	(58)	(62)	–	(120)
1A-2B	0 – 0.045	AA– and above	14,013	216	–	14,229	(1)	–	–	(1)
3A-4A	0.046 – 0.110	A+ to A-	23,173	515	–	23,688	(3)	–	–	(3)
4B-5B	0.111 – 0.425	BBB+ to BBB-/BB+	40,640	1,635	–	42,275	(54)	(62)	–	(116)
Satisfactory			44,542	11,180	–	55,722	(45)	(179)	–	(224)
6A-7B	0.426 – 1.350	BB+/BB to BB-	27,009	2,894	–	29,903	(21)	(40)	–	(61)
8A-9B	1.351 – 4.000	BB-/B+ to B+/B	11,910	5,592	–	17,502	(13)	(90)	–	(103)
10A-11C	4.001 – 15.75	B to B-/CCC+	5,623	2,694	–	8,317	(11)	(49)	–	(60)
Higher risk			–	1,272	–	1,272	–	(100)	–	(100)
12	15.751 – 99.999	CCC+/C	–	1,272	–	1,272	–	(100)	–	(100)
Credit-impaired			–	–	6,520	6,520	–	–	(3,861)	(3,861)
13-14	100	Defaulted	–	–	6,520	6,520	–	–	(3,861)	(3,861)
Total			122,368	14,818	6,520	143,706	(103)	(341)	(3,861)	(4,305)

Credit grade	Consumer, Private & Business Banking 2022 Gross Stage 1	Stage 2	Stage 3	Total	Credit impairment Stage 1	Stage 2	Stage 3	Total
Strong	**124,734**	**1,215**	**–**	**125,949**	**(332)**	**(62)**	**–**	**(394)**
Secured	**107,262**	**995**	**–**	**108,257**	**(48)**	**(12)**	**–**	**(60)**
Unsecured	**17,472**	**220**	**–**	**17,692**	**(284)**	**(50)**	**–**	**(334)**
Satisfactory	**4,400**	**146**	**–**	**4,546**	**(74)**	**(17)**	**–**	**(91)**
Secured	**4,006**	**115**	**–**	**4,121**	**(11)**	**(1)**	**–**	**(12)**
Unsecured	**394**	**31**	**–**	**425**	**(63)**	**(16)**	**–**	**(79)**
Higher risk	**–**	**309**	**–**	**309**	**–**	**(41)**	**–**	**(41)**
Secured	**–**	**216**	**–**	**216**	**–**	**(6)**	**–**	**(6)**
Unsecured	**–**	**93**	**–**	**93**	**–**	**(35)**	**–**	**(35)**
Credit-impaired	**–**	**–**	**1,453**	**1,453**	**–**	**–**	**(776)**	**(776)**
Secured			**1,028**	**1,028**			**(552)**	**(552)**
Unsecured	**–**	**–**	**425**	**425**	**–**	**–**	**(224)**	**(224)**
Total	**129,134**	**1,670**	**1,453**	**132,257**	**(406)**	**(120)**	**(776)**	**(1,302)**

Credit grade	2021 (Restated[1]) Gross Stage 1	Stage 2	Stage 3	Total	Credit impairment Stage 1	Stage 2	Stage 3	Total
Strong	129,486	1,253	–	130,739	(282)	(104)	–	(386)
Secured	112,167	884	–	113,051	(48)	(19)	–	(67)
Unsecured	17,319	369	–	17,688	(234)	(85)	–	(319)
Satisfactory	4,803	308	–	5,111	(87)	(32)	–	(119)
Secured	4,524	164	–	4,688	(44)	(1)	–	(45)
Unsecured	279	144	–	423	(43)	(31)	–	(74)
Higher risk	–	351	–	351	–	(45)	–	(45)
Secured	–	250	–	250	–	(11)	–	(11)
Unsecured	–	101	–	101	–	(34)	–	(34)
Credit-impaired	–	–	1,575	1,575	–	–	(796)	(796)
Secured			1,107	1,107			(516)	(516)
Unsecured	–	–	468	468	–	–	(280)	(280)
Total	134,289	1,912	1,575	137,776	(369)	(181)	(796)	(1,346)

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated. Detailed credit quality analysis not presented as amounts are not sufficiently material

Credit quality by geographic region

The following table sets out the credit quality for gross loans and advances to customers and banks, held at amortised cost, by geographic region and stage.

Loans and advances to customers

	2022				2021			
Amortised cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross (stage 1)	248,625	17,553	29,041	295,219	235,123	19,990	24,065	279,178
Provision (stage 1)	(454)	(73)	(32)	(559)	(371)	(86)	(16)	(473)
Gross (stage 2)	8,302	3,122	1,619	13,043	8,779	4,077	3,993	16,849
Provision (stage 2)	(337)	(104)	(3)	(444)	(318)	(137)	(69)	(524)
Gross (stage 3)	4,562	2,725	558	7,845	4,448	2,918	729	8,095
Provision (stage 3)	(2,483)	(1,765)	(209)	(4,457)	(2,400)	(1,970)	(287)	(4,657)
Net loans[1]	258,215	21,458	30,974	310,647	245,261	24,792	28,415	298,468

1 Includes reverse repurchase agreements and other similar secured lending

Loans and advances to banks

	2022				2021			
Amortised cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross (stage 1)	21,806	3,818	13,525	39,149	29,916	5,828	8,032	43,776
Provision (stage 1)	(3)	(4)	(2)	(9)	(3)	(5)	(4)	(12)
Gross (stage 2)	212	116	9	337	346	144	90	580
Provision (stage 2)	(2)	(1)	–	(3)	(1)	(1)	(2)	(4)
Gross (stage 3)	59	–	–	59	54	–	–	54
Provision (stage 3)	(14)	–	–	(14)	(11)	–	–	(11)
Net loans[1]	22,058	3,929	13,532	39,519	30,301	5,966	8,116	44,383

1 Includes reverse repurchase agreements and other similar secured lending

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

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, 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 CG 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. 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 incorporate changes to model approaches and methodologies, are not reported as a separate line item as these have an impact over a number of lines and stages.

Movements during the year

Stage 1 gross exposures increased by $35 billion to $720 billion when compared with 31 December 2021. $2 billion net increase was in CCIB, from new originations largely reverse repurchase agreements from a change in booking model and undrawn commitments. There was a $2 billion net increase in CPBB due to an increase in undrawn commitments of $7 billion. Debt securities increased by $9 billion in stage 1. The rest of the increase is largely Central and other items segment due to lending to Governments in Asia.

Total stage 1 provisions increased by $36 million to $645 million. CPBB increase is $36 million primarily in unsecured lending from net change in exposures, MEV changes and book growth in Asia offset by partial release of COVID-19 overlay. CCIB provisions increased by $31 million primarily due to new originations. Debt Security provision decreased by $42 million largely due to stage transfers following sovereign downgrades in Asia and Africa and the Middle East.

Stage 2 gross exposures decreased by $7 billion to $27 billion, primarily driven by $6 billion of net outflows from exposure changes and transfers to stage 1 in CCIB, particularly in the Energy and Transport, Telecom and Utilities sectors. CPBB exposures decreased by $1.9 billion, of which $1.3 billion was from the secured portfolio. Debt securities were broadly stable as exits were offset by the sovereign downgrade of Pakistan.

Stage 2 provisions decreased by $34 million to $618 million compared to 31 December 2021. $14 million decrease is from CCIB from full release of judgemental COVID-19 overlay of $102 million offset by the impact of sovereign downgrades and an increase in provisions for China commercial real estate. CPBB provisions decreased by $67 million, mainly in unsecured lending as a result of significant increase in credit risk thresholds which resulted in a decrease of ECL of $15 million and model changes resulted in ECL decrease of $7 million, and partial release of COVID-19 overlay.

In CCIB, gross stage 3 loans decreased by $0.4 billion compared with 31 December 2021 due to upgrades and repayments offset by sovereign downgrades in Africa and the Middle East and increased exposure to China commercial real estate. CCIB provisions decreased by $0.3 billion to $3.8 billion. CPBB total stage 3 loans decreased by $0.1 billion to $1.5 billion and provision decreased by $21 million driven by Personal loans and other unsecured lending portfolio as markets returned to normalised flows following the expiry of the majority of COVID-19 relief schemes in 2021 offset by increase in provisions secured portfolio. Debt Security Gross assets increased by $31 million to $144 million (31 December 2021: $113 million) due to new downgrade of Ghana Sovereign, offset by one corporate write-off.

All segments (audited)

Amortised cost and FVOCI	Stage 1 Gross balance[3] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[3] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3[5] Gross balance[3] $million	Stage 3[5] Total credit impairment $million	Stage 3[5] Net $million	Total Gross balance[3] $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2021	642,960	(663)	642,297	39,787	(881)	38,906	10,100	(5,593)	4,507	692,847	(7,137)	685,710
Transfers to stage 1	25,975	(620)	25,355	(25,924)	620	(25,304)	(51)	–	(51)	–	–	–
Transfers to stage 2	(53,994)	211	(53,783)	54,335	(220)	54,115	(341)	9	(332)	–	–	–
Transfers to stage 3	(212)	3	(209)	(2,822)	335	(2,487)	3,034	(338)	2,696	–	–	–
Net change in exposures	84,288	(132)	84,156	(30,551)	169	(30,382)	(2,429)	661	(1,768)	51,308	698	52,006
Net remeasurement from stage changes	–	54	54	–	(157)	(157)	–	(212)	(212)	–	(315)	(315)
Changes in risk parameters	–	79	79	–	(89)	(89)	–	(915)	(915)	–	(925)	(925)
Write-offs	–	–	–	–	–	–	(1,215)	1,215	–	(1,215)	1,215	–
Interest due but unpaid	–	–	–	–	–	–	(189)	189	–	(189)	189	–
Discount unwind	–	–	–	–	–	–	–	227	227	–	227	227
Exchange translation differences and other movements[1]	(14,258)	459	(13,799)	(275)	(429)	(704)	152	(184)	(32)	(14,381)	(154)	(14,535)
As at 31 December 2021[2]	684,759	(609)	684,150	34,550	(652)	33,898	9,061	(4,941)	4,120	728,370	(6,202)	722,168
Income statement ECL (charge)/release		1			(77)			(466)			(542)	
Recoveries of amounts previously written off		–			–			288			288	
Total credit impairment (charge)/release		1			(77)			(178)			(254)	
As at 1 January 2022	**684,759**	**(609)**	**684,150**	**34,550**	**(652)**	**33,898**	**9,061**	**(4,941)**	**4,120**	**728,370**	**(6,202)**	**722,168**
Transfers to stage 1	**24,666**	**(555)**	**24,111**	**(24,633)**	**555**	**(24,078)**	**(33)**	**–**	**(33)**	**–**	**–**	**–**
Transfers to stage 2	**(46,960)**	**228**	**(46,732)**	**47,479**	**(246)**	**47,233**	**(519)**	**18**	**(501)**	**–**	**–**	**–**
Transfers to stage 3	**(176)**	**74**	**(102)**	**(3,630)**	**253**	**(3,377)**	**3,806**	**(327)**	**3,479**	**–**	**–**	**–**
Net change in exposures	**83,204**	**(137)**	**83,067**	**(24,324)**	**93**	**(24,231)**	**(1,710)**	**338**	**(1,372)**	**57,170**	**294**	**57,464**
Net remeasurement from stage changes	**–**	**45**	**45**	**–**	**(126)**	**(126)**	**–**	**(168)**	**(168)**	**–**	**(249)**	**(249)**
Changes in risk parameters	**–**	**106**	**106**	**–**	**(387)**	**(387)**	**–**	**(895)**	**(895)**	**–**	**(1,176)**	**(1,176)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(949)**	**949**	**–**	**(949)**	**949**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(157)**	**157**	**–**	**(157)**	**157**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**136**	**136**	**–**	**136**	**136**
Exchange translation differences and other movements[1]	**(25,381)**	**203**	**(25,178)**	**(1,963)**	**(108)**	**(2,071)**	**(658)**	**9**	**(649)**	**(28,002)**	**104**	**(27,898)**
As at 31 December 2022[2]	**720,112**	**(645)**	**719,467**	**27,479**	**(618)**	**26,861**	**8,841**	**(4,724)**	**4,117**	**756,432**	**(5,987)**	**750,445**
Income statement ECL (charge)/release[6]		**14**			**(420)**			**(725)**			**(1,131)**	
Recoveries of amounts previously written off		**–**			**–**			**293**			**293**	
Total credit impairment (charge)/release[4]		**14**			**(420)**			**(432)**			**(838)**	

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 gross balances of $101,743 million (2021: $114,464 million) and Total credit impairment of $88 million (2021: $7 million)

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

4 Statutory basis

5 Stage 3 gross includes $28 million (2021: $33 million) originated credit-impaired debt securities with impairment of $13 million (2021: Nil)

6 Does not include $2 million (2021: Nil) release relating to Other assets

Of which – movement of debt securities, alternative tier one and other eligible bills (audited)

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3[2]			Total		
	Gross balance $million	Total credit impairment $million	Net $million	Gross balance $million	Total credit impairment $million	Net $million	Gross balance $million	Total credit impairment $million	Net $million	Gross balance $million	Total credit impairment $million	Net[3] $million
As at 1 January 2021	149,316	(56)	149,260	3,506	(26)	3,480	114	(58)	56	152,936	(140)	152,796
Transfers to stage 1	403	(11)	392	(403)	11	(392)	–	–	–	–	–	–
Transfers to stage 2	(2,358)	16	(2,342)	2,358	(16)	2,342	–	–	–	–	–	–
Transfers to stage 3	–	–	–	–	–	–	–	–	–	–	–	–
Net change in exposures	14,670	(39)	14,631	(155)	(11)	(166)	–	1	1	14,515	(49)	14,466
Net remeasurement from stage changes	–	13	13	–	(17)	(17)	–	–	–	–	(4)	(4)
Changes in risk parameters	–	21	21	–	8	8	–	(3)	(3)	–	26	26
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements[1]	(4,679)	(11)	(4,690)	9	9	18	(1)	(6)	(7)	(4,671)	(8)	(4,679)
As at 31 December 2021	157,352	(67)	157,285	5,315	(42)	5,273	113	(66)	47	162,780	(175)	162,605
Income statement ECL (charge)/release		(5)			(20)			(2)			(27)	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment (charge)/release		(5)			(20)			(2)			(27)	
As at 1 January 2022	**157,352**	**(67)**	**157,285**	**5,315**	**(42)**	**5,273**	**113**	**(66)**	**47**	**162,780**	**(175)**	**162,605**
Transfers to stage 1	**2,296**	**(22)**	**2,274**	**(2,296)**	**22**	**(2,274)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 2	**(3,942)**	**38**	**(3,904)**	**3,942**	**(38)**	**3,904**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 3	**–**	**–**	**–**	**(66)**	**42**	**(24)**	**66**	**(42)**	**24**	**–**	**–**	**–**
Net change in exposures	**21,613**	**(44)**	**21,569**	**(752)**	**9**	**(743)**	**–**	**1**	**1**	**20,861**	**(34)**	**20,827**
Net remeasurement from stage changes	**–**	**10**	**10**	**–**	**(2)**	**(2)**	**–**	**(23)**	**(23)**	**–**	**(15)**	**(15)**
Changes in risk parameters	**–**	**38**	**38**	**–**	**(98)**	**(98)**	**–**	**(13)**	**(13)**	**–**	**(73)**	**(73)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(30)**	**30**	**–**	**(30)**	**30**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange translation differences and other movements[1]	**(11,216)**	**22**	**(11,194)**	**(688)**	**17**	**(671)**	**(5)**	**7**	**2**	**(11,909)**	**46**	**(11,863)**
As at 31 December 2022	**166,103**	**(25)**	**166,078**	**5,455**	**(90)**	**5,365**	**144**	**(106)**	**38**	**171,702**	**(221)**	**171,481**
Income statement ECL (charge)/release		**4**			**(91)**			**(35)**			**(122)**	
Recoveries of amounts previously written off		**–**			**–**			**–**			**–**	
Total credit impairment (charge)/release		**4**			**(91)**			**(35)**			**(122)**	

1 Includes fair value adjustments and amortisation on debt securities

2 Stage 3 gross includes $28 million (2021: $33 million) originated credit-impaired debt securities with impairment of $13 million (2021: Nil)

3 FVOCI instruments are not presented net of ECL. While the presentation is on a net basis for the table, the total net on-balance sheet amount to $171,640 million (31 December 2021: $162,700 million. Refer to the Analysis of financial instrument by stage table on page 239

Corporate, Commercial & Institutional Banking (audited)

	Stage 1			Stage 2			Stage 3			Total		
Amortised cost and FVOCI	**Gross balance[1] $million**	**Total credit impair-ment $million**	**Net $million**	**Gross balance[1] $million**	**Total credit impair-ment $million**	**Net $million**	**Gross balance[1] $million**	**Total credit impair-ment $million**	**Net $million**	**Gross balance[1] $million**	**Total credit impair-ment $million**	**Net $million**
As at 1 January 2021	292,453	(154)	292,299	31,742	(599)	31,143	8,422	(4,803)	3,619	332,617	(5,556)	327,061
Transfers to stage 1	21,123	(243)	20,880	(21,123)	243	(20,880)	–	–	–	–	–	–
Transfers to stage 2	(45,354)	103	(45,251)	45,556	(112)	45,444	(202)	9	(193)	–	–	–
Transfers to stage 3	(69)	–	(69)	(1,989)	164	(1,825)	2,058	(164)	1,894	–	–	–
Net change in exposures	50,762	(62)	50,700	(28,447)	133	(28,314)	(2,082)	636	(1,446)	20,233	707	20,940
Net remeasurement from stage changes	–	1	1	–	(27)	(27)	–	(145)	(145)	–	(171)	(171)
Changes in risk parameters	–	41	41	–	(105)	(105)	–	(434)	(434)	–	(498)	(498)
Write-offs	–	–	–	–	–	–	(510)	510	–	(510)	510	–
Interest due but unpaid	–	–	–	–	–	–	(224)	224	–	(224)	224	–
Discount unwind	–	–	–	–	–	–	–	191	191	–	191	191
Exchange translation differences and other movements	(5,783)	151	(5,632)	(302)	(122)	(424)	(90)	(103)	(193)	(6,175)	(74)	(6,249)
As at 31 December 2021	313,132	(163)	312,969	25,437	(425)	25,012	7,372	(4,079)	3,293	345,941	(4,667)	341,274
Income statement ECL (charge)/release[2]		(20)			1			57			38	
Recoveries of amounts previously written off		–			–			19			19	
Total credit impairment (charge)/release		(20)			1			76			57	
As at 1 January 2022	**313,132**	**(163)**	**312,969**	**25,437**	**(425)**	**25,012**	**7,372**	**(4,079)**	**3,293**	**345,941**	**(4,667)**	**341,274**
Transfers to stage 1	**17,565**	**(227)**	**17,338**	**(17,565)**	**227**	**(17,338)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 2	**(37,505)**	**48**	**(37,457)**	**37,944**	**(66)**	**37,878**	**(439)**	**18**	**(421)**	**–**	**–**	**–**
Transfers to stage 3	**(42)**	**–**	**(42)**	**(2,478)**	**134**	**(2,344)**	**2,520**	**(134)**	**2,386**	**–**	**–**	**–**
Net change in exposures	**30,508**	**(44)**	**30,464**	**(21,915)**	**65**	**(21,850)**	**(1,314)**	**340**	**(974)**	**7,279**	**361**	**7,640**
Net remeasurement from stage changes	**–**	**2**	**2**	**–**	**(42)**	**(42)**	**–**	**(104)**	**(104)**	**–**	**(144)**	**(144)**
Changes in risk parameters	**–**	**21**	**21**	**–**	**(154)**	**(154)**	**–**	**(551)**	**(551)**	**–**	**(684)**	**(684)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(384)**	**384**	**–**	**(384)**	**384**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(130)**	**130**	**–**	**(130)**	**130**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**110**	**110**	**–**	**110**	**110**
Exchange translation differences and other movements	**(8,221)**	**169**	**(8,052)**	**(1,275)**	**(150)**	**(1,425)**	**(631)**	**64**	**(567)**	**(10,127)**	**83**	**(10,044)**
As at 31 December 2022	**315,437**	**(194)**	**315,243**	**20,148**	**(411)**	**19,737**	**6,994**	**(3,822)**	**3,172**	**342,579**	**(4,427)**	**338,152**
Income statement ECL (charge)/release[2]		**(21)**			**(131)**			**(315)**			**(467)**	
Recoveries of amounts previously written off		**–**			**–**			**49**			**49**	
Total credit impairment (charge)/release		**(21)**			**(131)**			**(266)**			**(418)**	

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

2 Does not include $2 million (2021: Nil) release relating to Other assets

Consumer, Private and Business Banking (restated)[1] (audited)

Amortised cost and FVOCI	Stage 1 Gross balance[2] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[2] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[2] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[2] $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2021	182,044	(445)	181,599	4,534	(259)	4,275	1,561	(730)	831	188,139	(1,434)	186,705
Transfers to stage 1	4,450	(365)	4,085	(4,399)	365	(4,034)	(51)	–	(51)	–	–	–
Transfers to stage 2	(6,270)	89	(6,181)	6,409	(89)	6,320	(139)	–	(139)	–	–	–
Transfers to stage 3	(144)	2	(142)	(833)	172	(661)	977	(174)	803	–	–	–
Net change in exposures	14,055	(28)	14,027	(2,060)	47	(2,013)	(347)	24	(323)	11,648	43	11,691
Net remeasurement from stage changes	–	40	40	–	(113)	(113)	–	(66)	(66)	–	(139)	(139)
Changes in risk parameters	–	17	17	–	8	8	–	(480)	(480)	–	(455)	(455)
Write-offs	–	–	–	–	–	–	(705)	705	–	(705)	705	–
Interest due but unpaid	–	–	–	–	–	–	35	(35)	–	35	(35)	–
Discount unwind	–	–	–	–	–	–	–	36	36	–	36	36
Exchange translation differences and other movements	(3,275)	313	(2,962)	24	(316)	(292)	247	(77)	170	(3,004)	(80)	(3,084)
As at 31 December 2021	190,860	(377)	190,483	3,675	(185)	3,490	1,578	(797)	781	196,113	(1,359)	194,754
Income statement ECL (charge)/release		29			(58)			(522)			(551)	
Recoveries of amounts previously written off		–			–			269			269	
Total credit impairment (charge)/release		29			(58)			(253)			(282)	
As at 1 January 2022	**190,860**	**(377)**	**190,483**	**3,675**	**(185)**	**3,490**	**1,578**	**(797)**	**781**	**196,113**	**(1,359)**	**194,754**
Transfers to stage 1	**4,798**	**(314)**	**4,484**	**(4,765)**	**314**	**(4,451)**	**(33)**	**–**	**(33)**	**–**	**–**	**–**
Transfers to stage 2	**(5,498)**	**92**	**(5,406)**	**5,578**	**(92)**	**5,486**	**(80)**	**–**	**(80)**	**–**	**–**	**–**
Transfers to stage 3	**(81)**	**–**	**(81)**	**(890)**	**151**	**(739)**	**971**	**(151)**	**820**	**–**	**–**	**–**
Net change in exposures	**9,072**	**(49)**	**9,023**	**(1,611)**	**19**	**(1,592)**	**(396)**	**–**	**(396)**	**7,065**	**(30)**	**7,035**
Net remeasurement from stage changes	**–**	**32**	**32**	**–**	**(82)**	**(82)**	**–**	**(25)**	**(25)**	**–**	**(75)**	**(75)**
Changes in risk parameters	**–**	**63**	**63**	**–**	**(132)**	**(132)**	**–**	**(331)**	**(331)**	**–**	**(400)**	**(400)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(535)**	**535**	**–**	**(535)**	**535**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(27)**	**27**	**–**	**(27)**	**27**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26**	**26**	**–**	**26**	**26**
Exchange translation differences and other movements	**(5,912)**	**140**	**(5,772)**	**(166)**	**(111)**	**(277)**	**(24)**	**(60)**	**(84)**	**(6,102)**	**(31)**	**(6,133)**
As at 31 December 2022	**193,239**	**(413)**	**192,826**	**1,821**	**(118)**	**1,703**	**1,454**	**(776)**	**678**	**196,514**	**(1,307)**	**195,207**
Income statement ECL (charge)/release		**46**			**(195)**			**(356)**			**(505)**	
Recoveries of amounts previously written off		**–**			**–**			**245**			**245**	
Total credit impairment (charge)/release		**46**			**(195)**			**(111)**			**(260)**	

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

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

Consumer, Private and Business Banking – Secured (restated)[1] (audited)

Amortised cost and FVOCI	Stage 1 Gross balance[2] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[2] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[2] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[2] $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2021	127,448	(72)	127,376	3,363	(52)	3,311	1,058	(418)	640	131,869	(542)	131,327
Transfers to stage 1	2,884	(37)	2,847	(2,843)	37	(2,806)	(41)	–	(41)	–	–	–
Transfers to stage 2	(3,888)	9	(3,879)	4,007	(9)	3,998	(119)	–	(119)	–	–	–
Transfers to stage 3	(107)	1	(106)	(400)	8	(392)	507	(9)	498	–	–	–
Net change in exposures	13,009	(9)	13,000	(1,452)	3	(1,449)	(224)	24	(200)	11,333	18	11,351
Net remeasurement from stage changes	–	(1)	(1)	–	(2)	(2)	–	(1)	(1)	–	(4)	(4)
Changes in risk parameters	–	4	4	–	14	14	–	(144)	(144)	–	(126)	(126)
Write-offs	–	–	–	–	–	–	(125)	125	–	(125)	125	–
Interest due but unpaid	–	–	–	–	–	–	(3)	3	–	(3)	3	–
Discount unwind	–	–	–	–	–	–	–	34	34	–	34	34
Exchange translation differences and other movements	(2,746)	9	(2,737)	10	(31)	(21)	50	(131)	(81)	(2,686)	(153)	(2,839)
As at 31 December 2021	136,600	(96)	136,504	2,685	(32)	2,653	1,103	(517)	586	140,388	(645)	139,743
Income statement ECL (charge)/release		(6)			15			(121)			(112)	
Recoveries of amounts previously written off		–			–			68			68	
Total credit impairment (charge)/release		(6)			15			(53)			(44)	
As at 1 January 2022	**136,600**	**(96)**	**136,504**	**2,685**	**(32)**	**2,653**	**1,103**	**(517)**	**586**	**140,388**	**(645)**	**139,743**
Transfers to stage 1	**3,080**	**(28)**	**3,052**	**(3,054)**	**28**	**(3,026)**	**(26)**	**–**	**(26)**	**–**	**–**	**–**
Transfers to stage 2	**(3,254)**	**11**	**(3,243)**	**3,319**	**(11)**	**3,308**	**(65)**	**–**	**(65)**	**–**	**–**	**–**
Transfers to stage 3	**(38)**	**1**	**(37)**	**(473)**	**1**	**(472)**	**511**	**(2)**	**509**	**–**	**–**	**–**
Net change in exposures	**3,093**	**(8)**	**3,085**	**(945)**	**1**	**(944)**	**(259)**	**–**	**(259)**	**1,889**	**(7)**	**1,882**
Net remeasurement from stage changes	**–**	**1**	**1**	**–**	**(1)**	**(1)**	**–**	**(4)**	**(4)**	**–**	**(4)**	**(4)**
Changes in risk parameters	**–**	**(4)**	**(4)**	**–**	**48**	**48**	**–**	**(80)**	**(80)**	**–**	**(36)**	**(36)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(78)**	**78**	**–**	**(78)**	**78**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange translation differences and other movements	**(4,119)**	**63**	**(4,056)**	**(119)**	**(51)**	**(170)**	**(158)**	**(27)**	**(185)**	**(4,396)**	**(15)**	**(4,411)**
As at 31 December 2022	**135,362**	**(60)**	**135,302**	**1,413**	**(17)**	**1,396**	**1,028**	**(552)**	**476**	**137,803**	**(629)**	**137,174**
Income statement ECL (charge)/release		**(11)**			**48**			**(84)**			**(47)**	
Recoveries of amounts previously written off		**–**			**–**			**55**			**55**	
Total credit impairment (charge)/release		**(11)**			**48**			**(29)**			**8**	

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

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

Consumer, Private and Business Banking – Unsecured (restated)[1] (audited)

Amortised cost and FVOCI	Stage 1 Gross balance[2] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[2] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[2] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[2] $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2021	54,596	(373)	54,223	1,171	(207)	964	503	(312)	191	56,270	(892)	55,378
Transfers to stage 1	1,566	(328)	1,238	(1,556)	328	(1,228)	(10)	–	(10)	–	–	–
Transfers to stage 2	(2,382)	80	(2,302)	2,402	(80)	2,322	(20)	–	(20)	–	–	–
Transfers to stage 3	(37)	1	(36)	(433)	164	(269)	470	(165)	305	–	–	–
Net change in exposures	1,046	(19)	1,027	(608)	44	(564)	(123)	–	(123)	315	25	340
Net remeasurement from stage changes	–	41	41	–	(111)	(111)	–	(65)	(65)	–	(135)	(135)
Changes in risk parameters	–	13	13	–	(6)	(6)	–	(336)	(336)	–	(329)	(329)
Write-offs	–	–	–	–	–	–	(580)	580	–	(580)	580	–
Interest due but unpaid	–	–	–	–	–	–	38	(38)	–	38	(38)	–
Discount unwind	–	–	–	–	–	–	–	2	2	–	2	2
Exchange translation differences and other movements	(529)	304	(225)	14	(285)	(271)	197	54	251	(318)	73	(245)
As at 31 December 2021	54,260	(281)	53,979	990	(153)	837	475	(280)	195	55,725	(714)	55,011
Income statement ECL (charge)/release		35			(73)			(401)			(439)	
Recoveries of amounts previously written off		–			–			201			201	
Total credit impairment (charge)/release		35			(73)			(200)			(238)	
As at 1 January 2022	**54,260**	**(281)**	**53,979**	**990**	**(153)**	**837**	**475**	**(280)**	**195**	**55,725**	**(714)**	**55,011**
Transfers to stage 1	**1,718**	**(286)**	**1,432**	**(1,711)**	**286**	**(1,425)**	**(7)**	**–**	**(7)**	**–**	**–**	**–**
Transfers to stage 2	**(2,244)**	**81**	**(2,163)**	**2,259**	**(81)**	**2,178**	**(15)**	**–**	**(15)**	**–**	**–**	**–**
Transfers to stage 3	**(43)**	**(1)**	**(44)**	**(417)**	**150**	**(267)**	**460**	**(149)**	**311**	**–**	**–**	**–**
Net change in exposures	**5,979**	**(41)**	**5,938**	**(666)**	**18**	**(648)**	**(137)**	**–**	**(137)**	**5,176**	**(23)**	**5,153**
Net remeasurement from stage changes	**–**	**31**	**31**	**–**	**(81)**	**(81)**	**–**	**(21)**	**(21)**	**–**	**(71)**	**(71)**
Changes in risk parameters	**–**	**67**	**67**	**–**	**(180)**	**(180)**	**–**	**(251)**	**(251)**	**–**	**(364)**	**(364)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(457)**	**457**	**–**	**(457)**	**457**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(27)**	**27**	**–**	**(27)**	**27**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26**	**26**	**–**	**26**	**26**
Exchange translation differences and other movements	**(1,793)**	**77**	**(1,716)**	**(47)**	**(60)**	**(107)**	**134**	**(33)**	**101**	**(1,706)**	**(16)**	**(1,722)**
As at 31 December 2022	**57,877**	**(353)**	**57,524**	**408**	**(101)**	**307**	**426**	**(224)**	**202**	**58,711**	**(678)**	**58,033**
Income statement ECL (charge)/release		**57**			**(243)**			**(272)**			**(458)**	
Recoveries of amounts previously written off		**–**			**–**			**190**			**190**	
Total credit impairment (charge)/release		**57**			**(243)**			**(82)**			**(268)**	

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

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

Analysis of stage 2 balances

The table below analyses total stage 2 gross on-and off-balance sheet exposures and associated expected credit provisions by the key significant increase in Credit Risk (SICR) driver that caused the exposures to be classified as stage 2 as at 31 December 2022 and 31 December 2021 for each segment.

Where multiple drivers apply, the exposure is allocated based on the table order. For example, a loan may have breached the PD thresholds and could also be on non-purely precautionary early alert; in this instance, the exposure is reported under 'Increase in PD'.

	2022														
	Corporate, Commercial & Institutional Banking			Consumer, Private & Business Banking			Ventures			Central & other items			Total		
	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %
Increase in PD	**13,620**	**192**	**1.4%**	**1,389**	**89**	**6.4%**	**–**	**–**	**0.0%**	**2,973**	**11**	**0.4%**	**17,982**	**292**	**1.6%**
Non-purely precautionary early alert	**3,272**	**12**	**0.4%**	**35**	**–**	**0.0%**	**–**	**–**	**0.0%**	**5**	**–**	**0.0%**	**3,312**	**12**	**0.4%**
Higher risk (CG12)	**653**	**30**	**4.6%**	**18**	**1**	**5.6%**	**–**	**–**	**0.0%**	**2,534**	**69**	**2.7%**	**3,205**	**100**	**3.1%**
Sub-investment grade	**–**	**–**	**0.0%**	**–**	**–**	**0.0%**	**–**	**–**	**0.0%**	**95**	**11**	**11.6%**	**95**	**11**	**11.6%**
Top up/Sell down (Private Banking)	**–**	**–**	**0.0%**	**111**	**–**	**0.0%**	**–**	**–**	**0.0%**	**–**	**–**	**0.0%**	**111**	**–**	**0.0%**
Others	**2,603**	**41**	**1.6%**	**122**	**4**	**3.3%**	**–**	**–**	**0.0%**	**451**	**7**	**1.6%**	**3,176**	**52**	**1.6%**
30 days past due	**–**	**–**	**0.0%**	**146**	**12**	**8.2%**	**47**	**3**	**6.4%**	**–**	**–**	**0.0%**	**193**	**15**	**7.8%**
Management overlay	**–**	**136**	**0.0%**	**–**	**12**	**0.0%**	**–**	**–**	**0.0%**	**–**	**–**	**0.0%**	**–**	**148**	**0.0%**
Total stage 2	**20,148**	**411**	**2.0%**	**1,821**	**118**	**6.5%**	**47**	**3**	**6.4%**	**6,058**	**98**	**1.6%**	**28,074**	**630**	**2.2%**

	2021 (Restated)[1]														
	Corporate, Commercial & Institutional Banking			Consumer, Private & Business Banking			Ventures			Central & other items			Total		
	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %	Gross $million	ECL $million	Coverage %
Increase in PD	14,737	187	1.3%	2,704	123	4.5%	–	–	0.0%	4,691	22	0.5%	22,132	332	1.5%
Non-purely precautionary early alert	5,000	26	0.5%	83	–	0.0%	–	–	0.0%	–	–	0.0%	5,083	26	0.5%
Higher risk (CG12)	1,075	37	3.4%	27	1	3.2%	–	–	0.0%	631	20	3.1%	1,733	58	3.3%
Sub-investment grade	235	1	0.3%	–	–	0.0%	–	–	0.0%	–	–	0.0%	235	1	0.3%
Top up/Sell down (Private Banking)	–	–	0.0%	493	1	0.2%	–	–	0.0%	–	–	0.0%	493	1	0.2%
Others	4,390	8	0.2%	178	2	1.2%	–	–	0.0%	173	2	1.3%	4,741	12	0.3%
30 days past due	–	–	0.0%	190	16	8.7%	9	2	22.2%	–	–	0.0%	199	18	9.3%
Management overlay	–	166	0.0%	–	42	0.0%	–	–	0.0%	–	–	0.0%	–	208	0.0%
Total stage 2	25,437	425	1.7%	3,675	185	5.0%	9	2	22.2%	5,495	44	0.8%	34,616	656	1.9%

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

The majority of exposures and the associated expected credit loss provisions continue to be in stage 2 due to increases in the probability of default.

The amount of exposures in CCIB placed on non-purely precautionary early alert and PD have decreased from repayments and upgrades offset by sovereign downgrade of Pakistan.

In CPBB, 10 per cent of the provisions held against stage 2 arise from the application of the 30 days past due backstop, although this represents only 8 per cent of exposures.

Central and other items segment has seen a significant increase in the 'Higher risk' category as at 31 December 2022 due to Pakistan Sovereign downgrade.

'Others' primarily incorporates exposures where origination data is incomplete and the exposures are allocated into stage 2.

Credit impairment charge (restated)[1] (audited)

The ongoing credit impairment was a net charge of $838 million (31 December 2021: $263 million), which consists of $432 million in stage 3 (31 December 2021: $185 million) and $406 million in stage 1 and 2 (31 December 2021: $78 million).

Stage 1 and 2 impairment charge increased by $328 million to $406 million (31 December 2021: $78 million), including a $83 million charge relating to the sovereign ratings downgrade of Pakistan into credit grade 12. The management overlay relating to stage 1 and 2 assets was $210 million (31 December 2021: $344 million). There was a $212 million reduction in the COVID-19 element of the overlay, which now total $37 million, whereas the element relating to China commercial real estate sector increased by $78 million to $173 million.

CCIB Stage 1 and 2 impairments of $148 million are driven by China commercial real estate downgrades including a $78 million increase for China commercial real estate overlay and sovereign downgrades in Africa and the Middle East which is offset by $102 million full release of COVID-19 overlay. Stage 3 impairment of $279 million is largely from China commercial real estate downgrades, clients' rating changes due to the Sri Lanka and Ghana Sovereign rating downgrades, offset by releases and repayments of a few notable clients.

CPBB charge decreased by $20 million to $262 million (31 December 2021: $282 million). Stage 1 and 2 charge increased by $121 million to $150 million (31 December 2021: $29 million). Stage 3 charge decreased by $141 million to $112 million (31 December 2021: $253 million) as markets returned to normalised flows following the expiry of majority of COVID-19 relief schemes in 2021. In 2022, there were increased charges for Korea and Taiwan due to worsening macroeconomic forecasts, as well as China due to portfolio maturity and book growth. This was offset by a net release of $110 million (31 December 2021: $15 million) in management overlays and a $25 million release from significant increase in Credit Risk (SICR) methodology changes and model updates largely in the Asia region.

Ventures impairment charge increased by $13 million to $16 million (31 December 2021: $3 million) due to book growth in Mox Bank and Trust Bank Singapore.

Central and other items stage 1 and 2 impairments of $95 million was driven by the sovereign downgrade in Ghana and Pakistan. Stage 3 charge of $38 million was driven by the sovereign downgrade of Ghana and Sri Lanka.

	2022			2021 (Restated)[1]		
	Stage 1 & 2 $million	Stage 3 $million	Total $million	Stage 1 & 2 $million	Stage 3 $million	Total $million
Ongoing business portfolio						
Corporate, Commercial & Institutional Banking	**148**	**279**	**427**	23	(67)	(44)
Consumer, Private & Business Banking[1]	**150**	**112**	**262**	29	253	282
Ventures[1]	**13**	**3**	**16**	3	–	3
Central & other items	**95**	**38**	**133**	23	(1)	22
Credit impairment charge	**406**	**432**	**838**	78	185	263
Restructuring business portfolio						
Others	**(2)**	**–**	**(2)**	(2)	(7)	(9)
Credit impairment charge	**(2)**	**–**	**(2)**	(2)	(7)	(9)
Total credit impairment charge	**404**	**432**	**836**	76	178	254

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

COVID-19 relief measures

The table below sets out the extent to which payment reliefs are in place across the Group's CPBB loan portfolio based on the amount outstanding at 31 December 2022. The accounting for temporary changes to loan contractual term is unchanged from that presented on page 220 of the 2021 Annual Report.

COVID-19 payment-related relief measures in most markets have now expired. The CPBB loans under payment relief schemes reduced to $237 million ($184 million is from secured products) compared to $1.2 billion at the end of 2021 and a peak of $8.9 billion in the first half of 2020, with the remaining balance concentrated in Asia. This represents 0.2 per cent of CPBB's gross loans and advances to customers, mainly in Hong Kong, China and India.

	Total		Asia		Africa & Middle East	
Segment[1]/Product	Outstanding $million	% of portfolio[2]	Outstanding $million	% of portfolio[2]	Outstanding $million	% of portfolio[2]
Credit card & Personal loans	**14**	**0.1%**	**14**	**0.1%**	**–**	**–**
Mortgages & Auto	**90**	**0.1%**	**90**	**0.1%**	**–**	**–**
Business Banking	**133**	**1.3%**	**133**	**1.4%**	**–**	**–**
Total Consumer, Private & Business Banking at 31 December 2022	**237**	**0.2%**	**237**	**0.2%**	**–**	**–**
Total Consumer, Private & Business Banking at 31 December 2021	1,182	0.9%	1,029	0.9%	153	3.1%

1 Outstanding relief balance for Corporate, Commercial and Institutional Banking are less than $100 million (31 December 2021: $1,195 million) and nil (31 December 2021: nil) for Ventures[3]

2 Percentage of portfolio represents the outstanding amount as a percentage of the gross loans and advances to customers by product and segment

3 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate segment from 1 January 2022

Problem credit management and provisioning (audited)

Forborne and other modified loans by client segment

A forborne loan arises when a concession has been made to the contractual terms of a loan in response to a customer's financial difficulties.

Net forborne loans decreased by $404 million to $1,125 million (31 December 2021: $1,529 million), of which $176 million decrease was in performing forborne loans and $228 million decrease was in non-performing forborne loans. Performing forborne loans reduction in CCIB was driven by COVID-19 relief measures in 2021 which have expired across most of our markets while non-performing forborne loans reduction was due to a major repayment.

The table below presents loans with forbearance measures by segment.

	2022				2021			
Amortised cost	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Total $million	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures[1] $million	Total $million
All loans with forbearance measures	2,129	377	–	2,506	2,526	406	–	2,932
Credit impairment (stage 1 and 2)	(1)	–	–	(1)	(4)	–	–	(4)
Credit impairment (stage 3)	(1,253)	(127)	–	(1,380)	(1,237)	(162)	–	(1,399)
Net carrying value	875	250	–	1,125	1,285	244	–	1,529
Included within the above table								
Gross performing forborne loans	89	63	–	152	272	59	–	331
Modification of terms and conditions[2]	89	63	–	152	257	59	–	316
Refinancing[3]	–	–	–	–	15	–	–	15
Impairment provisions	(1)	–	–	(1)	(4)	–	–	(4)
Modification of terms and conditions[2]	(1)	–	–	(1)	(4)	–	–	(4)
Refinancing[3]	–	–	–	–	–	–	–	–
Net performing forborne loans	88	63	–	151	268	59	–	327
Collateral	7	60	–	67	65	56	–	121
Gross non-performing forborne loans	2,040	314	–	2,354	2,253	348	–	2,601
Modification of terms and conditions[2]	1,997	314	–	2,311	2,095	348	–	2,443
Refinancing[3]	43	–	–	43	158	–	–	158
Impairment provisions	(1,253)	(127)	–	(1,380)	(1,237)	(162)	–	(1,399)
Modification of terms and conditions[2]	(1,210)	(127)	–	(1,337)	(1,106)	(162)	–	(1,268)
Refinancing[3]	(43)	–	–	(43)	(131)	–	–	(131)
Net non-performing forborne loans	787	187	–	974	1,016	186	–	1,202
Collateral	243	68	–	311	236	62	–	298

1 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022

2 Modification of terms is any contractual change apart from refinancing, as a result of credit stress of the counterparty, i.e. interest reductions, loan covenant waivers

3 Refinancing is a new contract to a lender in credit stress, such that they are refinanced and can pay other debt contracts that they were unable to honour

Forborne and other modified loans by region

Net forborne loans decreased by $404 million to $1,125 million (31 December 2021: $1,529 million), driven by CCIB mainly due to a repayment within Europe and the Americas.

	2022				2021			
Amortised cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Performing forborne loans	129	9	13	151	205	76	46	327
Stage 3 forborne loans	568	144	262	974	572	137	493	1,202
Net forborne loans	697	153	275	1,125	777	213	539	1,529

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

Gross stage 3 loans for the Group is $7.8 billion (31 December 2021: $8.1 billion). The reduction in loans was primarily driven by the following:

In CCIB, stage 3 loans decreased by $0.4 billion to $6.1 billion (31 December 2021: $6.5 billion) due to $2.4 billion outflows in debt sales, write-offs and material upgrades. This was offset by $2 billion inflows due to downgrades of Ghana and Sri Lanka Sovereign related clients as well as China commercial real estate clients.

CPBB stage 3 loans were materially unchanged at $1.5 billion with $0.1 billion decrease from mortgages and secured wealth products.

Ventures loans increased to $1 million (31 December 2021: Nil) due to downgrades in Mox Bank Hong Kong.

Central and other items includes new inflows relating to local currency default of Sri Lanka.

Stage 3 cover ratio (audited)

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 cover ratio increased by 1 per cent to 60 per cent (31 December 2021: 59 per cent) due to repayments and write-offs, which was offset by provisions taken on Ghana Sovereign downgrade and China commercial real estate clients.

The CPBB cover ratio increased by 2 per cent to 53 per cent (31 December 2021: 51 per cent) due to stage 3 loan balances reducing across secured wealth and mortgage portfolios.

	2022					2021 (Restated)[1]				
	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[1] $million	Ventures $million	Central & Others $million	Total $million
Gross credit-impaired	6,143	1,453	1	248	7,845	6,520	1,575	–	–	8,095
Credit impairment provisions	(3,662)	(776)	(1)	(18)	(4,457)	(3,861)	(796)	–	–	(4,657)
Net credit-impaired	2,481	677	–	230	3,388	2,659	779	–	–	3,438
Cover ratio	60%	53%	100%	7%	57%	59%	51%	–	–	58%
Collateral ($ million)	956	543	–	–	1,499	805	641	–	–	1,446
Cover ratio (after collateral)	75%	91%	100%	7%	76%	72%	91%	–	–	75%

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

Credit-impaired (stage 3) loans and advances by geographic region

Stage 3 gross loans decreased by $0.3 billion to $7.8 billion (31 December 2021: $8.1 billion). The decrease was primarily driven by CCIB debt sales and repayments in Africa and the Middle East and in Europe and the Americas regions offset by the sovereign downgrade of Ghana and Sri Lanka.

	2022				2021			
Amortised cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross credit-impaired	4,562	2,725	558	7,845	4,448	2,918	729	8,095
Credit impairment provisions	(2,483)	(1,765)	(209)	(4,457)	(2,401)	(1,970)	(286)	(4,657)
Net credit-impaired	2,079	960	349	3,388	2,047	948	443	3,438
Cover ratio	54%	65%	37%	57%	54%	68%	39%	58%

Credit Risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting arrangements, credit insurance and credit derivatives, taking into account expected volatility and guarantees.

The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

A secured loan is one where the borrower pledges an asset as collateral of which the Group is able to take possession in the event that the borrower defaults.

The unadjusted market value of collateral across all asset types, in respect of CCIB, without adjusting for over-collateralisation, was $345 billion (31 December 2021: $346 billion).

The collateral values in the table below (which covers loans and advances to banks and customers, excluding those held at fair value through profit or loss) are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. The extent of overcollateralization has been determined with reference to both the drawn and undrawn components of exposure as this best reflects the effect of collateral and other credit enhancements on the amounts arising from expected credit losses. The value of collateral reflects management's best estimate and is backtested against our prior experience. On average, across all types of non-cash collateral, the value ascribed is approximately half of its current market value.

CCIB collateral increased by $9 billion to $38.2 billion (31 December 2021: $29.4 billion) due to an increase in reverse repurchase agreements.

CPBB collateral decreased by $10 billion to $92.4 billion (31 December 2021: $102.8 billion) due to a decrease in mortgages and secured wealth product balances.

Stage 2 collateral reduced by $1.1 billion to $5.0 billion (31 December 2021: $6.1 billion) due to a decrease in CCIB loan balances.

Total collateral for Central and other items increased by $4.8 billion to $11.2 billion (31 December 2021: $6.4 billion) due to an increase in lending under reverse repurchase agreements.

Collateral held on loans and advances

The table below details collateral held against exposures, separately disclosing stage 2 and stage 3 exposure and corresponding collateral.

	2022								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million
Corporate, Commercial & Institutional Banking[1]	179,150	11,366	2,526	38,151	3,973	956	140,999	7,393	1,570
Consumer, Private & Business Banking	130,955	1,550	677	92,350	1,019	543	38,605	531	134
Ventures	698	17	–	–	–	–	698	17	–
Central & other items	39,363	–	230	11,214	–	–	28,149	–	230
Total	**350,166**	**12,933**	**3,433**	**141,715**	**4,992**	**1,499**	**208,451**	**7,941**	**1,934**

	2021 (Restated)[3]								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million
Corporate, Commercial & Institutional Banking[1]	183,784	15,053	2,702	29,414	5,077	805	154,370	9976	1,897
Consumer, Private & Business Banking[3]	136,430	1,731	779	102,769	1,045	641	33,661	686	138
Ventures[3]	88	7	–	–	–	–	88	7	–
Central & other items	22,549	110	–	6,381	–	–	16,168	110	–
Total	342,851	16,901	3,481	138,564	6,122	1,446	204,287	10,779	2,035

1 Includes loans and advances to banks

2 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

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

Collateral – CCIB (audited)

Collateral held against CCIB exposures amounted to $38 billion.

Collateral taken for longer-term and sub-investment grade corporate loans improved to 53 per cent (31 December 2021: 49 per cent).

Our underwriting standards encourage taking specific charges on assets and we consistently seek high-quality, investment-grade collateral.

79 per cent of tangible collateral excluding reverse repurchase agreements (31 December 2021: 76 per cent) held comprises physical assets or is property based, and investment securities. Overall collateral increased by $8.7 billion to $38 billion (31 December 2021: $29 billion) due to an increase in reverse repurchase agreements.

Non-tangible collateral, such as guarantees and standby letters of credit, is also held against corporate exposures, although the financial effect of this type of collateral is less significant in terms of recoveries. However, this is considered when determining the probability of default and other credit-related factors. Collateral is also held against off-balance sheet exposures, including undrawn commitments and trade-related instruments.

Corporate, Commercial & Institutional Banking

Amortised cost	2022 $million	2021 $million
Maximum exposure	**179,150**	183,784
Property	**10,152**	10,589
Plant, machinery and other stock	**1,168**	1,411
Cash	**2,797**	3,549
Reverse repos	**14,305**	2,042
A– to AA+	**10,551**	122
BBB– to BBB+	**1,485**	483
Unrated	**2,269**	1,437
Financial guarantees and insurance	**5,096**	6,616
Commodities	**37**	198
Ships and aircraft	**4,596**	5,009
Total value of collateral[1]	**38,151**	29,414
Net exposure	**140,999**	154,370

1 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

Collateral – CPBB (audited)

In CPBB, $113 billion which equates to 86 per cent of the portfolio is fully secured (31 December 2021: 86 per cent).

The following table presents an analysis of loans to individuals by product; split between fully secured, partially secured and unsecured.

	2022				2021 (Restated)[3]			
Amortised cost	Fully secured $million	Partially secured $million	Unsecured $million	Total $million	Fully secured $million	Partially secured $million	Unsecured $million	Total $million
Maximum exposure	**112,556**	**449**	**17,950**	**130,955**	117,129	1,329	17,972	136,430
Loans to individuals								
Mortgages	**87,212**	**–**	**–**	**87,212**	89,222	–	–	89,222
CCPL	**221**	**–**	**16,711**	**16,932**	150	–	16,943	17,093
Auto	**502**	**–**	**–**	**502**	542	–	–	542
Secured wealth products	**19,551**	**–**	**–**	**19,551**	21,495	–	–	21,495
Other	**5,070**	**449**	**1,239**	**6,758**	5,720	1,329	1,029	8,078
Total collateral[1]				**92,350**				102,769
Net exposure[2]				**38,605**				33,661
Percentage of total loans	**86%**	**0%**	**14%**		86%	1%	13%	

1 Collateral values are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation

2 Amounts net of ECL

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

Mortgage loan-to-value ratios by geography (audited)

Loan-to-value (LTV) ratios measure the ratio of the current mortgage outstanding to the current fair value of the properties on which they are secured.

In mortgages, the value of property held as security significantly exceeds principal outstanding of the mortgage loans. The average LTV of the overall mortgage portfolio increased to 44.7 per cent (31 December 2021: 41.1 per cent) mainly from Hong Kong due to a drop in the Property Price Index. Hong Kong, which represents 40 per cent of the mortgage portfolio, has an average LTV of 52.6 per cent (31 December 2021: 43.8 per cent). All of our other key markets continue to have low portfolio LTVs (Korea, Singapore and Taiwan at 37.3 per cent, 42.9 per cent and 45.1 per cent respectively).

An analysis of LTV ratios by geography for the mortgage portfolio is presented in the table below.

	2022			
Amortised cost	**Asia % Gross**	**Africa & Middle East % Gross**	**Europe & Americas % Gross**	**Total % Gross**
Less than 50 per cent	**60.9**	**43.0**	**32.2**	**60.1**
50 per cent to 59 per cent	**15.5**	**18.2**	**19.2**	**15.6**
60 per cent to 69 per cent	**9.8**	**16.8**	**31.3**	**10.2**
70 per cent to 79 per cent	**6.5**	**12.8**	**14.8**	**6.7**
80 per cent to 89 per cent	**3.6**	**5.1**	**1.1**	**3.6**
90 per cent to 99 per cent	**2.5**	**2.0**	**–**	**2.4**
100 per cent and greater	**1.4**	**2.2**	**1.3**	**1.4**
Average portfolio loan-to-value	**44.4**	**54.3**	**56.6**	**44.7**
Loans to individuals – mortgages ($million)	**83,954**	**1,388**	**1,870**	**87,212**

	2021			
Amortised cost	Asia[1] % Gross	Africa & Middle East % Gross	Europe & Americas % Gross	Total % Gross
Less than 50 per cent	68.2	27.6	16.8	66.4
50 per cent to 59 per cent	11.6	18.6	19.9	11.9
60 per cent to 69 per cent	8.1	19.6	37.5	8.9
70 per cent to 79 per cent	9.1	16.5	17.1	9.4
80 per cent to 89 per cent	2.4	9.1	8.7	2.7
90 per cent to 99 per cent	0.5	4.8	–	0.5
100 per cent and greater	0.1	3.8	–	0.2
Average portfolio loan-to-value	40.5	61.9	60.8	41.1
Loans to individuals – mortgages ($million)	85,765	1,651	1,806	89,222

Collateral and other credit enhancements possessed or called upon (audited)

The Group obtains assets by taking possession of collateral or calling upon other credit enhancements (such as guarantees). Repossessed properties are sold in an orderly fashion. Where the proceeds are in excess of the outstanding loan balance the excess is returned to the borrower.

Certain equity securities acquired may be held by the Group for investment purposes and are classified as fair value through profit or loss, and the related loan written off. The carrying value of collateral possessed and held by the Group is $14.9 million (31 December 2021: $11.8 million).

	2022 $million	2021 $million
Property, plant and equipment	**9.6**	5.8
Guarantees	**5.3**	6.0
Total	**14.9**	11.8

Other Credit Risk mitigation (audited)

Other forms of credit risk mitigation are set out below.

Credit default swaps

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $5.1 billion (31 December 2021: $12.1 billion). These credit default swaps are accounted for as financial guarantees as per IFRS 9 as they will only reimburse the holder for an incurred loss on an underlying debt instrument. The Group continues to hold the underlying assets referenced in the credit default swaps and it continues to be exposed to related Credit Risk and Foreign Exchange Rate Risk on these assets.

Credit linked notes

The Group has issued credit linked notes for portfolio management purposes, referencing loan assets with a notional value of $13.5 billion (31 December 2021: $10.0 billion). The Group continues to hold the underlying assets for which the credit linked notes provide mitigation.

Derivative financial instruments

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. Credit Risk mitigation for derivative financial instruments is set out in page 285.

Off-balance sheet exposures

For certain types of exposure, such as letters of credit and guarantees, the Group obtains collateral such as cash depending on internal Credit Risk assessments, as well as in the case of letters of credit holding legal title to the underlying assets should a default take place.

Other portfolio analysis

This section provides maturity analysis by credit quality by industry and industry and retail products analysis by region.

Contractual maturity analysis of loans and advances by client segment

Loans and advances to the CCIB segment remain predominantly short-term, with $98.3 billion or 68 per cent (31 December 2021: $95.5 billion or 66 per cent) maturing in less than one year.

Loans and advances to banks decreased by $4.9 billion to $39.5 billion (31 December 2021: $44.4 billion) of which 96 per cent mature in less than one year (31 December 2021: 98 per cent).

The CPBB short-term book of one year or less is stable at 25 per cent (31 December 2021: 26 per cent) and long term book over five years increased to 64 per cent (31 December 2021: 62 per cent) of the total portfolio.

	2022			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking	98,335	34,635	10,789	143,759
Consumer, Private & Business Banking	33,365	14,161	84,731	132,257
Ventures	548	162	–	710
Central & other items	39,373	–	8	39,381
Gross loans and advances to customers	171,621	48,958	95,528	316,107
Impairment provisions	(4,767)	(574)	(119)	(5,460)
Net loans and advances to customers	166,854	48,384	95,409	310,647
Net loans and advances to banks	38,105	1,211	203	39,519

	2021 (Restated)[1]			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking	95,454	36,953	11,299	143,706
Consumer, Private & Business Banking	35,900	16,783	85,093	137,776
Ventures	91	–	–	91
Central & other items	22,318	224	7	22,549
Gross loans and advances to customers	153,763	53,960	96,399	304,122
Impairment provisions	(5,057)	(462)	(135)	(5,654)
Net loans and advances to customers	148,706	53,498	96,264	298,468
Net loans and advances to banks	43,274	955	154	44,383

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

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 increased by $12.0 billion to $316 billion (31 December 2021: $304 billion), of which $16.8 billion was from Central and other items segments, offset by $5.5 billion in CPBB. CCIB was stable at $144 billion with increase in stage 1 loans offset by a decrease in stage 2 loans.

Stage 1 loans increased by $16.0 billion to $295.2 billion (31 December 2021: $279.2 billion), due to an increase in Lending to Governments notably Hong Kong, Singapore and Korea. In CPBB, loans decreased by $4.5 billion to $129.8 billion (31 December 2021: $134.4 billion), mainly driven by a decrease in Private Bank exposure (largely from UK, Hong Kong and Singapore in all classes), and a decrease in exposure of the Residential Mortgage segment in Korea (due to tightened Debt Service Ratio following new government guidelines). This is offset by an increase in credit card portfolio of $1 billion. In CCIB, loans were broadly stable due to $10.5 billion increase in exposures in Financing, insurance and non-banking from a few notable clients, $1.5 billion increase in Transport, telecom and utilities from upgrades offset by $2.8 billion decrease in Manufacturing and $5.3 billion decrease in Commercial real estate sector from repayments.

Stage 2 loans decreased by $3.8 billion to $13 billion (31 December 2021: $16.8 billion) largely due to CCIB, $2.6 billion reductions in Transport, telecom and utilities from upgrades to Stage 1 and repayments, $1.2 billion decrease in Energy. This was offset by an increase in Commercial real estate sector from accounts being placed on Early Alert Non Purely Precautionary and higher risk categories.

Stage 3 loans reduced by $0.3 billion to $7.8 billion (31 December 2021: $8.1 billion) of which CCIB and Central and other items are broadly flat as the effects of the sovereign downgrades of Ghana and Sri Lanka are largely offset by repayments and upgrades. CPBB stage 3 loans reduced in Secured wealth and Mortgages portfolios.

	2022											
	Stage 1			Stage 2			Stage 3			Total		
Amortised cost	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
Industry:												
Energy	10,959	(8)	10,951	818	(7)	811	1,324	(620)	704	13,101	(635)	12,466
Manufacturing	20,990	(23)	20,967	1,089	(27)	1,062	777	(518)	259	22,856	(568)	22,288
Financing, insurance and non-banking	34,915	(9)	34,906	774	(3)	771	195	(175)	20	35,884	(187)	35,697
Transport, telecom and utilities	14,273	(22)	14,251	2,347	(36)	2,311	669	(224)	445	17,289	(282)	17,007
Food and household products	7,841	(21)	7,820	695	(20)	675	418	(259)	159	8,954	(300)	8,654
Commercial real estate	12,393	(43)	12,350	3,217	(195)	3,022	1,305	(761)	544	16,915	(999)	15,916
Mining and quarrying	5,482	(4)	5,478	537	(5)	532	248	(174)	74	6,267	(183)	6,084
Consumer durables	6,403	(4)	6,399	420	(17)	403	358	(307)	51	7,181	(328)	6,853
Construction	2,424	(2)	2,422	407	(5)	402	495	(410)	85	3,326	(417)	2,909
Trading companies & distributors	2,205	(1)	2,204	170	(2)	168	122	(80)	42	2,497	(83)	2,414
Government	42,825	(2)	42,823	603	(1)	602	168	(15)	153	43,596	(18)	43,578
Other	4,684	(4)	4,680	278	(5)	273	312	(137)	175	5,274	(146)	5,128
Retail Products:												
Mortgage	85,859	(12)	85,847	996	(7)	989	556	(180)	376	87,411	(199)	87,212
Credit Cards	6,912	(103)	6,809	155	(46)	109	59	(44)	15	7,126	(193)	6,933
Personal loans and other unsecured lending	10,652	(253)	10,399	215	(57)	158	296	(156)	140	11,163	(466)	10,697
Auto	501	–	501	1	–	1	–	–	–	502	–	502
Secured wealth products	19,269	(45)	19,224	235	(10)	225	407	(305)	102	19,911	(360)	19,551
Other	6,632	(3)	6,629	86	(1)	85	136	(92)	44	6,854	(96)	6,758
Net carrying value (customers)[1]	295,219	(559)	294,660	13,043	(444)	12,599	7,845	(4,457)	3,388	316,107	(5,460)	310,647

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $24,498 million

Amortised cost	2021											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million
Industry:												
Energy	10,454	(19)	10,435	2,067	(76)	1,991	998	(719)	279	13,519	(814)	12,705
Manufacturing	23,792	(9)	23,783	1,181	(30)	1,151	852	(562)	290	25,825	(601)	25,224
Financing, insurance and non-banking	24,380	(9)	24,371	1,257	(12)	1,245	268	(207)	61	25,905	(228)	25,677
Transport, telecom and utilities	12,778	(5)	12,773	4,926	(51)	4,875	966	(289)	677	18,670	(345)	18,325
Food and household products	8,093	(2)	8,091	721	(26)	695	380	(276)	104	9,194	(304)	8,890
Commercial real estate	17,680	(43)	17,637	1,787	(75)	1,712	833	(335)	498	20,300	(453)	19,847
Mining and quarrying	4,793	(3)	4,790	480	(20)	460	272	(167)	105	5,545	(190)	5,355
Consumer durables	7,069	(3)	7,066	407	(9)	398	425	(346)	79	7,901	(358)	7,543
Construction	2,279	(3)	2,276	506	(19)	487	914	(624)	290	3,699	(646)	3,053
Trading companies & distributors	1,144	(1)	1,143	117	(8)	109	143	(135)	8	1,404	(144)	1,260
Government	26,588	(2)	26,586	678	(1)	677	154	(8)	146	27,420	(11)	27,409
Other	5,757	(4)	5,753	801	(14)	787	316	(194)	122	6,874	(212)	6,662
Retail Products:												
Mortgage	87,987	(22)	87,965	862	(20)	842	599	(184)	415	89,448	(226)	89,222
Credit Cards[2]	5,899	(90)	5,809	388	(74)	314	61	(44)	17	6,348	(208)	6,140
Personal loans and other unsecured lending[2]	10,981	(188)	10,793	182	(58)	124	334	(210)	124	11,497	(456)	11,041
Auto	541	(1)	540	2	–	2	–	–	–	543	(1)	542
Secured wealth products	21,067	(61)	21,006	307	(10)	297	483	(291)	192	21,857	(362)	21,495
Other	7,896	(8)	7,888	180	(21)	159	97	(66)	31	8,173	(95)	8,078
Net carrying value (customers)[1]	279,178	(473)	278,705	16,849	(524)	16,325	8,095	(4,657)	3,438	304,122	(5,654)	298,468

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $7,331 million.

2 Prior year has been re-presented to provide product granularity

Industry analysis of loans and advances by geographic region

This section provides an analysis of the Group's amortised cost loan portfolio, net of provisions, by industry and region.

In the CCIB and Central and other items segment, our largest industry exposures are to Government, Financing, insurance and non-banking and Manufacturing with each constituting at least 10 per cent of CCIB and Central and other items loans and advances to customers.

Financing, insurance and non-banking industry clients are mostly investment-grade institutions and this lending forms part of the liquidity management of the Group. The Manufacturing sector group is spread across a diverse range of industries, including automobiles and components, capital goods, pharmaceuticals, biotech and life sciences, technology hardware and equipment, chemicals, paper products and packaging, with lending spread over 3,330 clients.

The Group provides loans to Commercial real estate counterparties of $16.9 billion, which represents 9 per cent of total customer loans and advances. In total, $9.1 billion of this lending is to counterparties where the source of repayment is substantially derived from rental or sale of real estate and is secured by real estate collateral. The remaining Commercial real estate loans comprise working capital loans to real estate corporates, loans with non-property collateral, unsecured loans and loans to real estate entities of diversified conglomerates. The average LTV ratio of the performing book Commercial real estate portfolio has decreased to 49 per cent, compared with 50 per cent in 2021. The proportion of loans with an LTV greater than 80 per cent has decreased to 1 per cent, compared with 2 per cent in 2021. The China commercial real estate portfolio is being closely monitored and is being separately disclosed on page 268.

The Mortgage portfolio continues to be the largest portion of the CPBB portfolio at $87.4 billion, with Credit Cards at $7.1 billion and Personal loans portolio at $11.2 billion.

In Asia, the Financing, insurance and non-banking industry increased by $10.5 billion to $24.7 billion (31 December 2021: $14.2 billion), the Government sector increased by $16.7 billion to $39.7 billion (31 December 2021: $23.0 billion) due to increased lending to the Hong Kong, Singapore and Korea Sovereign, the Credit Cards portfolio increased by $0.8 billion to $6.6 billion (31 December 2021: $5.8 billion). This was offset by a $3.4 billion decrease in the Manufacturing Sector, $4.0 billion decrease in Commercial real estate due to repayments in Stage 1 and $3.9 billion decrease in mortgages and secured wealth products.

	2022				2021			
Amortised cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:								
Energy	**6,250**	**2,278**	**3,938**	**12,466**	6,265	2,721	3,719	12,705
Manufacturing	**17,388**	**1,267**	**3,633**	**22,288**	20,771	1,751	2,702	25,224
Financing, insurance and non-banking	**24,674**	**761**	**10,262**	**35,697**	14,184	905	10,588	25,677
Transport, telecom and utilities	**10,841**	**3,567**	**2,599**	**17,007**	11,661	4,218	2,446	18,325
Food and household products	**4,160**	**2,566**	**1,928**	**8,654**	5,497	2,360	1,033	8,890
Commercial real estate	**13,179**	**598**	**2,139**	**15,916**	17,150	1,048	1,649	19,847
Mining and quarrying	**3,785**	**390**	**1,909**	**6,084**	3,833	572	950	5,355
Consumer durables	**5,860**	**461**	**532**	**6,853**	6,742	398	403	7,543
Construction	**1,775**	**625**	**509**	**2,909**	1,839	814	400	3,053
Trading companies and distributors	**2,281**	**101**	**32**	**2,414**	1,047	176	37	1,260
Government	**39,713**	**3,759**	**106**	**43,578**	22,987	4,117	305	27,409
Other	**3,636**	**702**	**790**	**5,128**	4,681	670	1,311	6,662
Retail Products:								
Mortgages	**83,954**	**1,388**	**1,870**	**87,212**	85,765	1,651	1,806	89,222
Credit Cards[1]	**6,642**	**291**	**–**	**6,933**	5,849	291	–	6,140
Personal loans and other unsecured lending[1]	**9,056**	**1,541**	**100**	**10,697**	9,241	1,700	100	11,041
Auto	**469**	**33**	**–**	**502**	500	42	–	542
Secured wealth products	**17,876**	**1,048**	**627**	**19,551**	19,984	545	966	21,495
Other	**6,676**	**82**	**–**	**6,758**	7,265	813	–	8,078
Net loans and advances to customers	**258,215**	**21,458**	**30,974**	**310,647**	245,261	24,792	28,415	298,468
Net loans and advances to banks	**22,058**	**3,929**	**13,532**	**39,519**	30,301	5,966	8,116	44,383

1 Prior year has been re-presented to provide product granularity

Vulnerable and Cyclical Sector tables

Vulnerable and cyclical sectors are those that the Group considers to be most at risk from current economic stresses, including volatile energy and commodity prices, and we continue to monitor exposures to these sectors particularly carefully.

Total net on-balance sheet exposure to vulnerable and cyclical sectors decreased by $4.7 billion to $30.9 billion (31 December 2021: $35.5 billion) largely due to lower levels of drawn balances particularly in the Commercial real estate sector. The total net on and off-balance sheet exposure for CCIB decreased by $7.8bn to $251.3 billion (31 December 2021: $259.2 billion).

Stage 2 vulnerable and cyclical sector loans decreased by $1.8 billion to $5.6 billion (31 December 2021: $7.4 billion). This was primarily driven by a decrease in the Aviation sector from stage upgrades and in Oil and Gas sectors from repayments, which was partly offset by an increase in Commercial Real Estate.

Stage 3 vulnerable and cyclical sector loans increased by $0.4 billion to $4 billion (31 December 2021: $3.6 billion), mainly from China commercial real estate clients and the Oil and Gas sector.

Construction sector is included in this section and prior year tables are re-presented.

Maximum exposure

Amortised Cost	2022 Maximum on Balance Sheet Exposure (net of credit impairment) $million	Collateral $million	Net On Balance Sheet Exposure $million	Undrawn Commitments (net of credit impairment) $million	Financial Guarantees (net of credit impairment) $million	Net Off Balance Sheet Exposure $million	Total On & Off Balance Sheet Net Exposure $million
Industry:							
Aviation[1]	**3,072**	**1,597**	**1,475**	**1,762**	**632**	**2,394**	**3,869**
Commodity Traders	**7,571**	**341**	**7,230**	**2,578**	**6,095**	**8,673**	**15,903**
Metals & Mining	**4,754**	**321**	**4,433**	**3,425**	**852**	**4,277**	**8,710**
Construction	**2,909**	**552**	**2,357**	**2,762**	**5,969**	**8,731**	**11,088**
Commercial real estate	**15,916**	**7,205**	**8,711**	**6,258**	**224**	**6,482**	**15,193**
Hotels & Tourism	**1,741**	**919**	**822**	**1,346**	**138**	**1,484**	**2,306**
Oil & Gas	**6,643**	**806**	**5,837**	**7,630**	**7,158**	**14,788**	**20,625**
Total	**42,606**	**11,741**	**30,865**	**25,761**	**21,068**	**46,829**	**77,694**
Total Corporate, Commercial & Institutional Banking	**139,631**	**35,229**	**104,402**	**95,272**	**51,662**	**146,934**	**251,336**
Total Group	**350,166**	**141,715**	**208,451**	**168,574**	**60,224**	**228,798**	**437,249**

Amortised Cost	2021 Maximum On Balance Sheet Exposure(net of credit impairment) $million	Collateral $million	Net On Balance Sheet Exposure $million	Undrawn Commitments (net of credit impairment) $million	Financial Guarantees (net of credit impairment) $million	Net Off Balance Sheet Exposure $million	Total On & Off Balance Sheet Net Exposure $million
Industry:							
Aviation[1]	3,458	2,033	1,425	1,914	431	2,345	3,770
Commodity Traders	8,732	262	8,470	2,434	6,832	9,266	17,736
Metals & Mining	3,616	450	3,166	3,387	637	4,024	7,190
Construction	3,053	544	2,509	2,374	5,860	8,234	10,743
Commercial real estate	19,847	7,290	12,557	7,192	291	7,483	20,040
Hotels & Tourism	2,390	789	1,601	1,363	121	1,484	3,085
Oil & Gas	6,826	1,029	5,797	8,842	6,013	14,855	20,652
Total	47,922	12,397	35,525	27,506	20,185	47,691	83,216
Total Corporate, Commercial & Institutional Banking	139,401	26,294	113,107	96,406	49,666	146,072	259,179
Total Group	342,851	138,564	204,287	158,421	58,291	216,712	420,999

1 In addition to the aviation sector loan exposures, the Group owns $3.2 billion (31 December 2021: $3.1 billion) of aircraft under operating leases. Refer to Operating lease assets

Loans and advances by stage

	2022											
	Stage 1			Stage 2			Stage 3			Total		
Amortised Cost	Gross Balance $million	Total Credit Impair-ment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impair-ment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impair-ment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impair-ment $million	Net Carrying Amount $million
Industry:												
Aviation	**2,377**	**(1)**	**2,376**	**573**	**–**	**573**	**155**	**(32)**	**123**	**3,105**	**(33)**	**3,072**
Commodity Traders	**7,187**	**(6)**	**7,181**	**138**	**(2)**	**136**	**689**	**(435)**	**254**	**8,014**	**(443)**	**7,571**
Metals & Mining	**4,184**	**(1)**	**4,183**	**475**	**(4)**	**471**	**257**	**(157)**	**100**	**4,916**	**(162)**	**4,754**
Construction	**2,424**	**(2)**	**2,422**	**407**	**(5)**	**402**	**497**	**(412)**	**85**	**3,328**	**(419)**	**2,909**
Commercial real estate	**12,393**	**(43)**	**12,350**	**3,217**	**(195)**	**3,022**	**1,305**	**(761)**	**544**	**16,915**	**(999)**	**15,916**
Hotels & Tourism	**1,448**	**(2)**	**1,446**	**108**	**(1)**	**107**	**206**	**(18)**	**188**	**1,762**	**(21)**	**1,741**
Oil & Gas	**5,468**	**(4)**	**5,464**	**708**	**(6)**	**702**	**919**	**(442)**	**477**	**7,095**	**(452)**	**6,643**
Total	**35,481**	**(59)**	**35,422**	**5,626**	**(213)**	**5,413**	**4,028**	**(2,257)**	**1,771**	**45,135**	**(2,529)**	**42,606**
Total Corporate, Commercial & Institutional Banking	**126,261**	**(143)**	**126,118**	**11,355**	**(323)**	**11,032**	**6,143**	**(3,662)**	**2,481**	**143,759**	**(4,128)**	**139,631**
Total Group	**334,368**	**(568)**	**333,800**	**13,380**	**(447)**	**12,933**	**7,904**	**(4,471)**	**3,433**	**355,652**	**(5,486)**	**350,166**

	2021											
	Stage 1			Stage 2			Stage 3			Total		
Amortised Cost	Gross Balance $million	Total Credit Impair-ment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impair-ment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impair-ment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impair-ment $million	Net Carrying Amount $million
Industry:												
Aviation	1,120	–	1,120	2,174	(11)	2,163	239	(64)	175	3,533	(75)	3,458
Commodity Traders	8,482	(4)	8,478	195	(5)	190	713	(649)	64	9,390	(658)	8,732
Metals & Mining	3,083	(1)	3,082	450	(17)	433	219	(118)	101	3,752	(136)	3,616
Construction	2,279	(3)	2,276	505	(19)	487	916	(626)	290	3,701	(647)	3,053
Commercial real estate	17,680	(43)	17,637	1,787	(75)	1,712	833	(335)	498	20,300	(453)	19,847
Hotels & Tourism	1,562	(1)	1,561	722	(9)	713	182	(66)	116	2,466	(76)	2,390
Oil & Gas	4,999	(5)	4,994	1,595	(34)	1,561	486	(215)	271	7,080	(254)	6,826
Total	39,205	(57)	39,148	7,428	(170)	7,259	3,588	(2,073)	1,515	50,222	(2,299)	47,922
Total Corporate, Commercial & Institutional Banking	122,368	(103)	122,265	14,818	(341)	14,477	6,520	(3,861)	2,659	143,706	(4,305)	139,401
Total Group	322,954	(485)	322,469	17,429	(528)	16,901	8,149	(4,668)	3,481	348,532	(5,681)	342,851

Loans and advances by region (net of credit impairment)

	2022				2021			
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:								
Aviation[1]	**1,105**	**1,259**	**708**	**3,072**	1,356	1,214	888	3,458
Commodity Traders	**3,497**	**978**	**3,096**	**7,571**	4,352	660	3,720	8,732
Metals & Mining	**2,966**	**347**	**1,441**	**4,754**	2,736	492	388	3,616
Construction	**1,776**	**624**	**509**	**2,909**	1,781	644	628	3,053
Commercial real estate	**13,180**	**598**	**2,138**	**15,916**	17,150	1,048	1,649	19,847
Hotel & Tourism	**880**	**465**	**396**	**1,741**	1,464	397	529	2,390
Oil & Gas	**3,574**	**1,445**	**1,624**	**6,643**	2,770	2,248	1,808	6,826
Total	**26,978**	**5,716**	**9,912**	**42,606**	31,609	6,703	9,610	47,922

1 In addition to the aviation sector loan exposures, the Group owns $3.2 billion (31 December 2021: $3.1 billion) of aircraft under operating leases. Refer to Operating lease assets

Credit quality – loans and advances

Amortised Cost Credit Grade	Aviation Gross $million	Commodity Traders Gross $million	Construction Gross $million	Metals & Mining Gross $million	Commercial real estate Gross $million	Hotel & Tourism Gross $million	Oil & Gas Gross $million	Total Gross $million
	2022							
Strong	1,437	4,419	1,164	3,425	8,000	1,047	3,923	23,415
Satisfactory	1,413	2,894	1,634	1,208	7,334	494	2,215	17,192
Higher risk	100	12	33	26	276	15	38	500
Credit impaired (stage 3)	155	689	497	257	1,305	206	919	4,028
Total Gross Balance	3,105	8,014	3,328	4,916	16,915	1,762	7,095	45,135
Strong	–	(3)	–	–	(25)	(1)	(1)	(30)
Satisfactory	(1)	(4)	(3)	(5)	(129)	(1)	(7)	(150)
Higher risk	–	(1)	(4)	–	(84)	(1)	(2)	(92)
Credit impaired (stage 3)	(32)	(435)	(412)	(157)	(761)	(18)	(442)	(2,257)
Total Credit Impairment	(33)	(443)	(419)	(162)	(999)	(21)	(452)	(2,529)
Strong	0.0%	0.1%	0.0%	0.0%	0.3%	0.1%	0.0%	0.1%
Satisfactory	0.1%	0.1%	0.2%	0.4%	1.8%	0.2%	0.3%	0.9%
Higher risk	0.0%	8.3%	12.1%	0.0%	30.4%	6.7%	5.3%	18.4%
Credit impaired (stage 3)	20.6%	63.1%	82.9%	61.1%	58.3%	8.7%	48.1%	56.0%
Cover Ratio	1.1%	5.5%	12.6%	3.3%	5.9%	1.2%	6.4%	5.6%

Credit Grade	Aviation Gross $million	Commodity Traders Gross $million	Construction Gross $million	Metals & Mining Gross $million	Commercial real estate Gross $million	Hotel & Tourism Gross $million	Oil & Gas Gross $million	Total Gross $million
	2021							
Strong	896	5,878	1,181	1,730	9,581	731	3,594	23,591
Satisfactory	2,257	2,788	1,506	1,781	9,735	1,353	2,892	22,312
Higher risk	141	11	123	22	151	200	108	756
Credit impaired (stage 3)	239	713	892	219	833	182	486	3,564
Total Gross Balance	3,533	9,390	3,701	3,752	20,300	2,466	7,080	50,222
Strong	–	(1)	(24)	–	(92)	–	–	(117)
Satisfactory	(8)	(5)	(3)	(14)	(21)	(4)	(24)	(79)
Higher risk	(3)	(3)	(17)	(4)	(5)	(6)	(15)	(53)
Credit impaired (stage 3)	(64)	(649)	(603)	(118)	(335)	(66)	(215)	(2,050)
Total Credit Impairment	(75)	(658)	(647)	(136)	(453)	(76)	(254)	(2,299)
Strong	0.0%	0.0%	2.0%	0.0%	1.0%	0.0%	0.0%	0.5%
Satisfactory	0.4%	0.2%	0.2%	0.8%	0.2%	0.3%	0.8%	0.4%
Higher risk	2.1%	27.3%	14.2%	18.2%	3.3%	3.0%	13.9%	7.1%
Credit impaired (stage 3)	26.8%	91.0%	67.6%	53.9%	40.2%	36.3%	44.2%	57.5%
Cover Ratio	2.1%	7.0%	17.5%	3.6%	2.2%	3.1%	3.6%	4.6%

China commercial real estate

Within CCIB, the Group's gross loans and advances to customers that are exposed to China commercial real estate are $3.2 billion (31 December 2021: $3.7 billion).

The proportion of credit impaired exposures increased to 33 per cent from 12 per cent in 2021 as market conditions continued to deteriorate during the year and provision coverage increased to 57 per cent from 18 per cent in 2021 reflecting increased provision charges during the year. The proportion of the loan book rated as Higher Risk also increased compared to 2021 and the proportion rated as strong reduced from 38 per cent to 15 per cent as the majority of non-credit impaired developer clients were placed on non-purely precautionary early alert.

The Group continues to hold a judgemental management overlay (see page 276), which increased by $78 million to $173 million compared to 2021, reflecting the increased uncertainty and deterioration in the portfolio. $5 million (2021: $3 million) of this overlay is held against off-balance sheet exposures. Total coverage of the non-credit impaired portfolio is 10 per cent or 2 per cent excluding the judgemental overlay.

The Group is further indirectly exposed to China commercial real estate through its associate investment in China Bohai Bank. Refer to Note 19 Investments in subsidiary undertakings, joint ventures and associates.

	2022			
	China $million	Hong Kong $million	Rest of Group $million	Total $million
Loans to customers	**953**	**2,248**	**39**	**3,240**
Off balance sheet	**74**	**85**	**8**	**167**
Total as at 31 December 2022	**1,027**	**2,333**	**47**	**3,407**
Loans to customers – By Credit quality				
Gross				
Strong	**256**	**221**	**–**	**477**
Satisfactory	**459**	**921**	**39**	**1,419**
Higher risk	**–**	**271**	**–**	**271**
Credit impaired (stage 3)	**238**	**835**	**–**	**1,073**
Total as at 31 December 2022	**953**	**2,248**	**39**	**3,240**
Loans to customers – ECL				
Strong	**–**	**(19)**	**–**	**(19)**
Satisfactory	**(9)**	**(110)**	**–**	**(119)**
Higher risk	**–**	**(83)**	**–**	**(83)**
Credit impaired (stage 3)	**(37)**	**(559)**	**–**	**(596)**
Total as at 31 December 2022	**(46)**	**(771)**	**–**	**(817)**

	2021			
	China $million	Hong Kong $million	Rest of Group $million	Total $million
Loans to customers	881	2,728	130	3,739
Off balance sheet	286	86	20	392
Total as at 31 December 2021	1,167	2,814	150	4,131
Loans to customers – By Credit quality				
Gross				
Strong	278	1,104	46	1,428
Satisfactory	592	1,187	84	1,863
Higher risk	–	–	–	–
Credit impaired (stage 3)	11	437	–	448
Total as at 31 December 2021	881	2,728	130	3,739
Loans to customers – ECL				
Strong	–	(60)	(2)	(62)
Satisfactory	(2)	(31)	(1)	(34)
Higher risk	–	–	–	–
Credit impaired (stage 3)	(4)	(120)	–	(124)
Total as at 31 December 2021	(6)	(211)	(3)	(220)

Debt securities and other eligible bills (audited)

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 302.

Total gross debt securities and other eligible bills increased by $8.9 billion to $171.7 billion (31 December 2021: $162.8 billion).

Stage 1 gross balance increased by $8.8 billion to $166.1 billion (31 December 2021: $157.4 billion) of which $7.3 billion increase was unrated. Of the unrated securities, 97 per cent (31 December 2021: 88 per cent) are internally rated as Strong and 3 per cent (31 December 2021: 12 per cent) were internally rated as Satisfactory.

Stage 2 gross balance was broadly flat at $5.5 billion (31 December 2021: $5.3 billion) which includes the sovereign downgrade of Pakistan.

Stage 3 gross balance was at $0.1 billion (31 December 2021: $0.1 billion) which includes the sovereign downgrade of Ghana.

	2022			2021		
Amortised cost and FVOCI	**Gross $million**	**ECL $million**	**Net[2] $million**	Gross $million	ECL $million	Net[2] $million
Stage 1	**166,103**	**(25)**	**166,078**	157,352	(67)	157,285
AAA	**73,933**	**(10)**	**73,923**	75,920	(23)	75,897
AA– to AA+	**42,327**	**(4)**	**42,323**	40,577	(8)	40,569
A– to A+	**29,488**	**(2)**	**29,486**	23,993	(3)	23,990
BBB– to BBB+	**7,387**	**(1)**	**7,386**	11,071	(27)	11,044
Lower than BBB-	**1,047**	**(2)**	**1,045**	1,123	(1)	1,122
Unrated	**11,921**	**(6)**	**11,915**	4,668	(5)	4,663
Stage 2	**5,455**	**(90)**	**5,365**	5,315	(42)	5,273
AAA	**21**	**–**	**21**	641	(7)	634
AA– to AA+	**40**	**–**	**40**	592	(3)	589
A– to A+	**17**	**(1)**	**16**	22	(1)	21
BBB– to BBB+	**2,605**	**(16)**	**2,589**	2,869	(10)	2,859
Lower than BBB-	**2,485**	**(71)**	**2,414**	809	(21)	788
Unrated	**287**	**(2)**	**285**	382	–	382
Stage 3	**144**	**(106)**	**38**	113	(66)	47
Lower than BBB-	**67**	**(55)**	**12**	–	–	–
Unrated	**77**	**(51)**	**26**	113	(66)	47
Gross balance[1]	**171,702**	**(221)**	**171,481**	162,780	(175)	162,605

1 Stage 3 gross includes $28 million (2021: $33 million) originated credit-impaired debt securities with impairment of $13 million (2021: Nil)

2 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 $171,640 million (31 December 2021: $162,700 million). Refer to the Analysis of financial instrument by stage table on page 239

IFRS 9 expected credit loss methodology (audited)

Approach for determining expected credit losses

Credit loss terminology

Component	Definition
Probability of default (PD)	The probability that a counterparty will default, over the next 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2), incorporating the impact of forward-looking economic assumptions that have an effect on Credit Risk, such as unemployment rates and GDP forecasts. The PD estimates will fluctuate in line with the economic cycle. The lifetime (or term structure) PDs are based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions.
Loss given default (LGD)	The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cashflows due and those that the bank expects to receive. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.
Exposure at default (EAD)	The expected balance sheet exposure at the time of default, taking into account expected changes over the lifetime of the exposure. This incorporates the impact of drawdowns of facilities with limits, repayments of principal and interest, and amortisation.

To determine the expected credit loss, these components are multiplied together: PD for the reference period (up to 12 months or lifetime) x LGD x EAD and discounted to the balance sheet date using the effective interest rate as the discount rate.

IFRS 9 expected credit loss models have been developed for the Corporate, Commercial and Institutional Banking CCIB businesses on a global basis, in line with their respective portfolios. However, for some of the key countries, country-specific models have also been developed.

The calibration of forward-looking information is assessed at a country or region level to take into account local macroeconomic conditions.

Retail expected credit loss models are country and product specific given the local nature of the CPBB business.

For less material retail portfolios, the Group has adopted less sophisticated approaches based on historical roll rates or loss rates:

- For medium-sized retail portfolios, a roll rate model is applied, which uses a matrix that gives the average loan migration rate between delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.
- For smaller retail portfolios, loss rate models are applied. These use an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances.
- While the loss rate models do not incorporate forward-looking information, to the extent that there are significant changes in the macroeconomic forecasts an assessment will be completed on whether an adjustment to the modelled output is required.

For a limited number of exposures, proxy parameters or approaches are used where the data is not available to calculate the origination PDs for the purpose of applying the SICR criteria; or for some retail portfolios where a full history of LGD data is not available, estimates based on the loss experience from similar portfolios are used. The use of proxies is monitored and will reduce over time.

The following processes are in place to assess the ongoing performance of the models:

- Quarterly model monitoring that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds.
- Annual independent validations of the performance of material models by Group Model Valuation (GMV); an abridged validation is completed for non-material models.

Application of lifetime

Expected credit loss is estimated based on the period over which the Group is exposed to Credit Risk. For the majority of exposures this equates to the maximum contractual period. For retail credit cards and corporate overdraft facilities however, the Group does not typically enforce the contractual period, which can be as short as one day. As a result, the period over which the Group is exposed to Credit Risk for these instruments reflects their behavioural life, which incorporates expectations of customer behaviour and the extent to which Credit Risk management actions curtail the period of that exposure. The average behavioural life for retail credit cards is between 3 and 6 years across our footprint markets.

In 2022, the behavioural life for corporate overdraft facilities was re-estimated using recent data, and it was confirmed that the existing lifetime of 24 months remains appropriate.

Composition of credit impairment provisions (audited)

The table below summarises the key components of the Group's credit impairment provision balances at 31 December 2022 and 31 December 2021.

Total ECL provisions before management judgements includes model performance post model adjustments and the impact of multiple economic scenarios. Total modelled ECL provisions, which also includes judgemental post model adjustments and management overlays, were 26 per cent (31 December 2021: 23 per cent) of total credit impairment provisions at 31 December 2022. 17 per cent of the modelled ECL provisions at 31 December 2022 related to judgemental adjustments compared with 25 per cent at 31 December 2021.

31 December 2022	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items $million	Total $million
Modelled ECL provisions (base forecast)	505	556	12	194	1,267
Modelled Impact of multiple economic scenarios[1]	38	6	–	6	50
Total ECL provisions before management judgements	543	562	12	200	1,317
Judgemental post model adjustments					
– Model Calibration	–	10	–	–	10
– Multiple Economic Scenarios	–	34	–	–	34
Management overlays[2]					
– COVID-19 and other	–	37	–	–	37
– China commercial real estate	173	–	–	–	173
– Sri Lanka	9	–	–	–	9
Total modelled provisions	725	643	12	200	1,580
Of which: Stage 1	194	413	10	34	651
Stage 2	411	118	1	100	630
Stage 3	120	112	1	66	299
Stage 3 non-modelled provisions	3,702	664	–	129	4,495
Total credit impairment provisions	4,427	1,307	12	329	6,075

31 December 2021	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking[3] $million	Ventures[3] $million	Central & other items[3,4] $million	Total $million
Modelled ECL provisions (base forecast)	365	529	3	103	1,000
Impact of multiple economic scenarios[1]	32	14	–	9	55
Total ECL provisions before management judgements	397	543	3	112	1,055
Judgemental post model adjustments	–	–	–	–	–
– Model calibration	–	7	–	–	7
– Multiple economic scenarios	–	–	–	–	–
Management Overlays[2]					
– COVID-19	102	147	–	–	249
– China commercial real estate	95	–	–	–	95
Total modelled provisions	594	697	3	112	1,406
Of which: Stage 1	163	377	1	68	609
Stage 2	425	185	2	44	656
Stage 3	6	135	–	–	141
Stage 3 non-modelled provisions	4,073	662	–	68	4,803
Total credit impairment provisions	4,667	1,359	3	180	6,209

1 Includes a post model adjustment (PMA) of $17 million (2021: $51 million)

2 $55 million (2021: $115 million) is in stage 1, $148 million (2021: $208 million) in stage 2 and $16 million (2021: $21 million) in stage 3

3 Following the increased strategic importance and reporting of Ventures to management, this has been established as a separate operating segment from 1 January 2022. Prior period has been restated

4 Includes ECL on cash and balances at central banks, accrued income, assets held for sale and other assets

Post model adjustments

As part of normal model monitoring and validation operational processes, where a model's performance breaches the monitoring thresholds or validation standards, an assessment is completed to determine whether an ECL PMA is required to correct for the identified model issue. PMAs will be removed when the models are updated to correct for the identified model issue or the estimates return to being within the monitoring thresholds.

As at 31 December 2022, PMAs have been applied for 9 models out of the total of 172 models. In aggregate, the PMAs reduce the Group's impairment provisions by $60 million (0.5 per cent of modelled provisions) compared with a $17 million increase at 31 December 2021, and primarily relate to a $17 million decrease for multiple economic scenarios in CCIB and a $24 million decrease in ECL for Malaysian CPBB Business Clients.

On top of these PMAs, a separate judgemental management adjustment that covers risk not captured by the models has also been applied. These adjustments are summarised below.

	2022 $million	2021 $million
Model performance PMAs		
Corporate, Commercial & Institutional Banking	**(22)**	24
Consumer, Private & Business Banking	**(38)**	(15)
Central & other items	**–**	8
Total model performance PMAs	**(60)**	17

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 review 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 as central banks keep monetary policy restrictive. 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 multitude of headwinds that have faced most economies in 2022 are likely to persist in the months ahead. However, a recovery in growth is expected to take hold in H2 2023.

The balance of risks to the 2023 outlook is to the downside. They include the impact from higher inflation and interest rates, ongoing geopolitical tensions, renewed lockdowns/restrictions to movement from the spread of COVID-19 and severe corrections in property sectors in key countries.

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.

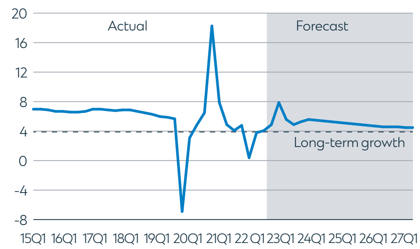
To assess the range of possible outcomes the Group simulates a set of 50 scenarios around the Base Forecast, calculates the ECL under each of them and assigns an equal weight of 2 per cent to each scenario outcome. These scenarios are generated by a Monte Carlo simulation, which addresses the challenges 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 GDP graphs below illustrate the shape of the Base Forecast for key footprint markets in relation to prior periods' actuals. The long-term growth rates are based on the pace of economic expansion expected for 2030. The tables below provide a summary of the Group's Base Forecast for these markets. The peak/trough amounts show the highest and lowest points within the Base Forecast.

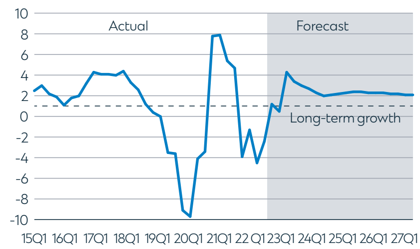
China's growth is expected to accelerate to 5.8 per cent in 2023 from less than 3.5 per cent in 2022. Consumption should start to recover as the country gradually eases its zero-COVID stance and starts to reopen. Recently announced policy support measures for the real estate sector are also expected to lift the outlook for the broader economy in H2 2023. Like China, Hong Kong's GDP growth, is expected to improve to around 2.5 per cent in 2023 from a contraction of 3 per cent in 2022 on the gradual relaxation of travel curbs and social-distancing measures and the much-improved labour market. However, the upside will be limited on the expected weakness in the external sector. Major economies such as the US and Europe are forecast to slow sharply on account of monetary policy tightening and high inflation. Slowing external demand will also be a key factor in Singapore's GDP growth easing to 2.8 per cent in 2023 from around 3.5 per cent in 2022 and Korea's growth easing to around 2 per cent from 2.7 per cent. Growth in India is also forecast to slow with GDP expected to grow by 5.5 per cent in FY24 (ending March 2024) from 7 per cent in FY23. Fading pent-up demand (especially in the services sector), rising interest rates, limited real wage hikes and like other countries in the region easing global demand will weigh on activity.

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 $91 in 2023 compared to around $100 in 2022.

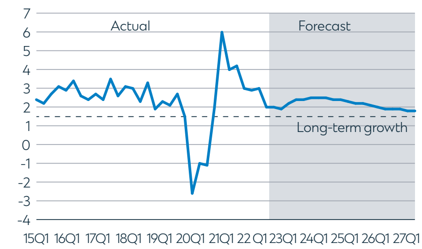
China GDP YoY%



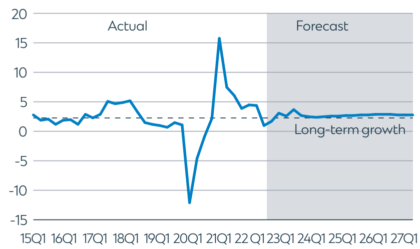
Hong Kong GDP YoY%



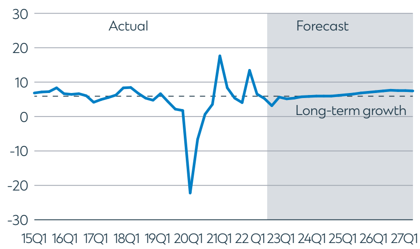
Korea GDP YoY%



Singapore GDP YoY%



India GDP YoY%



Long-term growth = GDP growth expected for 2030

	2022							
	China				Hong Kong			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY %)	GDP growth (YoY %)	Unemployment %	3-month interest rates %	House prices (YoY %)
Base forecast[1]								
2023	5.8	4.0	1.4	0.6	2.4	3.0	3.6	(4.4)
2024	5.4	3.9	1.9	3.3	2.5	2.9	3.1	3.9
2025	5.2	3.8	2.4	4.9	2.2	2.9	2.5	3.7
2026	4.8	3.8	2.7	4.5	2.3	2.9	2.4	2.8
2027	4.5	3.8	3.0	4.4	2.1	2.9	2.4	2.7
5-year average[2]	5.1	3.9	2.3	3.6	2.3	3.0	2.8	1.7
Peak	7.9	4.1	3.0	5.0	4.3	3.1	3.6	4.9
Trough	4.5	3.8	1.4	0.0	0.5	2.9	2.4	(8.4)
Monte Carlo								
Low[3]	1.1	3.4	0.6	(3.4)	(3.8)	1.7	0.5	(22.0)
High[4]	9.6	4.3	4.4	10.0	8.0	4.2	6.1	26.8

	2022							
	Singapore				Korea			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY %)
Base forecast[1]	2.8	3.2	4.5	1.0	2.1	3.2	3.9	0.0
2023	2.5	3.0	3.3	1.6	2.5	3.2	3.3	2.2
2024	2.6	3.0	2.5	3.9	2.3	3.1	2.9	2.8
2025	2.9	3.0	2.4	3.5	2.0	3.1	2.7	2.8
2026	2.8	3.0	2.4	3.9	1.8	3.0	2.7	2.8
2027	2.7	3.0	3.1	2.8	2.2	3.1	3.1	2.1
5-year average[2]	3.7	3.2	4.7	4.7	2.5	3.3	3.9	2.8
Peak	1.7	3.0	2.4	(2.4)	1.8	3.0	2.7	(0.4)
Trough	2.8	3.2	4.5	1.0	2.1	3.2	3.9	0.0
Monte Carlo								
Low[3]	(3.4)	2.1	0.8	(15.9)	(2.8)	1.1	1.1	(5.4)
High[4]	8.6	4.5	5.6	20.4	7.0	4.9	5.9	10.0

	2022				
	India				
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	Brent Crude $ pb
Base forecast[1]					
2023	5.5	NA	6.0	2.9	91.0
2024	6.0	NA	5.4	5.6	97.5
2025	6.5	NA	5.5	7.1	109.3
2026	7.4	NA	5.5	7.1	116.9
2027	7.5	NA	5.3	7.0	118.3
5-year average[2]	6.4	NA	5.6	5.7	106.6
Peak	7.7	NA	6.3	7.2	118.8
Trough	3.2	NA	5.3	1.6	88.0
Monte Carlo					
Low[3]	1.5	NA	1.9	(1.1)	42.4
High[4]	12.1	NA	9.5	13.0	204.2

	2021							
	China				Hong Kong			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)
5-year average[2]	5.4	3.4	2.8	4.0	2.6	3.8	1.5	3.1
Peak	6.1	3.4	3.1	4.5	3.5	4.4	2.3	5.3
Trough	4.7	3.4	2.1	1.8	1.8	3.7	0.3	2.7
Monte Carlo								
Low[3]	2.6	3.3	1.3	(2.8)	(1.7)	2.4	(0.3)	(12.4)
High[4]	8.3	3.5	4.6	11.1	6.9	5.8	5.0	22.8

	2021							
	Singapore				Korea			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)
5-year average[2]	2.5	3.1	1.4	3.6	2.5	3.3	1.6	2.7
Peak	4.8	3.4	2.2	4.2	2.8	3.7	2.2	10.9
Trough	1.8	3.0	0.5	3.3	2.4	3.1	1.2	(0.3)
Monte Carlo								
Low[3]	(4.0)	2.1	0.1	(4.1)	(3.1)	2.7	0.5	(5.2)
High[4]	9.4	4.5	4.2	15.4	7.1	4.5	4.3	9.5

	2021				
	India				
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	Brent crude $ pb
5-year average[2]	6.4	N/A	5.4	7.1	63.7
Peak	16.6	N/A	6.2	7.2	73.5
Trough	4.2	N/A	4.0	5.8	60.0
Monte Carlo					
Low[3]	2.0	N/A	3.2	(1.9)	8.9
High[4]	10.5	N/A	8.8	24.9	211.4

1 Annual numbers are for calendar year except for India where it covers fiscal year ending Q1 of each year. For example, 2022 is Q2 2022 to Q1 2023

2 5-year averages reported for 31.12.22 cover Q1 2023 to Q4 2027

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

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

Impact of multiple economic scenarios

The final probability-weighted ECL reported by the Group is a simple average of the ECL for each of the 50 scenarios simulated using a Monte Carlo model. The Monte Carlo approach has the advantage that it generates many plausible alternative scenarios that cover our global footprint. The Monte Carlo model was redeveloped over 2022 to increase the range of scenarios that the model forecasts.

The redeveloped Monte Carlo model was implemented in Q4 2022 and forecasted a wider range of scenarios. The total amount of non-linearity calculated as the difference between the probability-weighted ECL calculated by the Monte Carlo model and the unweighted base forecast ECL is $50 million (31 December 2021: $4 million). The CCIB and Central and other items portfolios accounted for $44 million of the calculated non-linearity with the remaining $6 million attributable to CPBB portfolios. As the non-linearity calculated for the CPBB portfolios remained relatively low a judgemental PMA of $34 million has been applied.

The impact of multiple economic scenarios (which includes the post model adjustment for multiple economic scenarios) on stage 1, stage 2 and stage 3 modelled ECL is set out in the table below together with the management overlay.

	Base forecast $million	Multiple economic scenarios[1] $million	Management overlays and other judgemental adjustments $million	Total modelled ECL[2] $million
Total expected credit loss at 31 December 2022	**1,267**	**84**	**229**	**1,580**
Total expected credit loss at 31 December 2021	1,000	55	351	1,406

1 Includes judgemental post model adjustment of $34 million (31 December 2021: $nil) relating to Consumer, Private and Business Banking. 2021 includes model performance post model adjustments of $51 million

2 Total modelled ECL comprises stage 1 and stage 2 balances of $1,281 million (31 December 2021: $1,265 million) and $299 million (31 December 2021: $141 million) of modelled ECL on stage 3 loans

The average expected credit loss under multiple scenarios is 7 per cent higher than the expected credit loss calculated using only the most likely scenario (the Base Forecast). Portfolios that are more sensitive to non-linearity include those with greater leverage and/or a longer tenor, such as Project and Shipping Finance portfolios. Other portfolios display minimal non-linearity owing to limited responsiveness to macroeconomic impacts for structural reasons such as significant collateralisation as with the CPBB mortgage portfolios.

Judgemental adjustments

As at 31 December 2022, the Group held judgemental adjustments for ECL as set out in the table below. All of the judgemental adjustments have been determined after taking account of the model performance PMAs reported and they are reassessed quarterly. They are reviewed and approved by the IFRS 9 Impairment Committee.

		Consumer, Private & Business Banking			
31 December 2022	**Corporate, Commercial & Institutional Banking $million**	**Mortgages $million**	**Credit Cards $million**	**Other $million**	**Total $million**
Judgemental post model adjustments	**–**	**3**	**11**	**30**	**44**
Judgemental management overlays:					
– COVID-19 and other overlays	**–**	**2**	**5**	**30**	**37**
– China CRE	**173**	**–**	**–**	**–**	**–**
– Sri Lanka	**9**	**–**	**–**	**–**	**–**
Total judgemental adjustments	**182**	**5**	**16**	**60**	**81**
Judgemental adjustments by stage:					
– Stage 1	**37**	**1**	**5**	**39**	**45**
– Stage 2	**138**	**3**	**9**	**17**	**29**
– Stage 3	**9**	**1**	**2**	**4**	**7**

		Consumer, Private & Business Banking			
31 December 2021	Corporate, Commercial & Institutional Banking $million	Mortgages $million	Credit Cards $million	Other $million	Total $million
Judgemental post model adjustments	–	–	–	7	7
Judgemental management overlays:					
– COVID-19	102	36	15	96	147
– China CRE	95	–	–	–	–
– Sri Lanka	–	–	–	–	–
Total judgemental adjustments	197	36	15	103	154
Judgemental adjustments by stage:					
– Stage 1	31	–	13	75	87
– Stage 2	166	25	2	19	46
– Stage 3	–	11	1	9	21

Post model adjustments

As at 31 December 2022, judgemental post model adjustments to increase ECL by $44 million (31 December 2021: $7 million) have been applied to certain CPBB models. $34 million (31 December 2021: $nil) of this relates to multiple economic scenarios. The remainder is primarily to hold back releases of ECL identified from model monitoring breaches because moratoria and other support schemes have suppressed observed defaults. These will be released when the observed defaults normalise.

Management overlays

CCIB

COVID-19

The COVID-19 overlay of $102 million at 31 December 2021 has been fully released in 2022 and no overlay is held at 31 December 2022.

China commercial real estate

Chinese property developers continue to experience liquidity issues, triggered by government policy changes aimed at deleveraging the property sector and ensuring property developers have the financial ability to complete residential properties under construction. The government's 'three red lines' matrix was introduced in August 2020 to tighten the funding conditions for property developers by limiting the growth rate in external debt. With additional controls on sales of properties to end buyers (e.g. mortgage lending control, pricing control, eligibility control) and on restricting developers' ability to access cash from 'escrow accounts' with cash paid by retail residential buyers, the cashflow of developers has been significantly squeezed. Also, with capital markets reacting negatively to the tightening policies, we have seen greater volatility in bond pricing and reduced access to capital markets liquidity for developers. As such, some developers have faced/are facing difficulties in servicing and repaying financing obligations.

The Group's loans and advances to China commercial real estate clients was $3.2 billion at 31 December 2022 (31 December 2021: $3.7 billion). Client level analysis continues to be done, with the high-risk clients being placed on purely precautionary or non-purely precautionary early alert. Given the evolving nature of the risks in the China commercial real estate sector, a management overlay of $173 million (31 December 2021: $95 million) has been taken by estimating the impact of further deterioration to those clients placed on early alert.

Sri Lanka

Due to the ongoing economic uncertainty following the Sri Lanka Sovereign default in the first half of 2022, a judgemental overlay of $9 million (31 December 2021: $nil) is held against modelled stage 3 exposures in Sri Lanka that have not yet been individually assessed for impairment.

CPBB

While industry wide government COVID-19 relief measures have ended for most markets, there are a few markets where either the schemes have recently ended or limited reliefs are still available. At 31 December $21 million (31 December 2021: $147 million) was held for residual COVID-19 related risks in these portfolios.

Overlays of $16 million (31 December 2021: $nil) have also been applied to capture operating 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 the 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 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 scenario is based on the Bank of England's 2022 regulatory Annual Cyclical Scenario (ACS 2022) and is a deep synchronised global downturn characterised by significantly higher commodity prices relative to base, inflation and interest rates. In the second more modest downside scenario, inflation in advanced economies surprises to the upside in the very near term as the supply-chain crisis intensifies and this prompts additional monetary tightening. Financial markets weaken with bond yields spiking and equities falling sharply. The deterioration in sentiment also leads to adjustments in property markets. Advanced economies are shocked more than emerging markets in the second scenario.

	Baseline		ACS 2022		Advanced Economic Downturn	
	Five year average	Peak/Trough	Five year average	Peak/Trough	Five year average	Peak/Trough
China GDP	5.1	7.9/4.5	3.1	4.7/(2.6)	4.9	7.2/3.7
China unemployment	3.9	4.1/3.8	5.2	5.6/4.6	4.1	4.3/3.8
China property prices	3.6	5.0/0.0	(6.5)	9.2/(22.1)	3.3	6.9/(1.8)
Hong Kong GDP	2.3	4.3/0.5	(0.7)	2.9/(9.7)	2.1	3.4/(0.1)
Hong Kong unemployment	3.0	3.1/2.9	5.8	7.0/2.7	3.1	3.2/3.0
Hong Kong property prices	1.7	4.9/(8.4)	(10.6)	6.2/(24.8)	1.4	5.1/(9.5)
US GDP	1.7	3.1/(0.4)	0.1	2.4/(5.9)	1.6	3.9/(2.6)
Singapore GDP	2.7	3.7/1.7	1.1	4.6/(7.0)	2.6	3.1/1.4
India GDP	6.4	7.7/3.2	4.3	6.6/(0.2)	6.3	7.7/3.2
Crude oil	106.6	118.8/88.0	140.3	148.4/118.8	90.2	104.9/77.3

Period covered from Q1 2023 to Q4 2027

	Base (GDP, YoY%)					ACS 2022 (GDP, YoY%)					Difference from Base				
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
China	5.8	5.4	5.2	4.8	4.5	0.1	2.2	4.6	4.2	4.2	(5.7)	(3.2)	(0.6)	(0.6)	(0.4)
Hong Kong	2.4	2.5	2.2	2.3	2.1	(5.7)	(3.5)	2.5	1.7	1.4	(8.1)	(6.0)	0.3	(0.6)	(0.7)
US	(0.2)	1.8	2.6	2.1	2.1	(3.3)	(1.2)	1.7	1.5	1.5	(3.1)	(3.0)	(0.8)	(0.6)	(0.6)
Singapore	2.8	2.5	2.6	2.9	2.8	(3.7)	(0.6)	3.6	3.0	2.9	(6.5)	(3.1)	0.9	0.1	0.1
India	4.9	5.9	6.3	7.2	7.6	1.7	2.7	4.7	6.0	6.4	(3.1)	(3.3)	(1.6)	(1.1)	(1.2)

Each year is from Q1 to Q4. For example 2023 is from Q1 2023 to Q4 2023.

	Base (GDP, YoY%)					Advanced Economic Downturn (GDP, YoY%)					Difference from Base				
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
China	5.8	5.4	5.2	4.8	4.5	5.0	5.0	5.2	4.8	4.5	(0.8)	(0.4)	0.1	0.0	0.0
Hong Kong	2.4	2.5	2.2	2.3	2.1	1.6	2.0	2.4	2.3	2.1	(0.8)	(0.5)	0.1	0.0	0.0
US	(0.2)	1.8	2.6	2.1	2.1	(1.6)	1.5	3.1	2.4	2.7	(1.5)	(0.3)	0.6	0.3	0.6
Singapore	2.8	2.5	2.6	2.9	2.8	1.9	2.3	2.8	3.0	3.0	(0.9)	(0.2)	0.2	0.1	0.2
India	4.9	5.9	6.3	7.2	7.6	4.8	5.5	6.2	7.2	7.6	(0.1)	(0.4)	(0.1)	0.0	0.0

Each year is from Q1 to Q4. For example 2023 is from Q1 2023 to Q4 2023

The total modelled stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately $32 million higher under the Advanced Economy Downturn scenario, and $459 million higher under the ACS 2022 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 3.1 per cent in the base case to 3.3 per cent and 8.1 per cent respectively under the Advanded Economy Downturn and ACS 2022 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 UAE and Hong Kong being impacted. For the CPBB portfolios most of the increases came from the unsecured retail portfolios with the Taiwan Personal Loans and Singapore Credit Cards portfolios impacted.

There was no material change in modelled stage 3 provisions as these primarily relate to unsecured CPBB 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.

	Gross as reported[1] $ million	ECL as reported[1] $ million	ECL Base case $ million	Advanced economy downturn $ million	ACS 2022 $ million
Stage 1 modelled					
Corporate, Commercial & Institutional Banking	315,437	157	138	148	191
Consumer, Private & Business Banking	193,239	395	372	379	447
Ventures	691	10	10	10	10
Central & Other items	210,745	28	25	26	38
Total excluding management overlays	720,112	590	545	563	686
Stage 2 modelled					
Corporate, Commercial & Institutional Banking	19,432	275	256	269	435
Consumer, Private & Business Banking	1,821	106	89	90	227
Ventures	18	1	1	1	1
Central & Other items	6,208	88	85	85	86
Total excluding management overlays	27,479	470	431	445	749
Total Stage 1 & 2 modelled					
Corporate, Commercial & Institutional Banking	334,869	432	394	417	626
Consumer, Private & Business Banking	195,060	501	461	469	674
Ventures	709	11	11	11	11
Central & Other items	216,953	116	110	111	124
Total excluding management overlays	747,859	1,060	976	1,008	1,435
Stage 3 exposures excluding management overlays	8,975	4,778			
Other financial assets[2]	101,606	18			
ECL from management overlays		219			
Total reported at 31 December 2022	858,172	6,075			

1 Includes both on- and off- balance sheet instruments

2 Includes cash and balances at central banks; Accrued income; Other assets; and Assets held for sale

Significant increase in Credit Risk (SICR)

Quantitative criteria

SICR is assessed by comparing the risk of default at the reporting date to the risk of default at origination. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria. These quantitative significant deterioration thresholds have been separately defined for each business and where meaningful are consistently applied across business lines.

Assets are considered to have experienced SICR if they have breached both relative and absolute thresholds for the change in the average annualised lifetime probability of default over the residual term of the exposure.

The absolute measure of increase in Credit Risk is used to capture instances where the IFRS 9 PDs on exposures are relatively low at initial recognition as these may increase by several multiples without representing a significant increase in credit risk. Where IFRS 9 PDs are relatively high at initial recognition, a relative measure is more appropriate in assessing whether there is a significant increase in credit risk, as the IFRS 9 PDs increase more quickly.

The SICR thresholds have been calibrated based on the following principles:

- Stability – the thresholds are set to achieve a stable stage 2 population at a portfolio level, trying to minimise the number of accounts moving back and forth between stage 1 and stage 2 in a short period of time
- Accuracy – the thresholds are set such that there is a materially higher propensity for stage 2 exposures to eventually default than is the case for stage 1 exposures
- Dependency from backstops – the thresholds are stringent enough such that a high proportion of accounts transfer to stage 2 due to movements in forward-looking IFRS9 PDs rather than relying on backward-looking backstops such as arrears
- Relationship with business and product risk profiles – the thresholds reflect the relative risk differences between different products, and are aligned to business processes

For CCIB clients, the relative threshold is a 100 per cent increase in IFRS 9 PD and the absolute change in IFRS 9 PD is between 50 and 100 bps.

For Consumer and Business Banking clients, portfolio specific quantitative thresholds in Hong Kong, Singapore, Malaysia, UAE and Taiwan have been introduced in 2022 for credit cards and one personal loan portfolio. The thresholds include relative and absolute increases in IFRS 9 PD with average lifetime IFRS 9 PD cut-offs for those exposures that are within a range of customer utilisation limits (for credit cards) and remaining tenor (for personal loans) and differentiate between exposures that are current and those that are 1 to 29 days past due.

The range of thresholds applied are:

Portfolio	Relative IFRS 9 PD increase (%)	Absolute IFRS 9 PD increase (%)	Customer utilisation (%)	Remaining tenor (%)	Average IFRS 9 PD (lifetime)
Credit cards – Current	50% – 150%	3.4% – 9.3%	15% – 90%	–	4.15% – 11.6%
Credit cards – 1-29 days past due	100% – 210%	3.5% – 6.1%	25% – 67%	–	1.5% – 18.5%
Personal loans – Current	–	3.5%	–	70%	2.8%
Personal loan – 1-29 days past due	25%	3%	–	75%	–

The impact of this change has been to transfer $212 million of credit cards balances and $14 million of personal loans balances from stage 2 to stage 1, which reduced ECL by a net $15 million.

For all other Consumer and Business Banking portfolios, the thresholds remained the same as 2021, with a relative threshold of 100 per cent increase in IFRS 9 PD and an absolute change in IFRS 9 PD is between 100 and 350 bps depending on the product. Certain countries have a higher absolute threshold reflecting the lower default rate within their personal loan portfolios compared with the Group's other personal loan portfolios.

Private Banking clients are assessed qualitatively, based on a delinquency measure relating to collateral top-ups or sell-downs.

Debt securities originated before 1 January 2018 with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other debt securities to stage 2. Debt securities originated after 1 January 2018 apply the same approach and thresholds as for CCIB clients.

Qualitative criteria

Qualitative factors that indicate that there has been a significant increase in credit risk include processes linked to current risk management, such as placing loans on non-purely precautionary early alert.

Backstop

Across all portfolios, accounts that are 30 or more days past due (30 DPD) on contractual payments of principal and/or interest that have not been captured by the criteria above are considered to have experienced a significant increase in credit risk.

Expert credit judgement may be applied in assessing significant increase in credit risk to the extent that certain risks may not have been captured by the models or through the above criteria. Such instances are expected to be rare, for example due to events and material uncertainties arising close to the reporting date.

CCIB clients

Quantitative criteria

Exposures are assessed based on both the absolute and the relative movement in the IFRS 9 PD from origination to the reporting date as described above.

To account for the fact that the mapping between internal credit grades (used in the origination process) and IFRS 9 PDs is non-linear (e.g. a one-notch downgrade in the investment grade universe results in a much smaller IFRS 9 PD increase than in the sub-investment grade universe), the absolute thresholds have been differentiated by credit quality at origination, as measured by internal credit grades being investment grade or sub-investment grade.

Qualitative criteria

All assets of clients that have been placed on early alert (for non-purely precautionary reasons) are deemed to have experienced a significant increase in credit risk.

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

All client assets that have been assigned a CG12 rating, equivalent to 'Higher risk', are deemed to have experienced a significant increase in credit risk. Accounts rated CG12 are primarily managed by relationship managers in the CCIB unit with support from SAG for certain accounts.. All CCIB clients are placed in CG12 when they are 30 DPD unless they are granted a waiver through a strict governance process.

Consumer and Business Banking clients

Quantitative criteria

Material portfolios (defined as a combination of country and product, for example Hong Kong mortgages, Taiwan credit cards) for which a statistical model has been built, are assessed based on both the absolute and relative movement in the IFRS 9 PD from origination to the reporting date as described previously in page 270. For these portfolios, the original lifetime IFRS 9 PD term structure is determined based on the original Application Score or Risk Segment of the client.

Qualitative criteria

Accounts that are 30 days past due (DPD) that have not been captured by the quantitative criteria are considered to have experienced a significant increase in credit risk. For less material portfolios, which are modelled based on a roll-rate or loss-rate approach, SICR is primarily assessed through the 30 DPD trigger.

Private Banking clients

For Private Banking clients, SICR is assessed by referencing the nature and the level of collateral against which credit is extended (known as 'Classes of Risk').

Qualitative criteria

For all Private Banking classes, in line with risk management practice, an increase in credit risk is deemed to have occurred where margining or loan-to-value covenants have been breached.

For Class I assets (lending against diversified liquid collateral), if these margining requirements have not been met within 30 days of a trigger, a significant increase in credit risk is assumed to have occurred.

For Class I and Class III assets (real-estate lending), a significant increase in credit risk is assumed to have occurred where the bank is unable to 'sell down' the applicable assets to meet revised collateral requirements within five days of a trigger.

Class II assets are typically unsecured or partially secured, or secured against illiquid collateral such as shares in private companies. Significant credit deterioration of these assets is deemed to have occurred when any early alert trigger has been breached.

Debt Securities

Quantitative criteria

For debt securities originated before 1 January 2018, the bank is utilising the low Credit Risk simplified approach, where debt securities with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other debt securities are allocated to stage 2. Debt securities originated after 1 January 2018 are assessed based on the absolute and relative movements in IFRS 9 PD from origination to the reporting date.

Qualitative criteria

Debt securities utilise the same qualitative criteria as the CCIB client segments, including being placed on early alert or being classified as CG12.

Assessment of credit-impaired financial assets

Consumer and Business Banking clients

The core components in determining credit-impaired expected credit loss provisions are the value of gross chargeoff and recoveries. Gross charge-off and/or loss provisions are recognised when it is established that the account is unlikely to pay through the normal process. Recovery of unsecured debt post credit impairment is recognised based on actual cash collected, either directly from clients or through the sale of defaulted loans to third-party institutions. Release of credit impairment provisions for secured loans is recognised if the loan outstanding is paid in full (release of full provision), or the provision is higher than the loan outstanding (release of the excess provision).

CCIB, and Private Banking clients

Credit-impaired accounts are managed by the Group's specialist recovery unit, Stressed Assets Risk (SAR). Where any amount is considered irrecoverable, a stage 3 credit impairment provision is raised. This stage 3 provision is the difference between the loan-carrying amount and the probability-weighted present value of estimated future cash flows, reflecting a range of scenarios (typically the best, worst and most likely recovery outcomes). Where the cashflows include realisable collateral, the values used will incorporate the impact of forward-looking economic information.

The individual circumstances of each client are considered when SAR estimates future cashflows and the timing of future recoveries which involves significant judgement. All available sources, such as cashflow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees are considered. In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Write-offs

Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

Governance and application of expert credit judgement in respect of expected credit losses

The Group's Credit Policy and Standards framework details the requirements for continuous monitoring to identify any changes in credit quality and resultant ratings, as well as ensuring a consistent approach to monitoring, managing and mitigating credit risks. The framework aligns with the governance of ECL estimation through the early recognition of significant deteriorations in ratings which drive stage 2 and 3 ECL.

The models used in determining expected credit losses are reviewed and approved by the Group Credit Model Assessment Committee (CMAC) which is appointed by the Model Risk Committee. CMAC has the responsibility to assess and approve the use of models and to review all IFRS 9 interpretations related to models. CMAC also provides oversight on operational matters related to model development, performance monitoring and model validation activities including standards and regulatory matters.

Prior to submission to CMAC for approval, the models are validated by GMV, a function which is independent of the business and the model developers. GMV's analysis comprises review of model documentation, model design and methodology, data validation, review of the model development and calibration process, out-of-sample performance testing, and assessment of compliance review against IFRS 9 rules and internal standards.

A quarterly model monitoring process is in place that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds. Where a model's performance breaches the monitoring thresholds, an assessment of whether a PMA is required to correct for the identified model issue is completed.

Key inputs into the calculation and resulting expected credit loss provisions are subject to review and approval by the IFRS 9 Impairment Committee (IIC) which is appointed by the Group Risk Committee. The IIC consists of senior representatives from Risk, Finance, and Group Economic Research. It meets at least twice every quarter, once before the models are run to approve key inputs into the calculation, and once after the models are run to approve the expected credit loss provisions and any judgemental overrides that may be necessary.

The IFRS 9 Impairment Committee:

- Oversees the appropriateness of all Business Model Assessment and Solely Payments of Principal and Interest (SPPI) tests;
- Reviews and approves expected credit loss for financial assets classified as stages 1, 2 and 3 for each financial reporting period;
- Reviews and approves stage allocation rules and thresholds;
- Approves material adjustments in relation to expected credit loss for Fair Value through Other Comprehensive Income (FVOCI) and amortised cost financial assets;
- Reviews, challenges and approves base macroeconomic forecasts and the multiple macroeconomic scenarios approach that are utilised in the forward-looking expected credit loss calculations

The IFRS 9 Impairment Committee is supported by an Expert Panel which also reviews and challenges the base case projections and multiple macroeconomic scenarios. The Expert Panel consists of members of Enterprise Risk Management (which includes the Scenario Design team), Finance, Group Economic Research and country representatives of major jurisdictions.

PMAs may be applied to account for identified weaknesses in model estimates. The processes for identifying the need for, calculating the level of, and approving PMAs are prescribed in the Credit Risk IFRS 9 ECL Model Family Standards which are approved by the Global Head, Model Risk Management. PMA calculation methodologies are reviewed by GMV and submitted to CMAC as the model approver or the IIC. All PMAs have a remediation plan to fix the identified model weakness, and these plans are reported to and tracked at CMAC.

In addition, judgemental management adjustments account for events are not captured in the Base Case Forecast or the resulting ECL calculated by the models (for example, caused by sudden events or as a result of significant levels of uncertainty). All judgemental management adjustments must be approved by the IIC having considered the nature of the event, why the risk is not captured in the model, and the basis on which the quantum of the overlay has been calculated. Judgemental management adjustments are subject to quarterly review and re-approval by the IIC and will be released when the risks are no longer relevant.

Traded Risk

Traded Risk is the potential for loss resulting from activities undertaken by the Group in financial markets. Under the Enterprise Risk Management Framework, the Traded Risk Framework 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 (audited)

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 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 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 (page 304).

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 as well as commodity baskets
- 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 movements (audited)

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 2022 was $52.5 million, 4.2 per cent lower than 2021 ($54.8 million). The actual level of total trading and non-trading VaR as at the end of 2022 was $55.8 million, 28.6 per cent higher than 2021 ($43.4 million), due to an increase in market volatility in H2 2022, driven by a number of Central Banks increasing interest rates to curb inflation.

For the trading book, the average level of VaR in 2022 was $18.0 million, 4.6 per cent higher than 2021 ($17.2 million). Trading activities have remained relatively unchanged, and client driven.

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

	2022				2021			
Trading[1] and non-trading[2]	Average $million	High $ million	Low $million	Year End $million	Average $million	High $million	Low $million	Year End $million
Interest Rate Risk	27.8	42.1	21.0	24.7	31.3	68.3	16.4	26.0
Credit Spread Risk	34.2	47.1	20.3	32.9	34.0	97.6	14.8	21.5
Foreign Exchange Risk	6.5	10.3	4.8	6.8	7.3	19.0	4.2	7.0
Commodity Risk	7.0	11.9	3.5	8.3	4.5	10.4	2.3	3.6
Equity Risk	0.1	0.2	–	0.1	1.3	1.7	1.0	1.4
Total	52.5	64.1	40.3	55.8	54.8	140.7	30.7	43.4

	2022				2021			
Trading[1]	Average $million	High $million	Low $million	Year End $million	Average $million	High $million	Low $million	Year End $million
Interest Rate Risk	8.1	11.7	5.3	9.0	7.6	10.2	5.2	7.2
Credit Spread Risk	9.5	14.9	5.0	8.7	8.6	19.2	4.2	6.2
Foreign Exchange Risk	6.5	10.3	4.8	6.8	7.3	19.0	4.2	7.0
Commodity Risk	7.0	11.9	3.5	8.3	4.5	10.4	2.3	3.6
Equity Risk	–	–	–	–	–	–	–	–
Total	18.0	24.4	12.6	21.8	17.2	28.4	12.3	15.3

Non-trading[2]	2022 Average $million	2022 High $million	2022 Low $million	2022 Year End $million	2021 Average $million	2021 High $million	2021 Low $million	2021 Year End $million
Interest Rate Risk	**26.3**	**44.5**	**18.1**	**23.5**	32.4	68.2	18.2	24.3
Credit Spread Risk	**28.8**	**37.8**	**18.7**	**29.2**	29.2	80.0	14.4	20.2
Equity Risk[3]	**0.1**	**0.2**	**–**	**0.1**	1.3	1.7	1.0	1.4
Total	**44.6**	**52.5**	**35.1**	**41.3**	47.1	106.3	25.3	38.3

The following table sets out how trading and non-trading VaR is distributed across the Group's businesses:

	2022 Average $million	2022 High $million	2022 Low $million	2022 Year End $million	2021 Average $million	2021 High $million	2021 Low $million	2021 Year End $million
Trading[1] and non-trading[2]	**52.5**	**64.1**	**40.3**	**55.8**	54.8	140.7	30.7	43.4
Trading[1]								
Macro Trading[4]	**12.8**	**17.4**	**10.2**	**16.9**	12.7	21.2	9.0	12.2
Global Credit	**10.1**	**15.7**	**4.2**	**8.4**	6.9	18.7	3.6	4.8
Equities	**–**	**–**	**–**	**–**	–	–	–	–
XVA	**3.9**	**5.0**	**2.4**	**4.6**	5.2	11.9	2.5	2.5
Total	**18.0**	**24.4**	**12.6**	**21.8**	17.2	28.4	12.3	15.3
Non-trading[2]								
Treasury Markets	**38.7**	**47.5**	**29.7**	**40.3**	40.5	83.1	22.7	36.4
Treasury Capital Management	**9.1**	**15.3**	**6.4**	**9.1**	9.2	22.7	4.9	6.5
Global Credit	**3.4**	**5.0**	**2.3**	**3.5**	5.2	11.7	2.3	2.5
Listed Private Equity	**0.1**	**0.2**	**–**	**0.1**	1.3	1.7	1.0	1.4
Total	**44.6**	**52.5**	**35.1**	**41.3**	47.1	106.3	25.3	38.3

1 The trading book for Market Risk is defined in accordance with the UK onshored 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 Equity Risk VaR includes only listed equities

4 Macro Trading comprises the Rates, FX and Commodities businesses

Risks not in VaR

In 2022, the main market risks not reflected in VaR were:

- Basis risks for which the historical market price data is limited and is therefore proxied, giving rise to potential proxy basis risk that is not captured in VaR
- Potential depeg risk from currencies currently pegged or managed, as the historical one-year VaR observation period does not reflect the possibility of a change in the currency regime such as sudden depegging
- Deal contingent risk where a client is granted the right to cancel a hedging trade contingent on conditions not being met within a time window
- Volatility skew risk due to movements in options volatilities at different strikes while VaR reflects only movements in at-the-money volatilities

Additional capital is set aside to cover such 'risks not in VaR'.

Backtesting

In 2022, there were eight regulatory backtesting negative exceptions at Group level (in 2021, there were three regulatory backtesting negative exceptions at Group level). Group exceptions occurred on:

- 9 March: When risk assets rallied on hope of a truce agreement between Russia and Ukraine
- 29 March: When oil and base metal prices fell on the prospect of further ceasefire talks between Russia and Ukraine, and following a resurgence of COVID-19 cases in China
- 25 April: When risk assets fell following an announcement by Chinese authorities of expanded COVID-19 testing requirements amidst rising cases
- 29 September: When the Bank of England intervened in the gilts market to protect UK pension funds with Liability Driven Investment (LDI) exposures
- 4 October: When the Reserve Bank of Australia raised Australian interest rates by less than expected. US Treasury yields fell and the USD currency depreciated
- 25 October: When the new UK Prime Minister was appointed and Sterling appreciated sharply
- 26 October: When new economic data indicated that the Federal Reserve would slow anticipated US interest rate rises. USD yields fell and the USD currency depreciated

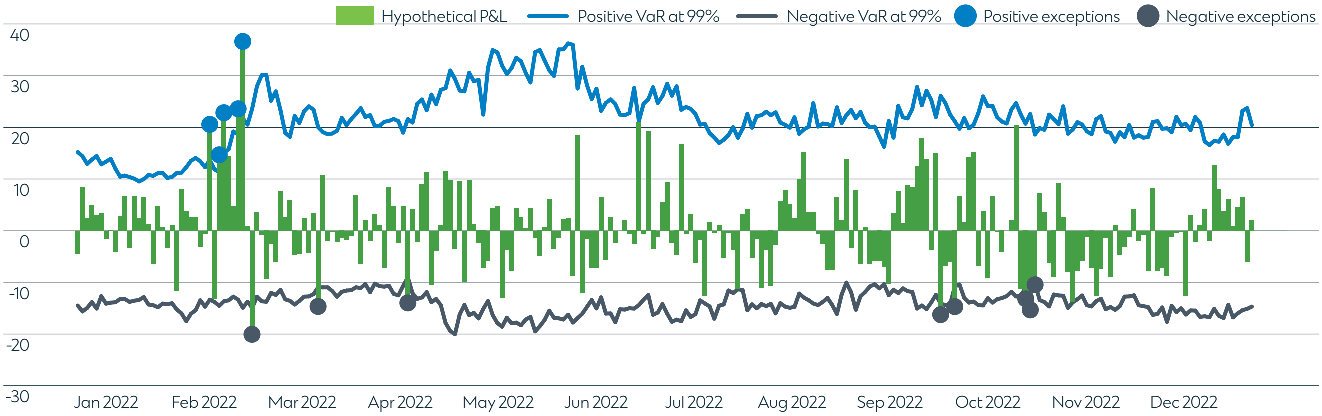
- 27 October: When the Central Bank of Egypt announced that the Egyptian Pound (EGP) would move to a durably flexible exchange rate regime and raised EGP interest rates by 200 basis points

The VaR model is currently being enhanced to increase its responsiveness to abrupt upturns in market volatility

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

The graph below illustrates the performance of the VaR model used in capital calculations. It compares the 99 percentile loss confidence level given by the VaR model with the hypothetical profit and loss of each day given the actual market movement without taking into account any intra-day trading activity.

2022 Backtesting chart
Internal model approach regulatory trading book at Group level
Hypothetical profit and loss (P&L) versus VaR (99 per cent, one day)



Trading loss days

	2022	2021
Number of loss days reported for Financial Markets trading book total product income[1]	15	15

1 Reflects total product income for Financial Markets:

- Including credit valuation adjustment (CVA) and funding valuation adjustment (FVA)
- Excluding Treasury Markets business (non-trading) and periodic valuation changes for Capital Markets, expected loss provisions and overnight indexed swap (OIS) discounting and accounting adjustments such as debit valuation adjustments

Average daily income earned from Market Risk-related activities[1] (audited)

The average level of total trading daily income in 2022 was $14 million, 43 per cent higher than in 2021 ($9.8 million). The increase is largely attributable to higher client income in Macro Trading driven by increased flows and trading income driven by higher market volatility and a rally in commodity prices.

Trading	2022 $million	2021 $million
Interest Rate Risk	5.0	3.3
Credit Spread Risk	1.4	0.9
Foreign Exchange Risk	6.3	4.7
Commodity Risk	1.3	0.9
Equity Risk	–	–
Total	14.0	9.8

Non-trading	$million	$million
Interest Rate Risk	–	0.4
Credit Spread Risk	0.6	0.2
Equity Risk	–	–
Total	0.6	0.6

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

Structural foreign exchange exposures

The table below sets out the principal structural foreign exchange exposures (net of investment hedges) of the Group.

	2022 $million	2021 $million
Indian rupee	**4,396**	4,323
Renminbi	**3,497**	4,186
Hong Kong dollar	**3,333**	4,757
Korean won	**2,409**	1,756
Singapore dollar	**1,888**	2,228
Malaysian ringgit	**1,571**	1,532
Taiwanese dollar	**1,055**	1,188
Thai baht	**782**	775
UAE dirham	**670**	643
Pakistani rupee	**352**	429
Indonesian rupiah	**261**	289
Other	**4,958**	4,976
	25,172	27,082

As at 31 December 2022, the Group had taken net investment hedges using derivative financial investments to partly cover its exposure to the Hong Kong dollar of $6,236 million (2021: $4,975 million), Korean won of $3,330 million (2021: $2,856 million), Singapore dollar of $1,608 million (2021: $729 million), Renminbi of $1,608 million (2021: $1,642 million), UAE dirham of $1,334 million (2021: $1,198 million), Taiwanese dollar of $1,075 million (2021: $1,149 million) and Indian rupee of $620 million (2021: $656 million). An analysis has been performed on these exposures to assess the impact of a 1 per cent fall in the US dollar exchange rates, adjusted to incorporate the impacts of correlations of these currencies to the US dollar. The impact on the positions above would be an increase of $421 million (2021: $399 million). Changes in the valuation of these positions are taken to reserves. For analysis of the Group's capital position and requirements, refer to the Capital Review (page 320).

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

Liquidity and Funding Risk is the risk that the Group may not have sufficient stable or diverse sources of funding to meet its obligations as they fall due.

The Group's Liquidity and Funding Risk framework requires each country to ensure that it operates within predefined liquidity limits and remains in compliance with Group liquidity policies and practices, as well as local regulatory requirements.

The Group achieves this through a combination of setting Risk Appetite and associated limits, policy formation, risk measurement and monitoring, prudential and internal stress testing, governance and review.

Despite the challenging macroeconomic environment, the Group has maintained resilience and retained a robust liquidity position. The Group continues to focus on improving the quality and diversification of its funding mix, and remains committed to supporting its clients.

Primary sources of funding (audited)

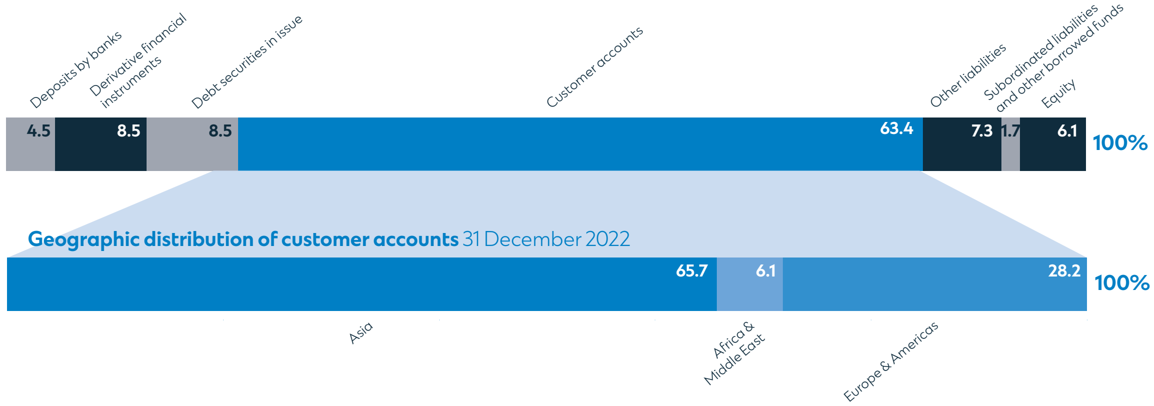
The Group's funding strategy is largely driven by its policy to maintain adequate liquidity at all times, in all geographic locations and for all currencies. This is done to ensure the Group can meet all of its obligations as they fall due. The Group's funding profile is therefore well diversified across different sources, maturities and currencies.

The Group's assets are funded predominantly by customer deposits, supplemented with wholesale funding, which is diversified by type and maturity.

The Group maintains access to wholesale funding markets in all major financial centres in which it operates. This seeks to ensure that the Group has market intelligence, maintains stable funding lines and can obtain optimal pricing when performing Interest Rate Risk management activities.

In 2022, the Group issued approximately $5.2 billion of senior debt securities, $0.75 billion of subordinated debt securities and $1.25 billion of Additional Tier 1 securities from its holding company (HoldCo) Standard Chartered PLC (2021: $6.8 billion of senior debt securities, $1.2 billion of subordinated debt securities and $2.75 billion of Additional Tier 1 securities). In the next 12 months, approximately $5.4 billion of the Group's senior debt, subordinated debt and Additional Tier 1 securities in total are either falling due for repayment contractually or callable by the Group.

Group's composition of liabilities 31 December 2022



Liquidity and Funding Risk metrics

The Group continually monitors key liquidity metrics, both on a country basis and consolidated across the Group.

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 (ADR) and net stable funding ratio (NSFR).

Liquidity coverage ratio (LCR)

The LCR is a regulatory requirement set to ensure the Group has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario.

The Group monitors and reports its liquidity positions under the Liquidity Coverage Ratio (CRR) part of the PRA rulebook and has maintained its LCR above the prudential requirement. The Group maintained strong liquidity ratios despite a challenging macroeconomic and geopolitical environment.

At the reporting date, the Group LCR was 147 per cent (2021: 143 per cent), with a surplus to both Board-approved Risk Appetite and regulatory requirements.

Adequate liquidity was held across our footprint to meet all local prudential LCR requirements where applicable.

	2022 $million	2021 $million
Liquidity buffer	**177,037**	172,178
Total net cash outflows	**120,720**	120,788
Liquidity coverage ratio	**147%**	143%

Stressed coverage

The Group intends to maintain a prudent and sustainable funding and liquidity position, in all countries and currencies, such that it can withstand a severe but plausible liquidity stress.

The Group's approach to managing liquidity and funding is reflected in the Board-level Risk Appetite Statement which includes the following:

"The Group should have sufficient stable and diverse sources of funding to meet its contractual and contingent obligations as they fall due."

The 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 – which captures the liquidity impact from a market-wide crisis affecting all participants in a country, region or globally; and
- Combined – which assumes both Standard Chartered-specific and Market-wide events affect the 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, intraday risk, franchise risk and risks associated with a deterioration of a firm's credit rating.

Stress testing results show that a positive surplus was maintained under all scenarios at 31 December 2022, i.e. respective countries are able to survive for a period of time as defined under each scenario. The results take into account currency convertibility and portability constraints while calculating the liquidity surplus at Group level.

Standard Chartered Bank's credit ratings as at 31 December 2022 were A+ with stable outlook (Fitch), A+ with stable outlook (S&P) and A1 with stable outlook (Moody's). As of 31 December 2022, the estimated contractual outflow of a three-notch long-term ratings downgrade is $1.5 billion.

External wholesale borrowing

The Board sets a risk limit to prevent excessive reliance on wholesale borrowing. Within the definition of wholesale borrowing, limits are applied to all branches and operating subsidiaries in the Group and as at the reporting date, the Group remained within Board Risk Appetite.

Advances-to-deposits ratio

This is defined as the ratio of total loans and advances to customers relative to total customer deposits. An advances-to-deposits ratio 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.

The Group's advances-to-deposits ratio has decreased by 1.7 per cent to 57.4 per cent, driven by a reduction of 2 per cent in customer deposits and 5 per cent in customer loans and advances.

	2022 $million	2021 $million
Total loans and advances to customers[1,2]	**271,897**	285,922
Total customer accounts[3]	**473,383**	483,861
Advances-to-deposits ratio	**57.4%**	59.1%

1 Excludes reverse repurchase agreement and other similar secured lending of $24,498 million and includes loans and advances to customers held at fair value through profit and loss of $6,546 million

2 Loans and advances to customers for the purpose of the advances-to-deposits ratio excludes $20,798 million of approved balances held with central banks, confirmed as repayable at the point of stress (31 December 2021: $15,168 million)

3 Includes customer accounts held at fair value through profit or loss of $11,706 million (31 December 2021: $9,291 million)

Net stable funding ratio (NSFR)

The NSFR is a PRA regulatory requirement that stipulates 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. The regulatory requirements for NSFR are to maintain a ratio of at least 100 per cent. The average ratio for the past four quarters is 129.6 per cent.

Liquidity pool

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was $177 billion. The figures in the table below 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.

	2022			
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Level 1 securities				
Cash and balances at central banks	**34,101**	**1,066**	**36,522**	**71,689**
Central banks, governments/public sector entities	**50,881**	**2,712**	**23,680**	**77,273**
Multilateral development banks and international organisations	**3,510**	**837**	**10,843**	**15,190**
Other	**37**	**7**	**1,430**	**1,474**
Total Level 1 securities	**88,529**	**4,622**	**72,475**	**165,626**
Level 2A securities	**4,044**	**139**	**6,033**	**10,216**
Level 2B securities	**71**	**21**	**1,103**	**1,195**
Total LCR eligible assets	**92,644**	**4,782**	**79,611**	**177,037**

	2021			
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Level 1 securities				
Cash and balances at central banks	28,076	890	46,973	75,939
Central banks, governments/public sector entities	40,328	2,096	27,389	69,813
Multilateral development banks and international organisations	7,812	356	7,366	15,534
Other	–	–	478	478
Total Level 1 securities	76,216	3,342	82,206	161,764
Level 2A securities	3,447	186	5,047	8,680
Level 2B securities	114	–	1,620	1,734
Total LCR eligible assets	79,777	3,528	88,873	172,178

Encumbrance

Encumbered assets

Encumbered assets represent on-balance sheet assets pledged or subject to any form of arrangement to secure, collateralise or credit enhance a transaction from which it cannot be freely withdrawn. Cash collateral pledged against derivatives and Hong Kong Government certificates of indebtedness, which secure the equivalent amount of Hong Kong currency notes in circulation, are included within Other assets.

Unencumbered – readily available for encumbrance
Unencumbered assets that are considered by the Group to be readily available in the normal course of business to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements and are not subject to any restrictions on their use for these purposes.

Unencumbered – other assets capable of being encumbered
Unencumbered assets that, in their current form, are not considered by the Group to be readily realisable in the normal course of business to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements and are not subject to any restrictions on their use for these purposes. Included within this category are loans and advances which could be suitable for use in secured funding structures such as securitisations.

Unencumbered – cannot be encumbered
Unencumbered assets that have not been pledged and cannot be used to secure funding, meet collateral needs, or be sold to reduce potential future funding requirements, as assessed by the Group.

Derivatives, reverse repurchase assets and stock lending

These assets are shown separately as these on-balance sheet amounts cannot be pledged. However, these assets can give rise to off-balance sheet collateral which can be used to raise secured funding or meet additional funding requirements.

The following table provides a reconciliation of the Group's encumbered assets to total assets.

	2022									
		Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)					
					Assets positioned at the central bank (ie pre-positioned plus encumbered)	Assets not positioned at the central bank				
	Assets $million	As a result of securitisations $million	Other $million	Total $million	$million	Readily available for encumbrance $million	Other assets that are capable of being encumbered $million	Derivatives and reverse repo/stock lending $million	Cannot be encumbered $million	Total $million
Cash and balances at central banks	58,263	–	–	–	9,166	49,097	–	–	–	58,263
Derivative financial instruments	63,717	–	–	–	–	–	–	63,717	–	63,717
Loans and advances to banks[1]	64,449	–	163	163	–	27,735	11,048	24,932	571	64,286
Loans and advances to customers[1]	357,730	–	4,635	4,635	–	–	274,695	65,035	13,365	353,095
Investment securities[2]	206,240	–	16,989	16,989	222	152,962	31,550	–	4,517	189,251
Other assets[1]	50,390	–	19,621	19,621	–	–	11,640	–	19,129	30,769
Current tax assets	503	–	–	–	–	–	–	–	503	503
Prepayments and accrued income	3,149	–	–	–	–	–	1,753	–	1,396	3,149
Interests in associates and joint ventures	1,631	–	–	–	–	–	–	–	1,631	1,631
Goodwill and intangible assets	5,869	–	–	–	–	–	–	–	5,869	5,869
Property, plant and equipment	5,522	–	–	–	–	–	448	–	5,074	5,522
Deferred tax assets	834	–	–	–	–	–	–	–	834	834
Assets classified as held for sale	1,625	–	–	–	–	–	–	–	1,625	1,625
Total	819,922	–	41,408	41,408	9,388	229,794	331,134	153,684	54,514	778,514

1 Includes held at fair value through profit or loss and amortised cost balances

2 Includes held at fair value through profit or loss, fair value through other comprehensive income and amortised cost balances

	2021									
		Assets encumbered as a result of transactions with counterparties other than central banks			Other assets (comprising assets encumbered at the central bank and unencumbered assets)					
					Assets positioned at the central bank (ie pre-positioned plus encumbered)	Assets not positioned at the central bank				
	Assets $million	As a result of securitisations $million	Other $million	Total $million	$million	Readily available for encumbrance $million	Other assets that are capable of being encumbered $million	Derivatives and reverse repo/stock lending $million	Cannot be encumbered $million	Total $million
Cash and balances at central banks	72,663	–	–	–	8,147	64,516	–	–	–	72,663
Derivative financial instruments	52,445	–	–	–	–	–	–	52,445	–	52,445
Loans and advances to banks[1]	66,957	–	89	89	–	34,834	9,931	19,806	2,297	66,868
Loans and advances to customers[1]	369,703	–	4,539	4,539	–	–	282,761	68,612	13,791	365,164
Investment securities[2]	198,723	–	13,940	13,940	96	142,965	35,637	–	6,085	184,783
Other assets[1]	49,958	–	16,501	16,501	–	–	13,140	–	20,317	33,457
Current tax assets	766	–	–	–	–	–	–	–	766	766
Prepayments and accrued income	2,176	–	–	–	–	–	937	–	1,239	2,176
Interests in associates and joint ventures	2,147	–	–	–	–	–	–	–	2,147	2,147
Goodwill and intangible assets	5,471	–	–	–	–	–	–	–	5,471	5,471
Property, plant and equipment	5,616	–	–	–	–	–	448	–	5,168	5,616
Deferred tax assets	859	–	–	–	–	–	–	–	859	859
Assets classified as held for sale	334	–	–	–	–	–	–	–	334	334
Total	827,818	–	35,069	35,069	8,243	242,315	342,854	140,863	58,474	792,749

1 Includes held at fair value through profit or loss and amortised cost balances

2 Includes held at fair value through profit or loss, fair value through other comprehensive income and amortised cost balances

The Group received $123,759 million (31 December 2021: $117,408 million) as collateral under reverse repurchase agreements that was eligible for repledging; of this, the Group sold or repledged $44,628 million (31 December 2021: $57,879 million) under repurchase agreements.

Liquidity analysis of the Group's balance sheet (audited)

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 liquidity management purposes.

As at the reporting date, assets remain predominantly short-dated, with 61 per cent maturing in less than one year. The less than three-month cumulative net funding gap improved by $22 billion from the previous year.

	2022								
	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
Assets									
Cash and balances at central banks	49,097	–	–	–	–	–	–	9,166	58,263
Derivative financial instruments	15,558	12,030	8,352	4,446	3,602	6,026	8,410	5,293	63,717
Loans and advances to banks[1,2]	24,135	15,293	11,595	4,971	4,138	2,608	1,022	687	64,449
Loans and advances to customers[1,2]	96,351	58,605	27,751	12,540	13,444	19,150	33,413	96,476	357,730
Investment securities[1]	14,175	26,008	23,364	13,024	12,891	22,805	41,217	52,756	206,240
Other assets[1]	15,210	31,276	1,341	181	698	89	23	20,705	69,523
Total assets	214,526	143,212	72,403	35,162	34,773	50,678	84,085	185,083	819,922
Liabilities									
Deposits by banks[1,3]	29,733	2,042	2,245	871	349	1,432	144	7	36,823
Customer accounts[1,4]	402,069	49,769	25,110	15,961	15,216	7,830	2,451	1,823	520,229
Derivative financial instruments	15,820	15,810	8,645	5,002	4,102	6,795	7,904	5,784	69,862
Senior debt[5]	204	342	509	963	711	5,855	19,673	12,086	40,343
Other debt securities in issue[1]	2,758	5,504	8,732	7,316	2,935	1,088	870	268	29,471
Other liabilities	19,857	24,725	1,616	521	503	902	1,043	10,296	59,463
Subordinated liabilities and other borrowed funds	2,004	105	22	248	25	1,882	2,045	7,384	13,715
Total liabilities	472,445	98,297	46,879	30,882	23,841	25,784	34,130	37,648	769,906
Net liquidity gap	(257,919)	44,915	25,524	4,280	10,932	24,894	49,955	147,435	50,016

1 Loans and advances, investment securities, other assets, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 13 Financial instruments (pages 376 to 378)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $90 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $7.0 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $46.8 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

	2021								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	64,516	–	–	–	–	–	–	8,147	72,663
Derivative financial instruments	11,695	10,489	7,332	3,583	2,731	4,738	6,493	5,384	52,445
Loans and advances to banks[1,2]	25,486	17,987	11,347	4,415	4,506	1,455	1,466	295	66,957
Loans and advances to customers[1,2]	92,181	68,361	26,276	13,255	14,992	21,391	36,299	96,948	369,703
Investment securities[1]	11,813	13,590	12,070	13,266	13,407	26,424	53,189	54,964	198,723
Other assets[1]	24,283	19,776	989	67	491	35	32	21,654	67,327
Total assets	229,974	130,203	58,014	34,586	36,127	54,043	97,479	187,392	827,818
Liabilities									
Deposits by banks[1,3]	34,858	1,134	1,244	408	477	116	206	4	38,447
Customer accounts[1,4]	430,071	52,051	27,436	11,738	12,023	4,857	2,152	2,127	542,455
Derivative financial instruments	11,715	11,573	7,254	4,061	2,788	5,042	7,117	3,849	53,399
Senior debt[5]	190	642	1,036	320	397	5,336	15,225	11,845	34,991
Other debt securities in issue[1]	2,233	12,968	7,786	3,118	3,281	782	1,411	320	31,899
Other liabilities	14,545	22,582	2,044	1,148	1,180	797	990	14,059	57,345
Subordinated liabilities and other borrowed funds	1,007	64	24	240	894	2,430	2,593	9,394	16,646
Total liabilities	494,619	101,014	46,824	21,033	21,040	19,360	29,694	41,598	775,182
Net liquidity gap	(264,645)	29,189	11,190	13,553	15,087	34,683	67,785	145,794	52,636

1 Loans and advances, investment securities, other assets, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 13 Financial instruments (pages 376 to 378)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $88.4 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $7.1 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $58.6 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 (audited)

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 with 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.

	2022								
	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	**29,742**	**2,048**	**2,275**	**876**	**362**	**1,455**	**144**	**8**	**36,910**
Customer accounts	**401,893**	**49,196**	**24,713**	**15,614**	**15,283**	**8,280**	**5,937**	**2,591**	**523,507**
Derivative financial instruments[1]	**65,912**	**48**	**12**	**116**	**213**	**940**	**1,185**	**1,436**	**69,862**
Debt securities in issue	**3,060**	**5,912**	**9,631**	**8,574**	**3,979**	**7,844**	**22,259**	**18,465**	**79,724**
Subordinated liabilities and other borrowed funds	**2,097**	**165**	**44**	**273**	**28**	**2,029**	**2,610**	**14,004**	**21,250**
Other liabilities	**17,275**	**25,751**	**1,517**	**504**	**496**	**895**	**901**	**9,669**	**57,008**
Total liabilities	**519,979**	**83,120**	**38,192**	**25,957**	**20,361**	**21,443**	**33,036**	**46,173**	**788,261**

	2021								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	34,866	1,140	1,246	409	481	117	208	3	38,470
Customer accounts	430,190	52,112	27,510	11,813	12,120	4,930	2,212	2,495	543,382
Derivative financial instruments[1]	52,783	9	22	12	106	76	212	179	53,399
Debt securities in issue	2,526	13,618	9,015	3,586	3,891	6,743	17,966	17,659	75,004
Subordinated liabilities and other borrowed funds	1,114	134	48	261	928	2,546	3,030	16,044	24,105
Other liabilities	17,759	22,460	1,952	1,133	1,170	797	990	9,955	56,216
Total liabilities	539,238	89,473	39,793	17,214	18,696	15,209	24,618	46,335	790,576

1 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 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 assumption 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.

	2022						
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	**USD bloc $million**	**HKD bloc $million**	**SGD bloc $million**	**KRW bloc $million**	**CNY bloc $million**	**Other currency bloc $million**	**Total $million**
+ 50 basis points	**80**	**20**	**40**	**50**	**30**	**150**	**370**
- 50 basis points	**(80)**	**(20)**	**(40)**	**(60)**	**(30)**	**(140)**	**(370)**
+ 100 basis points	**160**	**40**	**90**	**100**	**50**	**300**	**740**

	2021						
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc $million	HKD bloc $million	SGD bloc $million	KRW bloc $million	CNY bloc $million	Other currency bloc $million	Total $million
+ 50 basis points	200	150	70	50	50	140	660
- 50 basis points	(210)	(170)	(70)	(40)	(50)	(130)	(670)
+ 100 basis points	380	280	130	80	90	300	1,260

As at 31 December 2022, 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 $370 million. The equivalent impact from a parallel decrease of 50 basis points would result in a reduction in projected NII of $370 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 $740 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 decreased versus 31 December 2021. The change in NII sensitivity reflects updates to the Group's base case scenario to factor in higher interest rates as at 31 December 2022. In addition, NII sensitivities have reduced due to the migration of the HKD mortgage book from HIBOR to Prime rate, the dampening effect of USD hedging strategies intended to provide short term income certainty and smooth longer term NII volatility, and due to changes in modelling assumptions to reflect expected re-pricing activity on Retail and Transaction Banking current accounts and savings accounts in the current interest rate environment.

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)". The Group can be impacted from a range of operational risks which are inherent in the Group's strategy and business model.

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.

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. Operational and Technology Risks remain heightened in areas such as Fraud, Data Management, and Information and Cyber Security. Other focus risk areas are Third Party Risk, Technology Risk, People Risk and Change Management. The Group continues to enhance its operational resilience and defences against these risks, as well as continue to monitor impacts of the ongoing pandemic, through vigorous enhancement programmes.

Digitalisation and wider technological improvements remain a key focus for the Group, to keep pace with new business developments whilst ensuring control frameworks and Risk Appetite evolve accordingly.

Operational resilience

In line with regulatory expectations, the Standard Chartered PLC Board has approved the Group's Important Business Services, Impact Tolerance Statements and the Operational Resilience self-assessment. By 31 March 2025, the authorities expect the Group to complete mapping, continue scenario testing to identify vulnerabilities, remediate identified vulnerabilities, and embed sustainable governance, assurance and testing.

Operational Risk events and losses

Operational losses are one indicator of the effectiveness and robustness of the non-financial risk control environment.

The Group's profile of operational loss events in 2022 and 2021 is summarised in the table below. It shows the percentage distribution of gross operational losses by Basel business line.

	% Loss	
Distribution of Operational Losses by Basel business line	**2022**	2021[1]
Agency Services	**2.6%**	0.6%
Asset Management	**0.2%**	0.0%
Commercial Banking	**9.2%**	3.1%
Corporate Finance	**0.0%**	2.9%
Corporate Items	**3.8%**	41.6%
Payment and Settlements	**45.0%**	32.9%
Retail Banking	**24.1%**	12.6%
Retail Brokerage	**0.0%**	0.0%
Trading and Sales	**15.1%**	6.3%

1 Losses in 2021 have been restated to include incremental events recognised in 2022

The Group's profile of operational loss events in 2022 and 2021 is also summarised by Basel event type in the table below. It shows the percentage distribution of gross operational losses by Basel event type.

	% Loss	
Distribution of Operational Losses by Basel event type	**2022**	2021[1]
Business disruption and system failures	**4.5%**	0.3%
Clients products and business practices	**6.9%**	3.1%
Damage to physical assets	**0.0%**	0.0%
Employment practices and workplace safety	**0.1%**	0.0%
Execution delivery and process management	**79.4%**	87.6%
External fraud	**8.1%**	8.8%
Internal fraud	**1.0%**	0.2%

1 Losses in 2021 have been restated to include incremental events recognised in 2022

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.

Enterprise Risk Management Framework

Effective risk management is essential in delivering consistent and sustainable performance for all our stakeholders and is a central part of the financial and operational management of the Group. The Group adds value to clients and the communities in which they operate by taking and managing appropriate levels of risk, which in turn generates returns for shareholders.

The Enterprise Risk Management Framework (ERMF) enables the Group to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite. The ERMF has been designed with the explicit goal of improving the Group's risk management, and since its launch in January 2018, it has been embedded across the Group and rolled out to its branches and subsidiaries [1].

The ERMF is reviewed annually and the latest version is effective from January 2023.

Risk culture

The Group's risk culture provides guiding principles for the behaviours expected from our people when managing risk. The Board has approved a risk culture statement that encourages the following behaviours and outcomes:

- An enterprise-level ability to identify and assess current and future risks, openly discuss these and take prompt actions.
- The highest level of integrity by being transparent and proactive in disclosing and managing all types of risks.
- A constructive and collaborative approach in providing oversight and challenge, and taking decisions in a timely manner.
- Everyone to be accountable for their decisions and feel safe in using their judgement to make these considered decisions.

We acknowledge that banking inherently involves risk-taking and undesired outcomes will occur from time to time; however, we shall take the opportunity to learn from our experience and formalise what we can do to improve. We expect managers to demonstrate a high awareness of risk and control by self-identifying issues and managing them in a manner that will deliver lasting change.

Strategic risk management

The Group approaches strategic risk management as follows:

- By conducting an impact analysis on the risk profile from growth plans, strategic initiatives and business model vulnerabilities, with the aim of proactively identifying and managing new risks or existing risks that need to be reprioritised as part of the strategy review process.
- By confirming that growth plans and strategic initiatives can be delivered within the approved Risk Appetite and/or proposing additional Risk Appetite for Board consideration as part of the strategy review process.
- By validating the Corporate Plan against the approved or proposed Risk Appetite Statement to the Board. The Board approves the strategy review and the five-year Corporate Plan with a confirmation from the Group Chief Risk Officer (GCRO) that it is aligned with the ERMF and the Group Risk Appetite Statement where projections allow.
- Country Risk management approach and Country Risk reviews are used to ensure the country limits and exposures are reasonable and in line with Group strategy, country strategy, and the operating environment, considering the identified risks.

Roles and responsibilities

Senior Managers Regime[2]

Roles and responsibilities under the ERMF are aligned to the objectives of the Senior Managers Regime. The GCRO is responsible for the overall development and maintenance of the Group's ERMF and for identifying material risk types to which the Group may be potentially exposed. The GCRO delegates effective implementation of the Risk Type Frameworks (RTFs) to Risk Framework Owners who provide second line of defence oversight for the Principal Risk Types (PRTs). In addition, the GCRO has been formally identified as the relevant senior manager responsible for the development of the Group's Digital Asset Risk Assessment Approach, as well as the senior manager responsible for Climate Risk management as it relates to financial and non-financial risks to the Group arising from climate change. This does not include elements of corporate social responsibility, the Group's contribution to climate change and the Sustainable Finance strategy supporting a low-carbon transition, which are the responsibility of other relevant senior managers.

1 The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

2 Senior managers refer to individuals designated as senior management functions under the FCA and PRA Senior Managers Regime (SMR).

The Risk function

The Risk function is responsible for the sustainability of our business through good management of risk across the Group by providing oversight and challenge, thereby ensuring that business is conducted in line with regulatory expectations.

The GCRO directly manages the Risk function, which is separate and independent from the origination, trading and sales functions of the businesses. The Risk function is responsible for:

- Maintaining the ERMF, ensuring that it remains relevant and appropriate to the Group's business activities, and is effectively communicated and implemented across the Group, and administering related governance and reporting processes.
- Upholding the overall integrity of the Group's risk and return decisions to ensure that risks are properly assessed, that these decisions are made transparently on the basis of proper assessments and that risks are controlled in accordance with the Group's standards and Risk Appetite
- Overseeing and challenging the management of Principal Risk Types and Integrated Risk Types under the ERMF.

The independence of the Risk function ensures that the necessary balance in making risk and return decisions is not compromised by short-term pressures to generate revenues.

In addition, the Risk function is a centre of excellence that provides specialist capabilities relevant to risk management processes in the broader organisation.

The Risk function supports the Group's commitment to be here for good by building a sustainable framework that places regulatory and compliance standards and a culture of appropriate conduct at the forefront of the Group's agenda, in a manner proportionate to the nature, scale and complexity of the Group's business.

Conduct, Financial Crime and Compliance (CFCC), under the Management Team leadership of the Group Head, CFCC, works alongside the Risk function within the framework of the ERMF to deliver a unified second line of defence.

Three lines of defence model

Roles and responsibilities for risk management are defined under a three lines of defence model. Each line of defence has a specific set of responsibilities for risk management and control, as shown in the table below.

Lines of defence	Definition	Key responsibilities include
1st	The businesses and functions engaged in or supporting revenue-generating activities that own and manage the risks	• Propose the risks required to undertake revenue-generating activities • Identify, assess, monitor and escalate risks and issues to the second line and senior management and promote a healthy risk culture and good conduct • Validate and self-assess compliance to RTFs and policies, confirm the quality of validation, and provide evidence-based affirmation to the second line • Manage risks within Risk Appetite, set and execute remediation plans and ensure laws and regulations are being complied with • Ensure systems meet risk data aggregation, risk reporting and data quality requirements set by the second line.
2nd	The control functions independent of the first line that provide oversight and challenge of risk management to provide confidence to the GCRO, senior management and the Board	• Identify, monitor and escalate risks and issues to the GCRO, senior management and the Board and promote a healthy risk culture and good conduct • Oversee and challenge first-line risk-taking activities and review first-line risk proposals • Propose Risk Appetite to the Board, monitor and report adherence to Risk Appetite and intervene to curtail business if it is not in line with an existing or adjusted Risk Appetite, there is material non-compliance with policy requirements, or when operational controls do not effectively manage risk • Set risk data aggregation, risk reporting and data quality requirements • Ensure that there are appropriate controls to comply with applicable laws and regulations, and escalate significant non-compliance matters to senior management and the appropriate committees.
3rd	The Internal Audit function provides independent assurance on the effectiveness of controls that support first line's risk management of business activities, and the processes maintained by the second line	• Independently assess whether management has identified the key risks in the businesses and whether these are reported and governed in line with the established risk management processes • Independently assess the adequacy of the design of controls and their operating effectiveness.

Risk Appetite and profile

We recognise the following constraints which determine the risks that we are willing to take in pursuit of our strategy and the development of a sustainable business:

- **Risk capacity** is the maximum level of risk the Group can assume, before breaching constraints determined by capital and liquidity requirements and internal operational environment, or otherwise failing to meet the expectations of regulators and law enforcement agencies.
- **Risk Appetite** is defined by the Group and approved by the Board. It is the maximum amount and type of risk the Group is willing to assume in pursuit of its strategy. Risk Appetite cannot exceed risk capacity.

The Board is responsible for approving the Risk Appetite Statement, which is underpinned by a set of financial and operational control parameters known as Risk Appetite metrics and their associated thresholds. These directly constrain the aggregate risk exposures that can be taken across the Group.

The Group Risk Appetite is reviewed at least on an annual basis to ensure that it is fit for purpose and aligned with strategy, and focus is given to emerging or new risks. The Risk Appetite Statement is supplemented by an overarching statement outlining the Group's Risk Appetite principles.

Risk Appetite principles

The Group Risk Appetite is defined in accordance with risk management principles that inform our overall approach to risk management and our risk culture. We follow the highest ethical standards and ensure a fair outcome for our clients, as well as facilitating the effective operation of financial markets, while at the same time meeting the expectations of regulators and law enforcement agencies. We set our Risk Appetite to enable us to grow sustainably and to avoid shocks to earnings or our general financial health, as well as manage our Reputational Risk in a way that does not materially undermine the confidence of our investors and all internal and external stakeholders.

Risk Appetite Statement

The Group will not compromise adherence to its Risk Appetite in order to pursue revenue growth or higher returns. The Group Risk Appetite is supplemented by risk control tools such as granular level limits, policies, standards and other operational control parameters that are used to keep the Group's risk profile within Risk Appetite. The Group's risk profile is its overall exposure to risk at a given point in time, covering all applicable risk types. Status against Risk Appetite is reported to the Board, Board Risk Committee and the Group Risk Committee, including the status of breaches and remediation plans where applicable. To keep the Group's risk profile within Risk Appetite (and therefore also risk capacity), we have cascaded critical Group Risk Appetite metrics across our Principal Risk Types to our footprint markets with significant business operations.

Risk identification and assessment

Identification and assessment of potentially adverse risk events is an essential first step in managing the risks of any business or activity. To ensure consistency in communication, we use Principal Risk Types to classify our risk exposures.

Nevertheless, we also recognise the need to maintain a holistic perspective since a single transaction or activity may give rise to multiple types of risk exposure; risk concentrations may arise from multiple exposures that are closely correlated; and a given risk exposure may change its form from one risk type to another. There are also sources of risk that arise beyond our own operations, such as the Group's dependency on suppliers for the provision of services and technology.

As the Group remains accountable for risks arising from the actions of such third-parties, failure to adequately monitor and manage these relationships could materially impact the Group's ability to operate and could have an impact on our ability to continue to provide services that are material to the Group.

To facilitate risk identification and assessment, the Group maintains a dynamic risk-scanning process with inputs on the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives. The Group maintains a taxonomy of the Principal Risk Types, Integrated Risk Types and risk sub-types that are inherent to the strategy and business model; as well as Topical and Emerging Risks (TERs) inventory that includes near-term as well as longer-term uncertainties. Near-term risks are those that are on the horizon and can be measured and mitigated to some extent, while uncertainties are longer-term matters that should be on the radar but are not yet fully measurable.

The GCRO and the Group Risk Committee review regular reports on the risk profile for the Principal Risk Types, adherence to the approved Risk Appetite and the Group risk inventory including emerging risks and uncertainties. They use this information to escalate material developments in each risk event and make recommendations to the Board annually on any potential changes to our Corporate Plan.

Stress testing

The objective of stress testing is to support the Group in assessing that it:

- does not have a portfolio with excessive risk concentration that could produce unacceptably high losses under severe but plausible scenarios
- has sufficient financial resources to withstand severe but plausible scenarios
- has the financial flexibility to respond to extreme but plausible scenarios; and
- understands the Group's key business model risks and considers what kind of event might crystallise those risks – even if extreme with a low likelihood of occurring – and identifies as required, actions to mitigate the likelihood or impact of those events

Enterprise stress tests incorporate Capital and Liquidity Adequacy Stress Tests, including in the context of capital adequacy, recovery and resolution, and stress tests that assess scenarios where our business model becomes challenged, such as the Bank of England (BoE) Biennial Exploratory Scenario, or unviable, such as reverse stress tests.

Stress tests are performed at the Group, country, business and portfolio level under a wide range of risks and at varying degrees of severity. Unless set by the BoE, scenario design is a bespoke process that aims to explore risks that can adversely impact the Group.

The Board delegates approval of stress test submissions to the BoE to the Board Risk Committee, which reviews the recommendations from the Group Risk Committee.

Based on the stress test results, the Group Chief Financial Officer and Group Chief Risk Officer can recommend strategic actions to the Board to ensure that the Group strategy remains within the Board-approved Risk Appetite.

Principal Risk Types

Principal Risk Types are those risks that are inherent in our strategy and business model and have been formally defined in the Group's ERMF. These risks are managed through distinct RTFs which are approved by the Group Chief Risk Officer.

The Principal Risk Types and associated Risk Appetite Statements are approved by the Board.

The Group currently recognises Climate Risk, Digital Asset Risk and Third-Party Risk as Integrated Risk Types. Climate Risk is defined as "the potential for financial loss and non-financial detriments arising from climate change and society's response to it"; Digital Asset Risk is defined as "the potential for regulatory penalties, financial loss and or reputational damage to the Group resulting from digital asset exposure or digital asset related activities arising from the Group's Clients, Products and Projects" and Third-Party Risk is defined as "the potential for loss or adverse impact from failure to manage multiple risks arising from the use of third parties, and is the aggregate of these risks."

In future reviews, we will continue to consider if existing Principal Risk Types or incremental risks should be treated as Integrated Risk Types. The table below shows the Group's current Principal Risk Types.

Principal Risk Types	Definition
Credit Risk	• Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group.
Traded Risk	• Potential for loss resulting from activities undertaken by the Group in financial markets.
Treasury Risk	• Potential for insufficient capital, liquidity or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Group's pension plans.
Operational and Technology Risk	• Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).
Information and Cyber Security Risk	• Risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.
Compliance Risk	• Potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws or regulations.
Financial Crime Risk	• Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery and corruption, and fraud.
Model Risk	• Potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models.
Reputational and Sustainability Risk	• Potential for damage to the franchise (such as loss of trust, earnings or market capitalisation), because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client, third-party relationships, or our own operations.

ERMF effectiveness reviews

The GCRO is responsible for annually affirming the effectiveness of the ERMF to the Board Risk Committee. An ERMF effectiveness review was established in 2018 to facilitate this affirmation, which follows the principle of evidence-based self-assessments for all the Risk Type Frameworks and relevant policies. A top-down review and challenge of the results is conducted by the GCRO with all Risk Framework Owners and an opinion on the internal control environment is provided by Group Internal Audit.

The ERMF effectiveness review is conducted annually and enables measurement of progress against the 2018 baseline. The key outcomes of the 2022 effectiveness review are:

- The focus in 2022 continued on the effective embedding of the framework across the organisation.
- While the more mature financial risks continued to be more effectively managed, the Group continues to make progress in embedding the non-financial risk management
- Other aspects of the ERMF, including the key risk committees and key supporting standards, are established.
- Self-assessments performed in our footprint markets reflect the embeddedness of ERMF adoption with an emphasis on first-line ownership of risks. Country and regional risk committees continue to play an active role in managing and overseeing material issues arising in countries.

Ongoing ERMF effectiveness reviews allow for a structured approach to identify improvement opportunities and build plans to address them. Over the course of 2023, the Group aims to further strengthen its risk management practices by further improving on the management of non-financial risks and integrated risks within its businesses, functions and across the footprint.

Executive and Board risk oversight

Overview

The Board has ultimate responsibility for risk management and is supported by five core Board-level committees. The Board approves the ERMF based on the recommendation from the Board Risk Committee, which also recommends the Group Risk Appetite Statement for all Principal Risk Types. In addition, the Culture and Sustainability Committee oversees the Group's culture and key sustainability priorities.

Board and Executive level risk committee governance structure

The Committee governance structure below presents the view as of 2022.

Board of Directors

Board level committees

- Board Risk Committee
- Culture and Sustainability Committee
- Remuneration Committee
- Governance and Nomination Committee
- Audit Committee

Executive level committees

Group Risk Committee

- Group Non-Financial Risk Committee
- Group Financial Crime Risk Committee
- Group Responsibility and Reputational Risk Committee
- IFRS 9 Impairment Committee
- Model Risk Committee
- Corporate, Commercial and Institutional Banking Risk Committee
- Consumer, Private and Business Banking Risk Committee
- Asia Risk Committee
- Africa and Middle East Risk Committee
- Investment Committee
- Investment Committee for Transportation Assets
- Standard Chartered Ventures Committee
- Regulatory Interpretation Committee
- Climate Risk Management Committee
- Digital Assets Risk Committee

Group Asset and Liability Committee

The committee governance structure ensures that risk-taking authority and risk management policies are cascaded down from the Board to the appropriate functional, client segment and country-level senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated to the appropriate country, client segment, functional and Group-level senior management and committees.

Asia Risk Committee derives authority from both the Group Risk Committee (for oversight of the Asia region) and the Executive Committee of Standard Chartered Bank (Hong Kong) Limited ("SCBHK") for oversight of SCBHK Group.

Group Risk Committee

The Group Risk Committee, which derives its authority from the GCRO, is responsible for ensuring the effective management of risk throughout the Group in support of the Group's strategy. The GCRO chairs the Group Risk Committee, whose members are drawn from the Group's Management Team. The Committee oversees the effective implementation of the ERMF for the Group, including the delegation of any part of its authorities to appropriate individuals or properly constituted sub-committees.

Group Risk Committee sub-committees

The Group Non-Financial Risk Committee, chaired by the Global Head, Risk Functions and Operational Risk, governs the non-financial risks across clients, businesses, products and functions. The Committee also reviews the adequacy of the internal control system across all Principal Risk Types.

The Group Financial Crime Risk Committee, chaired by the Group Head, Conduct, Financial Crime and Compliance, governs the Financial Crime Risk Type (excluding Fraud Risk and Secondary Reputational Risk that is consequential in nature arising from risks pertaining to Financial Crime Risk) across the Group. The Committee ensures that the Financial Crime Risk profile is managed within approved Risk Appetite and policies.

The Group Responsibility and Reputational Risk Committee, chaired by the Group Head, Conduct, Financial Crime and Compliance, ensures the effective management of Reputational and Sustainability Risk across the Group. This includes providing oversight of matters arising from clients, products, transactions and strategic coverage-related decisions and matters escalated by the respective Risk Framework Owners.

The IFRS 9 Impairment Committee, co-chaired by the Global Head Enterprise Risk Management and Group Head, Central Finance, ensures the effective management of the expected credit loss computations as well as stage allocation of financial assets for quarterly financial reporting within the authorities set by the Group Risk Committee.

The Model Risk Committee, chaired by the Global Head, Enterprise Risk Management, ensures the effective measurement and management of Model Risk in line with internal policies and Model Risk Appetite.

The Corporate, Commercial and Institutional Banking (CCIB) Risk Committee, chaired by the Chief Risk Officer, CCIB and Europe & Americas, ensures the effective management of risk throughout CCIB and Europe & Americas, in support of the Group's strategy.

The Consumer, Private and Business Banking (CPBB) Risk Committee, chaired by the Chief Risk Officer, CPBB, ensures the effective management of risk throughout CPBB in support of the Group's strategy.

The Asia Risk Committee and the Africa and Middle East Risk Committee are chaired by the Chief Risk Officer for the respective region. These ensure the effective management of risk in the regions in support of the Group's strategy.

The Investment Committee, chaired by a representative of the Risk function, ensures the optimised wind-down of the Group's existing direct investment activities in equities, quasi-equities (excluding mezzanine), funds and other alternative investments (excluding debt/debt-like instruments) as well as equity or quasi-equity stake obtained as a result of restructuring of distressed debt, non-core equities and limited partner investments in funds linked to CCIB and managed by Credit and Portfolio Management.

The Investment Committee for Transportation Assets, chaired by the Chief Risk Officer, CCIB and Europe & Americas or Global Head, Credit and Portfolio Management, CCIB ensures the optimisation of the Group's investment in aviation operating lease assets with the aim of delivering better returns through the cycle and wind down of shipping operating lease assets.

The SC Ventures (SCV) Risk Committee, chaired by the Chief Risk Officer, SCV, receives authority directly from the GCRO and oversees the effective management of risk throughout SCV and the individual entities operating under SCV.

The Climate Risk Management Committee, chaired by the Global Head, Enterprise Risk Management, oversees the effective implementation of the Group's Climate Risk workplan. This includes relevant regulatory requirements and covers Climate Risk related financial and non-financial risks.

The Regulatory Interpretation Committee, co-chaired by the Global Head Enterprise Risk Management and Group Head, Central Finance, provides oversight of material regulatory interpretations for the Capital Requirements Regulation (as amended by UK legislation), the PRA rulebook and other relevant regulations impacting Group regulatory capital calculations and reporting. The areas and risk types in scope are credit risk, traded risk, operational risk, large exposures and leverage ratio.

The Digital Assets Risk Committee, chaired by the Global Head, Enterprise Risk Management, ensures effective management of Digital Assets (DA) related risks across the Group. This includes providing oversight of DA risk related matters arising from projects, products and clients and third parties in relation to the DA services that they will be providing to any of the Businesses.

Group Asset and Liability Committee

The Group Asset and Liability Committee is chaired by the Group Chief Financial Officer. Its members are drawn principally from the Management Team. The Committee is responsible for determining the Group's approach to balance sheet strategy and recovery planning. The Committee is also responsible for ensuring that, in executing the Group's strategy, the Group operates within the internally approved Risk Appetite and external requirements relating to capital, loss-absorbing capacity, liquidity, leverage, Interest Rate Risk in the Banking Book, Banking Book Basis Risk and Structural Foreign Exchange Risk, as well as monitoring the structural impact of decisions around sustainable finance, net zero and climate risk. The Committee is also responsible for ensuring that internal and external recovery planning requirements are met.

Principal risks

We manage and control our Principal Risk Types through distinct Risk Type Frameworks, policies and Board-approved Risk Appetite.

Credit Risk

The Group defines Credit Risk as the potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group.

Risk Appetite Statement

The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.

Roles and responsibilities

The Credit Risk Type Frameworks for the Group are set and owned by the Chief Risk Officers for the business segments. The Credit Risk function is the second-line control function responsible for independent challenge, monitoring and oversight of the Credit Risk management practices of the business and functions engaged in or supporting revenue-generating activities which constitute the first line of defence. In addition, they ensure that credit risks are properly assessed and transparent; and that credit decisions are controlled in accordance with the Group's Risk Appetite, credit policies and standards.

Mitigation

Segment-specific policies are in place for the management of Credit Risk. The Credit Policy for CCIB Client Coverage sets the principles that must be followed for the end-to-end credit process, including credit initiation, credit grading, credit assessment, product structuring, Credit Risk mitigation, monitoring and control, and documentation.

The CPBB Credit Risk Management Policy sets the principles for the management of CPBB segments, that must be followed for end-to-end credit process including credit initiation, credit assessment and monitoring for lending to these segments.

The Group also sets out standards for the eligibility, enforceability and effectiveness of Credit Risk mitigation arrangements. Potential credit losses from a given account, client or portfolio are mitigated using a range of tools, such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

Risk mitigants are also carefully assessed for their market value, legal enforceability, correlation and counterparty risk of the protection provider.

Collateral must be valued prior to drawdown and regularly thereafter as required, to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of liquidation. The Group also seeks to diversify its collateral holdings across asset classes and markets.

Where guarantees, credit insurance, standby letters of credit or credit derivatives are used as Credit Risk mitigation, the creditworthiness of the protection provider is assessed and monitored using the same credit approval process applied to the obligor.

Governance committee oversight

At Board level, the Board Risk Committee oversees the effective management of Credit Risk among other risks within the bank. At the executive level, the Group Risk Committee (GRC) oversees and appoints sub-committees for the management of all risk types including Credit Risk – in particular the Corporate, Commercial and Institutional Banking Risk Committee, (CCIBRC), Consumer, Private and Business Banking Risk Committee (CPBBRC), and the regional risk committees for Asia, and Africa & Middle East. The GRC also receives reports from other key Group Committees such as the Standard Chartered Bank Executive Risk Committee (which cover Credit risk as well).

These committees are responsible for overseeing all Risk profiles including Credit Risk of the Group within the respective business areas and regions. Meetings are held regularly, and the committees monitor all material Credit Risk exposures, as well as key internal developments and external trends, and ensure that appropriate action is taken.

Decision-making authorities and delegation

The Credit Risk Type Frameworks are the formal mechanism by which delegate Credit Risk authorities cascading from the GCRO, as the Senior Manager of the Credit Risk Type, to individuals such as the business segments' Chief Risk Officers. Named individuals further delegate credit authorities to individual credit officers based on risk-adjusted scales by customer type or portfolio.

Credit Risk authorities are reviewed at least annually to ensure that they remain appropriate. In CCIB Client Coverage, the individuals delegating the Credit Risk authorities perform oversight by reviewing a sample of the limit applications approved by the delegated credit officers on a monthly basis. In CPBB, where credit decision systems and tools (e.g. application scorecards) are used for credit decisioning, such risk models are subject to performance monitoring and periodic validation. Where manual or discretionary credit decisions are applied, periodic quality control assessments and assurance checks are performed by the individuals delegating the Credit Risk authorities.

Monitoring

We regularly monitor credit exposures, portfolio performance, external trends and emerging risks that may impact risk management outcomes. Internal risk management reports that are presented to risk committees contain information on key political and economic trends across major portfolios and countries, portfolio delinquency and loan impairment performance.

The Industry Portfolio Mandate, developed jointly by the CCIB Client Coverage business and the Risk function, provides a forward-looking assessment of risk using a platform from which business strategy, risk considerations and client planning are performed with one consensus view of the external industry outlook, portfolio overviews, Risk Appetite, underwriting principles and stress test insights.

In CCIB Client Coverage, clients and portfolios are subjected to additional review when they display signs of actual or potential weakness; for example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, or non-performance of an obligation within the stipulated period. Such accounts are subjected to a dedicated process overseen by the Credit Issues Committees in the relevant countries where client account strategies and credit grades are re-evaluated. In addition, remedial actions, including placing accounts on early alert for increased scrutiny, exposure reduction, security enhancement or exiting the account could be undertaken. Certain accounts could also be transferred into the control management of the Stressed Assets Group (SAG), which is our specialist recovery unit for CCIB Client Coverage that operates independently from our main business.

Any material in-country developments that may impact the sovereign ratings are monitored closely by the Country Risk Team. A Country Risk Early Warning system, a triage-based risk identification system was developed to categorise countries based on forward looking view of possible downgrade and expected incremental RWA impact of potential downgrade.

For CPBB, exposures and collateral monitoring are performed at the counterparty and/or portfolio level across different client segments to ensure transactions and portfolio exposures remain within Risk Appetite. Portfolio delinquency trends are monitored on an ongoing basis. Accounts that are past due (or perceived as high risk but not yet past due) are subject to a collections or recovery process managed by a specialist function independent from the origination function. In some countries, aspects of collections and recovery activities are outsourced. For discretionary lending portfolios, similar processes as those of Commercial client coverage are followed.

In addition, an independent Credit Risk Review team (part of Enterprise Risk Management), performs judgement-based assessments of the Credit Risk profiles at various portfolio levels, with focus on selected countries and segments through deep dives, comparative analysis, and review and challenge of the basis of credit approvals. The review ensures that the evolving Credit Risk profiles of CCIB and CPBB are well managed within our Risk Appetite and policies through prompt and forward-looking mitigating actions.

Credit rating and measurement

All credit proposals are subject to a robust Credit Risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability and capacity to repay. The primary lending consideration is based on the client's credit quality and the repayment capacity from operating cashflows for counterparties, and personal income or wealth for individual borrowers. The risk assessment gives due consideration to the client's liquidity and leverage position. Where applicable, the assessment includes a detailed analysis of the Credit Risk mitigation arrangements to determine the level of reliance on such arrangements as the secondary source of repayment in the event of a significant deterioration in a client's credit quality leading to default. For Wealth Lending, Collateral is considered primary source of repayment hereby loan agreement envisages that the repayment of loan is based on sale of collateral provided.

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions. We adopt the advanced internal ratings-based approach under the Basel regulatory framework to calculate Credit Risk capital requirements. The Group has also established a global programme to undertake a comprehensive assessment of capital requirements necessary to be implemented to meet the latest revised Basel III finalisation (Basel IV) regulations.

A standard alphanumeric Credit Risk grade system is used for CCIB Client Coverage. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower numeric credit grades are indicative of a lower likelihood of default. Credit grades 1 to 12 are assigned to performing customers, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

CPBB internal ratings-based portfolios use application and behavioural credit scores that are calibrated to generate a probability of default. Risk Decision Framework as a credit rating system supports the delivery of optimum risk-adjusted-returns with controlled volatility and is used to define the portfolio/new booking segmentation, shape and decision criteria for the unsecured consumer business segment.

Advanced internal ratings-based models cover a substantial majority of our exposures and are used in assessing risks at a customer and portfolio level, setting strategy and optimising our risk-return decisions. Material internal ratings-based risk measurement models are approved by the Model Risk Committee. Prior to review and approval, all internal ratings-based models are validated in detail by a model validation team, which is separate from the teams that develop and maintain the models. Models undergo annual validation by an independent model validation team. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process which takes place between the annual validations.

Credit Concentration Risk

Credit Concentration Risk may arise from a single large exposure to a counterparty or a group of connected counterparties, or from multiple exposures across the portfolio that are closely correlated. Large exposure Concentration Risk is managed through concentration limits set for a counterparty or a group of connected counterparties based on control and economic dependence criteria. Risk Appetite metrics are set at portfolio level and monitored to control concentrations, where appropriate, by industry, specific products, tenor, collateralisation level, top clients and exposure to holding companies. Single name credit concentration thresholds are set by client group depending on credit grade, and by customer segment. For concentrations that are material at a Group level, breaches and potential breaches are monitored by the respective governance committees and reported to the Group Risk Committee and Board Risk Committees.

Credit impairment

Expected credit losses (ECL) are determined for all financial assets that are classified as amortised cost or fair value through other comprehensive income. ECL is computed as an unbiased, probability-weighted provision determined by evaluating a range of plausible outcomes, the time value of money, and forward-looking information such as critical global or country-specific macroeconomic variables. For more detailed information on macroeconomic data feeding into IFRS 9 ECL calculations, please refer to the Risk profile section (pages 269 to 281).

At the time of origination or purchase of a non-credit-impaired financial asset (stage 1), ECL represent cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. ECL continue to be determined on this basis until there is a significant increase in the Credit Risk of the asset (stage 2), in which case an ECL is recognised for default events that may occur over the lifetime of the asset. If there is observed objective evidence of credit impairment or default (stage 3), ECL continue to be measured on a lifetime basis. To provide the Board with oversight and assurance that the quality of assets originated are aligned to the Group's strategy, there is a Risk Appetite metric to monitor the stage 1 and stage 2 expected credit losses from assets originated in the past 12 months.

In CCIB Client Coverage, a loan is considered credit-impaired where analysis and review indicate that full payment of either interest or principal, including the timeliness of such payment, is questionable, or as soon as payment of interest or principal is 90 days overdue. These credit-impaired accounts are managed by our specialist recovery unit, SAG.

In CPBB, a loan to individuals and small businesses is considered credit-impaired as soon as payment of interest or principal is 90 days overdue or meets other objective evidence of impairment such as bankruptcy, debt restructuring, fraud or death. Financial assets are written-off when it meets certain threshold conditions which are set at the point where empirical evidence suggests that the client is unlikely to meet their contractual obligations, or a loss of principal is expected.

Estimating the amount and timing of future recoveries involves significant judgement and considers the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market. The total amount of the Group's impairment provision is inherently uncertain, being sensitive to changes in economic and credit conditions across the regions in which the Group operates. For further details on sensitivity analysis of expected credit losses under IFRS 9, please refer to the Risk profile section (pages 269 to 281).

Stress testing

Stress testing is a forward-looking risk management tool that constitutes a key input into the identification, monitoring and mitigation of Credit Risk, as well as contributing to Risk Appetite calibration. Periodic stress tests are performed on credit portfolios/segments to anticipate vulnerabilities from stressed conditions and initiate timely right-sizing and mitigation plans. Additionally, multiple enterprise-wide and country-level stress tests are mandated by regulators to assess the ability of the Group and its subsidiaries to continue to meet their capital requirements during a plausible, adverse shock to the business. These regulatory stress tests are conducted in line with the principles stated in the Enterprise Stress Testing Policy. Stress tests for key portfolios are reviewed by the Credit Risk Type Framework Owners (or delegates) as part of portfolio oversight; and matters considered material to the Group are escalated to the GCRO and respective regional risk committee.

Traded Risk

The Group defines Traded Risk as the potential for loss resulting from activities undertaken by the Group in financial markets.

Risk Appetite Statement
The Group should control its financial markets activities to ensure that Traded Risk losses do not cause material damage to the Group's franchise.

Roles and responsibilities

The TRTF, which sets the roles and responsibilities in respect of Traded Risk for the Group, is owned by the Global Head, Traded Risk Management (TRM). The business, acting as first line of defence, is responsible for the effective management of risks within the scope of its direct organisational responsibilities set by the Board.

TRM is the core second-line control function that performs independent challenge, monitoring and oversight of the Traded Risk management practices of the first line of defence, predominantly Financial Markets and Treasury Markets. The first and second lines of defence are supported by the organisation structure, job descriptions and authorities delegated by Traded Risk control owners.

Mitigation

The TRTF requires that Traded Risk limits are defined at a level appropriate to ensure that the Group remains within Risk Appetite. All businesses incurring Traded Risk must comply with the TRTF. The Traded Risk Policy sets the principles that must be followed for the end-to-end traded risk management process including limit setting, risk capture and measurement, limit monitoring and escalation, risk mitigation and stress testing. Policies and standards ensure that these Traded Risk limits are implemented. Policies are reviewed and approved by the Global Head, TRM at least once every two years to ensure their ongoing effectiveness.

Governance committee oversight

At Board level, the Board Risk Committee oversees the effective management of Traded Risk. At the executive level, the Group Risk Committee delegates responsibilities to the CCIBRC to oversee the Traded Risk profile of the Group. For subsidiaries, the authority for setting Traded Risk limits is delegated from the local board to the local risk committee, Country Chief Risk Officer and Traded Risk managers. Meetings are held regularly, and the committees monitor all material Traded Risk exposures, as well as key internal developments and external trends, and ensure that appropriate action is taken.

Decision-making authorities and delegation

The TRTF is the formal mechanism which delegates Traded Risk authorities cascading from the GCRO, as the Senior Manager of the Traded Risk Type, to the Global Head, TRM who further delegates authorities to named individuals.

Traded Risk authorities are reviewed at least annually to ensure that they remain appropriate and to assess the quality of decisions taken by the authorised person. Key risk-taking decisions are made only by certain individuals with the skills, judgement and perspective to ensure that the Group's control standards and risk-return objectives are met.

Market Risk

The Group uses a Value at Risk (VaR) model to measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities. VaR is a quantitative measure of Market Risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcomes.

For day-to-day risk management, VaR is calculated as at the close of business, generally at UK time for expected market movements over one business day and to a confidence level of 97.5 per cent. Intra-day risk levels may vary from those reported at the end of the day.

The Group applies two VaR methodologies:

- Historical simulation: this involves the revaluation of all existing positions to reflect the effect of historically observed changes in Market Risk factors on the valuation of the current portfolio. This approach is applied for general Market Risk factors and the majority of specific (credit spread) risk VaRs.
- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for some of the specific (credit spread) risk VaRs in relation to idiosyncratic exposures in credit markets.

A one-year historical observation period is applied in both methods.

As an input to regulatory capital, trading book VaR is calculated for expected movements over 10 business days and to a confidence level of 99 per cent. Some types of Market Risk are not captured in the regulatory VaR measure, and these Risks not in VaR are subject to capital add-ons.

An analysis of VaR results in 2022 is available in the Risk profile section (pages 282 to 285).

Counterparty Credit Risk

The Group uses a Potential Future Exposure (PFE) model to measure the credit exposure arising from the positive mark-to-market of traded products and future potential movements in market rates, prices and volatilities. PFE is a quantitative measure of Counterparty Credit Risk that applies recent historical market conditions to estimate the potential future credit exposure that will not be exceeded in a set time period at a confidence level of 97.5 per cent. PFE is calculated for expected market movements over different time horizons based on the tenor of the transactions.

The Group applies two PFE methodologies: simulation based, which is predominantly used, and an add-on based PFE methodology.

Underwriting

The underwriting of securities and loans is in scope of the Risk Appetite set by the Group for Traded Risk. Additional limits approved by the GCRO are set on the sectoral concentration, and the maximum holding period. The Underwriting Committee, under the authority of the GCRO, approves individual proposals to underwrite new security issues and loans for our clients.

Monitoring

TRM monitors the overall portfolio risk and ensures that it is within specified limits and therefore Risk Appetite. Limits are typically reviewed twice a year. Most of the Traded Risk exposures are monitored daily against approved limits. Traded Risk limits apply at all times unless separate intra-day limits have been set. Limit excess approval decisions are based on an assessment of the circumstances driving the excess and of the proposed remediation plan. Limits and excesses can only be approved by a Traded Risk manager with the appropriate delegated authority.

Stress testing

The VaR and PFE measurements are complemented by stress testing of Market Risk and Counterparty Credit Risk to highlight the potential risk that may arise from severe but plausible market events.

Stress testing is an integral part of the Traded Risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that management action would be limited during a stress event, reflecting the expected decrease in market liquidity. Stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. Stress scenarios are reviewed and updated where necessary to reflect changes in risk profile and economic events.

TRM reviews the stress testing results and, where necessary, enforces reductions in overall Traded Risk exposures. The Group Risk Committee considers the results of stress tests as part of its supervision of Risk Appetite. Group and business-wide stress testing are supplemented by legal entity stress testing, subject to the relevant local governance.

Treasury Risk

Treasury Risk is defined as the "potential for insufficient capital, liquidity or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Group's pension plans".

Risk Appetite Statement

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.

Roles and responsibilities

The Global Head, Enterprise Risk Management is responsible for the Risk Type Framework for Treasury Risk under the Enterprise Risk Management Framework.

The Group Treasurer is supported by teams in Treasury and Finance to implement the Treasury Risk Type Framework as the first line of defence, and is responsible for managing Treasury Risk.

At Regional and Country level, Chief Executive Officers supported by Regional and Country level Finance and Treasury teams are responsible for managing Treasury Risk as the first line of defence. Regional Treasury Chief Risk Officers and Country Chief Risk Officers for Treasury Risk (except Pension Risk) and Head of Pensions (for Pension Risk) are responsible for overseeing and challenging the first line of defence.

Mitigation

The Group develops policies to address material Treasury Risks and aims to maintain its risk profile within Risk Appetite. In order to do this, metrics are set against Capital Risk, Liquidity and Funding Risk and Interest Rate Risk in the Banking Book (IRRBB). Where appropriate, Risk Appetite metrics are cascaded down to regions and countries in the form of Limits and Management Action Triggers.

Capital Risk

In order to manage Capital Risk, strategic business and capital plans (Corporate Plan) are drawn up covering a five-year horizon which are approved by the Board annually. The plan ensures that adequate levels of capital, including loss-absorbing capacity, and an efficient mix of the different components of capital are maintained to support our strategy and business plans.

Treasury is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

Risk Appetite metrics including capital, leverage, minimum requirement for own funds and eligible liability (MREL) and double leverage are assessed within the Corporate Plan to ensure that the strategy can be achieved within risk tolerances.

Structural FX Risk

The Group's structural position results from the Group's non-US dollar investment in the share capital and reserves of subsidiaries and branches. The FX translation gains, or losses are recorded in the Group's translation reserves with a direct impact on the Group's Common Equity Tier 1 ratio.

The Group contracts hedges to manage its structural FX position in accordance with the Board-approved Risk Appetite, and as a result the Group has taken net investment hedges to partially cover its exposure to certain non-US dollar currencies to mitigate the FX impact of such positions on its capital ratios.

Liquidity and Funding Risk

At Group, regional and country level we implement various business-as-usual and stress risk metrics and monitor these against Limits and Management Action Triggers. In addition to these, where relevant, Monitoring Metrics are also set against specific risks. This ensures that the Group maintains an adequate and well-diversified liquidity buffer, as well as a stable funding base, and that it meets its liquidity and funding regulatory requirements. The approach to managing risks and the Board Risk Appetite are assessed annually through the Internal Liquidity Adequacy Assessment Process. A funding plan is also developed for efficient liquidity projections to ensure that the Group is adequately funded in the required currencies, to meet its obligations and client funding needs. The funding plan is part of the overall Corporate Plan process aligning to the capital requirements.

Interest Rate Risk in the Banking Book

This risk arises from differences in the repricing profile, interest rate basis, and optionality of banking book assets, liabilities and off-balance sheet items. IRRBB represents an economic and commercial risk to the Group and its capital adequacy. The Group monitors IRRBB against the Board Risk Appetite.

Pension Risk

Pension Risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension plans. Pension obligation risk to a firm arises from its contractual or other liabilities to or with respect to an occupational pension plan or other long term benefit obligation. For a funded plan it represents the risk that additional contributions will need to be made because of a future shortfall in the funding of the plan or, for unfunded obligations, it represents the risk that the cost of meeting future benefit payments is greater than currently anticipated. Pension Risk position against defined Risk Appetite metrics is reported to the Group Risk Committee. These metrics include the current IAS 19 deficit, and the total capital requirement (including both Pillar 1 and Pillar 2A capital) in respect of Pension Risk, both expressed as a number of basis points of RWA.

Recovery and Resolution Planning

In line with PRA requirements, the Group maintains a Recovery Plan which is a live document to be used by management in the event of stress in order to restore the Group to a stable and sustainable position. The Recovery Plan includes a set of recovery indicators, an escalation framework and a set of management actions capable of being implemented in a stress. A Recovery Plan is also maintained within each major entity, and all recovery plans are subject to periodic fire-drill testing.

As the UK resolution authority, the BoE is required to set a preferred resolution strategy for the Group. The BoE's preferred resolution strategy is whole Group single point of entry bail-in at the ultimate holding company level (Standard Chartered PLC) and would be led by the BoE as the Group's home resolution authority. In support of this strategy, the Group has been developing a set of capabilities, arrangements and resources to achieve the required outcomes. On 10 June 2022, the Group and other major UK banks published their resolvability disclosures, alongside the BoE's public assessment of the industry's preparations for resolution. No major deficiencies were identified by the BoE on the Group's resolution capability, but there were some shortcomings and areas for further enhancement identified. Addressing these points remains a key priority for the Group. Significant progress has been made and we are on track to meet the commitments made to the BoE.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Treasury Risk . At the executive level, the Group Asset and Liability Committee (GALCO) ensures the effective management of risk throughout the Group in support of the Group's strategy, guides the Group's strategy on balance sheet optimisation and ensures that the Group operates within the internally approved Risk Appetite and other internal and external requirements relating to Treasury Risk (except Pension Risk) The Group Risk Committee and Regional Risk Committees provide oversight for Pension Risk.

Regional and country oversight resides with regional and country Asset and Liability Committees. Regions and countries must ensure that they remain in compliance with Group Treasury policies and practices, as well as local regulatory requirements.

Decision-making authorities and delegation

The Group Chief Financial Officer has responsibility for capital, funding and liquidity under the Senior Managers Regime. The GCRO has delegated the Risk Framework Owner responsibilities associated with Treasury Risk to the Global Head, Enterprise Risk Management. The Global Head, Enterprise Risk Management delegates second-line oversight and challenge responsibilities to the Treasury Chief Risk Officer and Country Chief Risk Officers for Capital Risk, Liquidity and Funding Risk and Interest Rate Risk in the Banking Book and to Head of Pensions for Pension Risk.

Monitoring

On a day-to-day basis, Treasury Risk is managed by Treasury, Finance and Country Chief Executive Officers. The Group regularly reports and monitors Treasury Risk inherent in its business activities and those that arise from internal and external events.

Internal risk management reports covering the balance sheet and the capital and liquidity position are presented to the relevant country Asset and Liability Committee. The reports contain key information on balance sheet trends, exposures against Risk Appetite and supporting risk measures which enable members to make informed decisions around the overall management of the balance sheet.

In addition, an independent Treasury Chief Risk Officer as part of Enterprise Risk Management reviews the prudency and effectiveness of Treasury Risk management.

Pension Risk is actively managed by the Head of Pensions and monitored by the Head of Country Risk, Scenario Analysis, Insurable and Pension Risk. The Head of Pensions ensures that accurate, complete and timely updates on Pension Risk are shared with the Head of Country Risk, Scenario Analysis and Pension Risk; Treasury CRO and the Global Head, ERM on a periodic basis.

Stress testing

Stress testing and scenario analysis are an integral part of the Treasury Risk Framework and are used to ensure that the Group's internal assessment of capital and liquidity considers the impact of extreme but plausible scenarios on its risk profile. A number of stress scenarios, some designed internally, some required by regulators, are run periodically.

They provide an insight into the potential impact of significant adverse events on the Group's capital and liquidity position and how this could be mitigated through appropriate management actions to ensure that the Group remains within the approved Risk Appetite and regulatory limits.

Daily liquidity stress scenarios are also run to ensure that the Group holds sufficient high-quality liquid assets to withstand extreme liquidity events.

Operational and Technology Risk

The Group defines Operational and Technology Risk as the potential for loss resulting from inadequate or failed internal processes, technology events, human error or from the impact of external events (including legal risks).

Risk Appetite Statement

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 franchise.

Roles and responsibilities

The Operational and Technology Risk Type Framework (O&T RTF) sets the roles and responsibilities in respect of Operational Risk for the Group, and is owned by the Global Head of Risk, Functions and Operational Risk (GHRFOR). This framework collectively defines the Group's Operational Risk sub-types which have not been classified as PRTs and sets standards for the identification, control, monitoring and treatment of risks. These standards are applicable across all PRTs and risk sub-types in the O&T RTF. These risk sub-types relate to execution capability, governance, reporting and obligations, legal enforceability, and operational resilience (including client service, change management, people management, safety and security, and technology risk).

The O&T RTF reinforces clear accountability for managing risk throughout the Group and delegates second line of defence responsibilities to identified subject matter experts. For each risk sub-type, the expert sets policies and standards for the organisation to comply with, and provides guidance, oversight and challenge over the activities of the Group. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgement, and perspective to ensure that the Group's risk-return objectives are met.

Mitigation

The O&T RTF sets out the Group's overall approach to the management of Operational Risk in line with the Group's Operational and Technology Risk Appetite. This is supported by Risk and Control Self-Assessment (RCSA) which defines roles and responsibilities for the identification, control and monitoring of risks (applicable to all PRTs, risk sub-types and integrated risks).

The RCSA is used to determine the design strength and reliability of each process, and requires:

- the recording of processes run by client segments, products and functions into a process universe
- the identification of potential breakdowns to these processes and the related risks of such breakdowns
- an assessment of the impact of the identified risks based on a consistent scale
- the design and monitoring of controls to mitigate prioritised risks
- assessments of residual risk and timely actions for elevated risks.

Risks that exceed the Group's Operational and Technology Risk Appetite require treatment plans to address underlying causes.

Governance committee oversight

At Board level, the Board Risk Committee oversees the effective management of Operational Risk. At the executive level, the Group Risk Committee is responsible for the governance and oversight of Operational Risk for the Group, monitors the Group's Operational and Technology Risk Appetite and relies on other key Group committees for the management of Operational Risk, in particular the Group Non-Financial Risk Committee (GNFRC).

Regional business segments and functional committees also provide enterprise oversight of their respective processes and related operational risks. In addition, Country Non-Financial Risk Committees (CNFRCs) oversee the management of Operational Risk at the country (or entity) level. In smaller countries, the responsibilities of the CNFRC may be exercised directly by the Country Risk Committee (for branches) or Executive Risk Committee (for subsidiaries).

Decision-making authorities and delegation

The O&T RTF is the formal mechanism through which the delegation of Operational Risk authorities is made. The GHRFOR places reliance on the respective Senior Managers who are outside the Risk function for second-line oversight of the risk sub-types through this framework. The Senior Managers may further delegate their second-line responsibilities to designated individuals at a global business, product and function level, as well as regional or country level.

Monitoring

To deliver services to clients and to participate in the financial services sector, the Group runs processes which are exposed to operational risks. The Group prioritises and manages risks which are significant to clients and to the financial services sectors. Control indicators are regularly monitored to determine the residual risk the Group is exposed to.

The residual risk assessments and reporting of events form the Group's Operational Risk profile. The completeness of the Operational Risk profile ensures appropriate prioritisation and timeliness of risk decisions, including risk acceptances with treatment plans for risks that exceed acceptable thresholds.

The Board is informed on adherence to Operational and Technology Risk Appetite through metrics reported for selected risks. These metrics are monitored, and escalation thresholds are devised based on the materiality and significance of the risk. These Operational and Technology Risk Appetite metrics are consolidated on a regular basis and reported at relevant Group committees. This provides senior management with the relevant information to inform their risk decisions.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for operational risks. This approach considers the impact of extreme but plausible scenarios on the Group's Operational Risk profile. A number of scenarios have been identified to test the robustness of the Group's processes and assess the potential impact on the Group. These scenarios include anti-money laundering and sanctions, as well as information and cyber security.

Information and Cyber Security (ICS) Risk

The Group defines Information and Cyber Security Risk as the risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.

Risk Appetite Statement

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.

Roles and responsibilities

The Group's Information and Cyber Security Risk Type Framework (ICS RTF) defines the roles and responsibilities of the first and second lines of defence in managing and governing ICS Risk across the Group. It emphasises business ownership and individual accountability.

The Group Chief Transformation, Technology & Operations Officer (CTTO) has overall first line of defence responsibility for ICS Risk and is accountable for the Group's ICS strategy. The Group Chief Information Security Officer (CISO) leads the development and execution of the ICS strategy. The first line also manages all key ICS Risks, breaches and risk treatment plans with oversight from Group Chief Information Security Risk Officer (CISRO). ICS Risk profile, Risk Appetite breaches and remediation status are reported at Board and Executive committees, alongside Business, Function and Country governance committees.

The Group CISRO function within Group Risk, led by the Group CISRO, is the second line of defence and sets the framework, policy, standards and methodology for assessing, scoring and prioritising ICS Risks across the Group. This function has overall responsibility for governance, oversight and independent challenge of first line's pursuit of the ICS strategy. Group ICS Risk Framework Strategy remains the responsibility of the ICS Risk Framework Owner (RFO), delegated from the Group CRO to the Group CISRO.

Mitigation

ICS Risk is managed through the structured ICS Risk Type Framework, comprising a risk assessment methodology and supporting policy, standards and methodologies. These are aligned to industry recommended practice. We undertake an annual ICS Effectiveness Review to evaluate ICS Risk management practices in alignment with the Enterprise Risk Management Framework.

In 2022, we uplifted the ICS RTF to include an updated ICS end-to-end Risk Management and Governance approach and continued the roll out of the threat-led scenario risk assessment across the Group. The Group CISRO function monitors compliance to the ICS RTF by reviewing Group CISO's risk assessments and conducting independent assurance reviews.

Governance committee oversight

The Board Risk Committee oversees the effective management of ICS Risk. The Group Risk Committee (GRC) has delegated authority to the Group Non-Financial Risk Committee (GNFRC) to ensure effective implementation of the ICS RTF. The GRC and GNFRC are responsible for oversight of ICS Risk posture and Risk Appetite breaches rated very high and high. Sub-committees of the GNFRC have oversight of ICS Risk management arising from the Businesses, Countries and Functions.

Meanwhile the Cyber Security Advisory Forum (CSAF), chaired by the Group Chief Executive Officer, enables the Management Team, Group Chairman and non-executive directors to engage further on ICS, asking any questions freely at this non-governance forum.

Decision-making authorities and delegation

The ICS RTF defines how the Group manages ICS Risk. The Group CISRO delegates authority to designated individuals through the ICS RTF, including second-line ownership at a Business, Function, Region and Country level.

The Group CISO is responsible for implementing ICS Risk Management within the Group, leveraging Group Process Owners and Business CISOs. These stakeholders cascade ICS risk management into the Businesses, Functions and Countries to comply with the ICS RTF, policy and standards.

Monitoring

Group CISO perform a threat-led risk assessment to identify key threats, in-scope applications and key controls required to ensure the Group remains within Risk Appetite.

The ICS Risk postures of all businesses, functions and countries are consolidated to present a holistic Group-level ICS Risk posture for ongoing monitoring.

During these reviews, the status of each risk is assessed against the Group's controls to identify any changes to impact and likelihood, which affects the overall risk rating.

Group CISO and Group CISRO monitor the ICS Risk profile and ensure that breaches of Risk Appetite are escalated to the appropriate governance committee or authority levels for adequate remediation and tracking. A dedicated Group CISRO team is supporting this work by executing offensive security testing exercises, which shows wider picture of risk security posture what leads to better visibility on potential risks "in flight".

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for ICS Risk. Specific scenarios are developed annually in collaboration between first- and second-line ICS teams, incorporating extreme but plausible ICS Risk events.

Compliance Risk

The Group defines Compliance Risk as the potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws, or regulations.

Risk Appetite Statement

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.

Roles and responsibilities

The Group Head, Conduct, Financial Crime and Compliance (Group Head, CFCC) as Risk Framework Owner for Compliance Risk provides support to senior management on regulatory and compliance matters by:

- providing interpretation and advice on CFCC regulatory requirements and their impact on the Group
- setting enterprise-wide standards for management of compliance risks through the establishment and maintenance of the Compliance Risk Type Framework (Compliance RTF)
- setting a programme for monitoring Compliance Risk.

Group Head, CFCC also performs the Financial Conduct Authority (FCA) controlled function and senior management function of Compliance Risk Oversight in accordance with the requirements set out by the FCA. The Compliance RTF sets out the Group's overall approach to the management of Compliance Risk and the associated roles and responsibilities. All activities that the Group engages in must be designed to comply with the applicable laws and regulations in the countries in which we operate. The CFCC function provides second line oversight and challenge of the first-line risk management activities that relate to Compliance Risk.

Where Compliance Risk arises, or could arise, from failure to manage another Principal Risk Type or sub-type, the Compliance RTF outlines that the responsibility rests with the respective Risk Framework Owner or control function to ensure that effective oversight and challenge of the first line can be provided by the appropriate second-line function.

Each of the assigned second-line functions has responsibilities including monitoring relevant regulatory developments from Non-Financial Services regulators at both Group and country levels, policy development, implementation, and validation as well as oversight and challenge of first-line processes and controls. In addition, the role of CFCC has been further clarified in 2022 in relation to Compliance risk and the boundary of responsibilities with other Principal Risk Types.

Mitigation

The CFCC function develops and deploys relevant policies and standards setting out requirements and controls for adherence by the Group to ensure continued compliance with applicable laws and regulations. Through a combination of standard setting, risk assessment, control monitoring and assurance activities, the Compliance Risk Framework Owner seeks to ensure that all policies are operating as expected to mitigate the risk that they cover. The installation of appropriate processes and controls is the primary tool for the mitigation of Compliance Risk. In this, the requirements of the Operational and Technology Risk Type Framework are followed to ensure a consistent approach to the management of processes and controls. Deployment of technological solutions to improve efficiencies and simplify processes has continued in 2022. These include launch of a new platform to manage conflict review for Outside Business Activity, Personal Account Dealing, Close Financial Relationship and Deals / Reportable Events, and alongside digital chatbots, Advisor Connect to connect with an Advisor for complex queries.

Governance committee oversight

At a management level, Compliance Risk and the risk of non-compliance with laws and regulations resulting from failed processes and controls are overseen by the respective Country, Business, Product and Function Non-Financial Risk Committees including the Risk and CFCC Non-Financial Risk Committee for CFCC owned processes. Relevant matters, as required, are further escalated to the Group Non-Financial Risk Committee and Group Risk Committee. At Board level, oversight of Compliance Risk is primarily provided by the Audit Committee, and also by the Board Risk Committee for relevant issues.

While not a formal committee, the CFCC Oversight Group provides oversight of CFCC risks including the effective implementation of the Compliance RTF. The Compliance Risk Framework Owner established a Regulatory Change Oversight Forum to have visibility and oversight of material and/or complex large-scale regulatory change emanating from Financial services regulators impacting Non-Financial Risks. A CFCC Policy Council has also been established to provide oversight, challenge and direction to Compliance and FCC Policy Owners on material changes and positions taken in CFCC-owned policies, including issues relating to regulatory interpretation and Group's CFCC risk appetite.

Decision-making authorities and delegation

The Compliance Risk Type Framework is the formal mechanism through which the delegation of Compliance Risk authorities is made. The Group Head, CFCC has the authority to delegate second-line responsibilities within the CFCC function to relevant and suitably qualified individuals.

Monitoring

The monitoring of controls designed to mitigate the risk of regulatory non-compliance in processes is governed in line with the Operational and Technology Risk Type Framework. The Group has a monitoring and reporting process in place for Compliance Risk, which includes escalation and reporting to Risk and CFCC Non-Financial Risk Committee, Group Non-Financial Risk Committee, Group Risk Committee, Board Risk Committee and Audit Committee, as appropriate.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for Compliance Risk and form part of the overall scenario analysis portfolio managed under the Operational and Technology Risk Type Framework. Specific scenarios are developed annually with collaboration between the business, which owns and manages the risk, and the CFCC function, which is second line to incorporate significant Compliance Risk tail events. This approach considers the impact of extreme but plausible scenarios on the Group's Compliance Risk profile.

Financial Crime Risk

The Group defines Financial Crime Risk as the potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering, anti-bribery and corruption, and fraud.

Risk Appetite Statement

The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided.

Roles and responsibilities

The Group Head, CFCC has overall responsibility for Financial Crime Risk and is responsible for the establishment and maintenance of effective systems and controls to meet legal and regulatory obligations in respect of Financial Crime Risk. The Group Head, CFCC is the Group's Compliance and Money-Laundering Reporting Officer and performs the FCA controlled function and senior management function in accordance with the requirements set out by the FCA, including those set out in their handbook on systems and controls. As the first line, the business unit process owners have responsibility for the application of policy controls and the identification and measurement of risks relating to financial crime. Business units must communicate risks and any policy non-compliance to the second line for review and approval following the model for delegation of authority.

Mitigation

There are four Group policies in support of the Financial Crime Risk Type Framework:

- Group Anti-Bribery and Corruption Policy
- Group Anti-Money Laundering and Counter Terrorist Financing Policy
- Group Sanctions Policy
- Group Fraud Risk Management Policy.

The Group operates risk-based assessments and controls in support of its Financial Crime Risk programme, including (but not limited to):

- Group Risk Assessment - the Group monitors enterprise-wide Financial Crime Risks through the CFCC Risk Assessment process consisting of Financial Crime Risk and Compliance Risk assessments. The Financial Crime Risk assessment is a Group-wide risk assessment undertaken annually to assess the inherent Financial Crime Risk exposures and the associated processes and controls by which these exposures are mitigated.
- Financial Crime Surveillance – risk-based systems and processes to prevent and detect financial crime.

The strength of controls is tested and assessed through the Group's Operational and Technology Risk Type Framework, in addition to oversight by CFCC Assurance.

Governance committee oversight

Financial Crime Risk within the Group is governed by the Group Financial Crime Risk Committee (GFCRC) and the Group Non-Financial Risk Committee (GNFRC) for Fraud Risk which is appointed by and reports into the Group Risk Committee.

Throughout the Group, the GFCRC is responsible for ensuring effective oversight for Operational Risk relating to Financial Crime Risk, while the GNFRC is responsible for ensuring effective oversight of Operational Risk relating to Non-Financial Risks including Fraud Risk. Given the progress made on the Board Financial Crime Risk Committee's (BFCRC) purpose with respect to financial crime risk management, the Board reallocated the work of the BFCRC to the Audit Committee, Board Risk Committee and Board with effect from 1 April 2022. The reallocation of BFCRC oversight enables a more holistic and efficient examination and discussion of risks that are closely linked.

Decision-making authorities and delegation

The Financial Crime Risk Type Framework is the formal mechanism through which the delegation of Financial Crime Risk authorities is made. The Group Head, CFCC is the Risk Framework Owner for Financial Crime Risk under the Group's Enterprise Risk Management Framework. Certain aspects of Financial Crime Compliance, second-line oversight and challenge, are delegated within the CFCC function. Approval frameworks are in place to allow for risk-based decisions on client onboarding, potential breaches of sanctions regulation or policy, situations of potential money laundering (and terrorist financing), bribery and corruption or internal and external fraud.

Monitoring

The Group monitors Financial Crime Risk compliance against a set of Risk Appetite metrics that are approved by the Board. These metrics are reviewed periodically and reported regularly to the Group Financial Crime Risk Committee, Group Non-Financial Risk Committee, Board and Group Risk Committees, and Board Audit Committee.

Stress testing

The assessment of Financial Crime vulnerabilities under stressed conditions or extreme events with a low likelihood of occurring is carried out through enterprise stress testing where scenario analysis is used to assess capital requirements for Financial Crime Risk as part of the overall scenario analysis portfolio managed under the Operational and Technology Risk Type Framework. Specific scenarios are developed annually with collaboration between the business, which owns and manages the risk, and the CFCC function, which is second line to incorporate significant Financial Crime Risk events. This approach considers the impact of extreme but plausible scenarios on the Group's Financial Crime Risk profile.

Model Risk

The Group defines Model Risk as potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models.

Risk Appetite Statement

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.

Roles and responsibilities

The Global Head, Enterprise Risk Management is the Risk Framework Owner for Model Risk under the Group's Enterprise Risk Management Framework. Responsibility for the oversight and implementation of the Model Risk Type Framework is delegated to the Global Head, Model Risk Management.

The Model Risk Type Framework sets out clear accountability and roles for Model Risk management through a Three Lines of Defence model. First-line ownership of Model Risk resides with Model Sponsors, who are business or function heads and assign a Model Owner for each model and provide oversight of Model Owner activities. Model Owners are the accountable executive for the model development process, represent model users, and are responsible for the overall model design process including engagement with Model Users to solicit feedback on the proposed model solution. Model Owners also coordinate the submission of models for validation and approval and ensure appropriate model implementation and use. Model Developers are responsible for the development of models, acting as a delegate of the Model Owner, and are responsible for documenting and testing the model in accordance with Policy requirements, and for engaging with Model Users as part of the development process. Second-line oversight is provided by Model Risk Management, which comprises Group Model Validation (GMV) and Model Risk Policy and Governance.

The Group adopts an industry standard model definition as specified in the Group Model Risk Policy, together with a scope of applicability represented by defined model family types as detailed within the Model Risk Type Framework. Model Owners are accountable for ensuring that all models under their purview have been independently validated by GMV. Models must be validated before use and then on an ongoing basis, with schedule determined by the perceived level of model risk associated with the model, or more frequently if there are specific regulatory requirements.

GMV independently reviews and grades models, in line with design objectives, business uses and compliance requirements, and highlights identified model risks by raising model related issues. The Model Risk Policy and Governance team provides oversight of Model Risk activities, performing regular Model Risk Assessment and risk profile reporting to senior management.

For countries or legal entities that are in scope of the Model Risk Type Framework, the Group Model Risk Policy specifies the Country Model Risk Framework Owner, delegated to the Country Chief Risk Officer, as accountable for ensuring model usage is correctly identified within the country or legal entity and a suitable local governance process is established to accommodate models requiring local regulatory approval and for any other specific local regulatory requirements at the country or legal entity level. GMV will take into consideration any country or legal entity specific considerations when validating a model, the model would be endorsed at Group level and then approved for use in the country or legal entity via the local governance process.

Mitigation

The Model Risk policy and standards define requirements for model development and validation activities, including regular model performance monitoring. Any model issues or deficiencies identified through the validation process are mitigated through the application of model monitoring, model overlays and/or a model redevelopment plan, which undergo robust review, challenge and approval. Operational controls govern all Model Risk-related processes, with regular risk assessments performed to assess appropriateness and effectiveness of those controls, in line with the Operational and Technology Risk Type Framework, with remediation plans implemented where necessary.

Governance committee oversight

At Board level, the Board Risk Committee exercises oversight of Model Risk within the Group. At the executive level, the Group Risk Committee has appointed the Model Risk Committee to ensure effective measurement and management of Model Risk. Sub-committees such as the Credit Model Assessment Committee, Traded Risk Model Assessment Committee and Financial Crime Compliance Model Assessment Committee oversee their respective in-scope models and escalate material Model Risks to the Model Risk Committee. In parallel, business and function-level risk committees provide governance oversight of the models used in their respective processes.

Decision-making authorities and delegation

The Model Risk Type Framework is the formal mechanism through which the delegation of Model Risk authorities is made.

The Global Head, Enterprise Risk Management delegates authorities to designated individuals or Policy Owners through the RTF. The second-line ownership for Model Risk at country level is delegated to Country Chief Risk Officers at the applicable branches and subsidiaries.

The Model Risk Committee is responsible for approving models for use. Model approval authority is also delegated to the Credit Model Assessment Committee, Traded Risk Model Assessment Committee, Financial Crime Compliance Model Assessment Committee and individual designated model approvers for less material models.

Monitoring

The Group monitors Model Risk via a set of Risk Appetite metrics that are approved by the Board. Adherence to Model Risk Appetite and any threshold breaches are reported regularly to the Board Risk Committee, Group Risk Committee and Model Risk Committee. These metrics and thresholds are reviewed on an annual basis to ensure that threshold calibration remains appropriate and the themes adequately cover the current risks.

Models undergo regular monitoring based on their level of perceived Model Risk, with monitoring results and breaches presented to Model Risk Management and delegated model approvers.

Model Risk Management produces Model Risk reports covering the model landscape, which include performance metrics, identified model issues and remediation plans. These are presented for discussion at the Model Risk governance committees on a regular basis.

Stress testing

Models play an integral role in the Group's stress testing and are rigorously user-tested to ensure that they are fit-for-use under stressed market conditions. Compliance with Model Risk management requirements and regulatory guidelines are also assessed as part of each stress test, with any identified gaps mitigated through model overlays and defined remediation plans.

Reputational and Sustainability Risk

The Group defines Reputational and Sustainability Risk as the potential for damage to the franchise (such as loss of trust, earnings, or market capitalisation), because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client, third-party relationships or our own operations.

Risk Appetite Statement

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.

Reputational and Sustainability Risk continues to be an area of growing importance, driving a need for strategic transformation across business activities and risk management to ensure that we uphold the principles of Responsible Business Conduct and continue to do the right thing for our stakeholders, the environment and affected communities. Our policy frameworks and Position Statements integrate our values into our core working practices by articulating our approach to clients in sensitive sectors and our commitments to climate change and human rights. We continue to progress on our transformation agenda, driving the Bank's Net Zero commitments and building a leading sustainable franchise. Our progress to date includes the setting of public Net Zero targets, leadership in voluntary carbon markets, and ongoing support of innovation in green, transition, and social finance.

The growth of Sustainable Finance products offering across the banking industry has prompted stronger and more robust regulations to prevent greenwashing. We are moving quickly to integrate anti-greenwashing policies, standards and controls into our risk management activities. As we prepare for the varying regulatory developments across our footprint, we continue to invest in data and infrastructure to reinforce our compliance efforts and are actively engaging with several of our regulatory supervisors. In 2022, we have increased our capabilities in horizon scanning and focused on developing an effective operating model to manage regulatory change to bolster our efforts to systematically track emerging risks across our business operations and supply chains.

Roles and responsibilities

The Global Head, Enterprise Risk Management is the Risk Framework Owner for Reputational and Sustainability Risk under the Group's Enterprise Risk Management Framework.

The responsibility for Reputational and Sustainability Risk management is delegated to Reputational and Sustainability Risk Leads in ERM as well as Chief Risk Officers at region, country and client-business levels. They constitute the second line of defence, overseeing and challenging the first line of defence, which resides with the Chief Executive Officers, Business Heads, Product Heads and Function Heads in respect of risk management activities of reputational and sustainability-related risks respectively.

In the first line of defence, we have in 2022 appointed a Chief Sustainability Officer ("CSO") whose remit spans across both Sustainability strategy and client solutions. Reporting to the CSO is our Sustainability Strategy team, who manages the overall Group Sustainability strategy and engagement. On client solutions, the Sustainable Finance team is responsible for pan-bank sustainable finance products and frameworks to help identify green and sustainable finance and transition finance opportunities to aid our clients on their sustainability journey. Furthermore, the Environmental and Social Risk Management team (ESRM) provides dedicated advisory and challenge to businesses on the management of environmental and social risks and impacts arising from the Group's client relationships and transactions.

Mitigation

In line with the principles of Responsible Business Conduct and Do No Significant Harm, the Group deems Reputational and Sustainability Risk to be driven by:

- negative shifts in stakeholder perceptions, including shifts as a result of greenwashing claims, due to decisions related to clients, products, transactions, third parties and strategic coverage
- potential material harm or degradation to the natural environment (environmental) through actions/inactions of the Group
- potential material harm to individuals or communities (social) risks through actions/inactions of the Group.

The Group's Reputational Risk policy sets out the principal sources of Reputational Risk driven by negative shifts in stakeholder perceptions as well as responsibilities, control and oversight standards for identifying, assessing, escalating and effectively managing Reputational Risk. The Group takes a structured approach to the assessment of risks associated with how individual client, transaction, product and strategic coverage decisions may affect perceptions of the organisation and its activities, based on explicit principles including, but not limited to human rights, gambling, defence and dual use goods. Whenever potential for stakeholder concerns is identified, issues are subject to prior approval by a management authority commensurate with the materiality of matters being considered. Such authorities may accept or decline the risk or impose conditions upon proposals, to protect the Group's reputation. In 2022, the Reputational Risk Policy was enhanced to include more rigorous assessment of clients operating in sectors which have heightened climate risk.

The Group's Sustainability Risk policy sets out the requirements and responsibilities for managing environmental and social risks for the Group's clients, third parties and in our own operations, as guided by various industry standards such as the OECD's Due Diligence Guidance for Responsible Business Conduct, Equator Principles, UN Sustainable Development Goals and the Paris Agreement.

- Clients are expected to adhere to minimum regulatory and compliance requirements, including criteria from the Group's Position Statements. In 2022, the Sustainability Risk Policy was enhanced to include the monitoring of inherent risks related to Sustainable Finance products and transactions and clients throughout their lifecycle - from labelling to disclosures.
- Third parties such as suppliers must comply with the Group's Supplier Charter which sets out the Group's expectations on ethics, anti-bribery and corruption, human rights, environmental, health and safety standards, labour and protection of the environment.
- Within our operations, the Group seeks to minimise its impact on the environment and have targets to reduce energy, water and waste.

Reputational and Sustainability Risk policies and standards are applicable to all Group entities. However, local regulators in some markets may impose additional requirements on how banks manage and track Reputational and Sustainability Risk. In such cases, these are complied with in addition to Group policies and standards.

Governance committee oversight

At Board level, the Culture and Sustainability Committee provides oversight for our Sustainability strategy while the Board Risk Committee oversees Reputational and Sustainability Risk as part of the ERMF. The Group Risk Committee (GRC) provides executive-level committee oversight and delegates the authority to ensure effective management of Reputational and Sustainability Risk to the Group Responsibility and Reputational Risk Committee (GRRRC).

The GRRRC's remit is to:

- Challenge, constrain and, if required, stop business activities where Reputational and Sustainability risks are not aligned with the Group's Risk Appetite.
- Make decisions on Reputational and Sustainability Risk matters assessed as high or very high based on the Group's Reputational and Sustainability Risk materiality assessment matrix, and matters escalated from the regions or client businesses.
- Provide oversight of material Reputational and Sustainability Risk and/or thematic issues arising from the potential failure of other risk types.
- Identify topical and emerging risks, as part of a dynamic risk scanning process
- Monitor existing or new regulatory priorities

The Sustainable Finance Governance Committee, appointed by the GRRRC provides leadership, governance and oversight for delivering the Group's sustainable finance offering. This includes:

- Reviewing and supporting the Group's frameworks for Green and Sustainable Products, and Transition Finance for approval of GRRRC. These frameworks set out the guidelines for approval of products and transactions which carry the sustainable finance and/or transition finance label.
- Decision-making authority on the eligibility of a sustainable asset for any risk-weighted assets (RWA) relief.
- Approving sustainable finance and transition finance labels for products in addition to regular product management and governance
- Reviewing the reputational risks arising from greenwashing claims related to Sustainable Finance products and services.

The Group Non-Financial Risk Committee has oversight of the control environment and effective management of Reputational Risk incurred when there are negative shifts in stakeholder perceptions of the Group due to failure of other PRTs. The regional and client-business risk committees provide oversight on the Reputational and Sustainability Risk profile within their remit. The Country Non-Financial Risk Committee (CNFRC) provides oversight of the Reputational and Sustainability Risk profile at a country level.

Decision-making authorities and delegation

The Reputational and Sustainability RTF is the formal mechanism through which the delegation of Reputational and Sustainability Risk authorities is made. The Global Head, Enterprise Risk Management delegates risk acceptance authorities for stakeholder perception risks to designated individuals in the first line and second line or to committees such as the GRRRC via risk authority matrices.

These risk authority matrices are tiered at country, regional, business segment or Group levels and are established for risks incurred in strategic coverage, clients, products or transactions. For environmental and social risks, the ESRM team must review and support the risk assessments for clients and transactions and escalate to the Reputational and Sustainability Risk leads as required.

Monitoring

Exposure to stakeholder perception risks arising from transactions, clients, products and strategic coverage are monitored through established triggers outlined in risk materiality matrices to prompt the right levels of risk-based consideration by the first line and escalations to the second line where necessary. Risk acceptance decisions and thematic trends are also being reviewed on a periodic basis.

Exposure to Sustainability Risk is monitored through triggers embedded within the first-line processes where environmental and social risks are considered for clients and transactions via the Environmental and Social Risk Assessments and considered for vendors in our supply chain through the Modern Slavery questionnaires.

Furthermore, monitoring and reporting on the risk appetite metrics ensures that there is appropriate oversight by Management Team and Board over performance and breaches of thresholds across key metrices namely in concentration of material reputational risk, level of alignment with Group's Net Zero aspirations and Position Statements, and modern slavery risks in our suppliers.

Stress testing

Reputational Risk outcomes are taken into account in enterprise stress tests and incorporated into the Group's stress testing scenarios. For example, the Group might consider what impact a hypothetical event leading to loss of confidence among liquidity providers in a particular market might have, or what the implications might be for supporting part of the organization in order to protect the brand. As Sustainability Risk continues to evolve as an area of emerging regulatory focus with various markets developing ESG regulatory guidance, we are keeping pace with external developments to enable us to explore meaningful scenario analysis in the future with the aim of advancing Reputational and Sustainability Risk management.

Climate Risk

The Group recognises Climate Risk as an Integrated Risk Type. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it.

Risk Appetite Statement

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.

Climate Risk has been recognised as an emerging risk since 2017 and was elevated to an Integrated Risk Type (previously known as material cross-cutting risk) within the ERMF, our central risk framework in 2019. We have made further progress this year in embedding Climate risk considerations across the impacted PRTs and by using the results from our management scenario analysis, we are building a good understanding of the markets and industries where the effects of climate change will have the greatest impact. However, it is still a relatively nascent risk area which will mature and develop over time, particularly as data availability improves.

Roles and responsibilities

The three lines of defence model as per the Enterprise Risk Management Framework applies to Climate Risk. The GCRO has the ultimate second-line and senior management responsibility for Climate Risk. The GCRO is supported by the Global Head, Enterprise Risk Management who has day-to-day oversight and central responsibility for second-line Climate Risk activities. As Climate Risk is integrated into the relevant PRTs, second-line responsibilities lie with the Risk Framework Owner (at Group, regional and country level), with subject matter expertise support from the central Climate Risk team.

Mitigation

As an Integrated Risk Type manifests through other PRTs, risk mitigation activities are specific to individual PRTs. The Group has made progress to integrate Climate Risk into PRT processes. Climate Risk assessments are considered as part of Reputational and Sustainability transaction reviews for clients and transactions in high carbon sectors. We have directly engaged with clients on their adaptation and mitigation plans using client level Climate Risk questionnaires and integrated climate risk into the credit process for ~70% of our corporate client exposure in CCIB. As part of quarterly credit portfolio reviews in CPBB, physical risk assessments for the residential mortgage portfolios are also being monitored for concentration levels.

The Traded Risk stress testing framework covers market impacts from Climate Risk – this includes a transition risk and two physical risk scenarios. Physical and transition risk ratings for sovereigns are widely used across the Group for risk management and reporting purposes.

The focus for Operational and Technology Risk was originally on Property, Resilience and Third-Party Risk management, and is now being expanded to material technology arrangements. We have also completed liquidity risk assessments for our top liquidity providers. Relevant policies and standards across PRTs have been updated to factor in Climate Risk considerations and a focus area for 2022 was to build out our risk management, data and modelling capabilities.

Governance committee oversight

Board-level oversight is exercised through the Board Risk Committee (BRC), and regular Climate Risk updates are provided to the Board and BRC. At an executive level, the Group Risk Committee (GRC) oversees implementation of the Climate Risk workplan. The GRC has also appointed a Climate Risk Management Committee consisting of senior representatives from the Business, Risk, Strategy and other functions such as Compliance, Audit and Finance. The Climate Risk Management Committee meets at least six times a year to oversee the implementation of Climate Risk workplan and progress in meeting regulatory requirements, monitor the Climate Risk profile of the Group and review Climate Risk-related disclosures and stress tests. We have also strengthened country and regional governance oversight for the Climate Risk profile across our key markets in 2022.

Tools and methodologies

Applying existing risk management tools to quantify Climate Risk is challenging given inherent data and methodology challenges, including the need to be forward-looking over long time horizons. To quantify climate physical and transition risk we leverage and have invested in a number of areas, including tools and partnerships:

- Munich Re – we are using Munich Re's physical risk assessment tool, which is built on extensive re-insurance experience.
- Baringa Partners – we are using Baringa's flagship climate models to understand climate scenarios, and compute transition risk and temperature alignment.
- Standard & Poor – we are leveraging S&P and Trucost's wealth of climate data covering asset locations, energy mixes and emissions.
- Imperial College – we are leveraging Imperial's academic expertise to advance our understanding of climate science, upskill our staff and senior management, and
- progress the state of independent research on climate risks with an acute focus on emerging markets.
- Deloitte – we are working with Deloitte to build internal IFRS9 and stress testing models.

Decision-making authorities and delegation

The Global Head, Enterprise Risk Management is supported by a centralised Climate Risk team within the ERM function. The Global Head, Climate Risk and Net Zero Oversight is responsible for ensuring and executing the delivery of the Climate Risk workplan which will define decision-making authorities and delegations across the Group.

Monitoring

The Climate Risk Appetite Statement is approved and reviewed annually by the Board, following the recommendation of the Board Risk Committee.

The PLC Group has developed its first-generation Climate Risk reporting and Board/Management Team Level Risk Appetite metrics and this will continue to be enhanced in 2023. Management information and Risk Appetite metrics are also being progressively rolled out at the regional and country level.

Stress testing

As Climate Risk intensifies over time, the future global temperature rise will depend on today's transition pathway. Considering different transition scenarios is crucial to assessing Climate Risk over the next 10, 20 and 50 years. Stress testing and scenario analysis are used to assess capital requirements for Climate Risk and since 2020 physical and transition risks have been included in the PLC Group Internal Capital Adequacy Assessment Process (ICAAP). In 2022, the PLC Group undertook a number of Climate Risk stress tests, including by the Monetary Authority of Singapore and internal management scenario analysis. We will rely on these stress tests to understand the Group level vulnerabilities given the significant overlap between SC Bank and PLC Group's activities.

In 2023, the PLC Group intends to extend its management scenario capabilities, which will strengthen business strategy and financial planning and support the PLC Group's net zero journey.

Digital Assets Risk

The Group recognises Digital Assets Risk as an Integrated Risk Type. Digital Assets Risk is defined as the potential for regulatory penalties, financial loss and/or reputational damage to the Group resulting from digital assets exposure or digital assets related activities arising from the Group's Clients, Products and Projects.

Risk Appetite Statement

As Digital Assets Risk manifests through the various PRTs, the specific Risk Appetite statements for the PRTs apply.

Digital Assets (DA) Risk has been managed under the Digital Assets Risk Management Approach since 2020 and was formalised as an Integrated Risk Type (previously known as material cross cutting risk) within the Enterprise Risk Management Framework (ERMF). Digital Assets Risk follows the prescribed robust risk management practices across the PRTs, with specific expertise applied from Digital Assets experts. Risk management practices take guidance from the "Dear CEO" letters published by the Prudential Regulatory Authority and the Financial Conduct Authority in June 2018, with updated notices in June 2022. This is a developing risk area which will mature and stabilise over time as the technology and associated research becomes more established.

Roles and responsibilities

The three lines of defence model defined in the ERMF applies to Digital Assets Risk. The GCRO has the second-line and senior management responsibility for Digital Assets Risk with respect to the framework. The respective Business Segments Senior Managers are responsible for the overall management of Digital Assets initiatives within their segments.

The GCRO is supported by the Global Head, Enterprise Risk Management and the Global Head, Digital Assets Risk Management who have day-to-day oversight and central responsibility for second line Digital Assets Risk activities. As Digital Assets Risk is integrated into the relevant PRTs, Risk Framework Owners (RFOs) and dedicated Subject Matter Experts (SMEs) across the PRTs also have second line responsibilities for Digital Assets Risk.

Mitigation

The Group deploys a DA specific policy to outline incremental risk management requirements for DA related activities. The Group's policies for other PRTs also include DA requirements where relevant Risk mitigation activities are also specific to individual PRTs and the Group has undertaken development and integration of Digital Assets Risk into the PRT processes. Digital Assets Risk Assessments are conducted on certain higher-risk DA related Projects and Products. These specific risk assessments detail the specific inherent risks, residual risks, controls and mitigants across the PRTs and are reviewed and supported by the respective RFOs and DA SMEs.

Governance committee oversight

Board-level oversight is exercised through the Board Risk Committee (BRC), and DA Risk updates are provided to the Board and BRC, as requested. At the executive level, the Group Risk Committee (GRC) oversees the risk management of DA. The GCRO has also appointed a dedicated Digital Assets Risk Committee (DRC) consisting of senior representatives, RFOs and SMEs across the Group including the business, risk, and other functions such as legal. The DRC meets at the pre-defined frequency, a minimum of four times per year, to review and assess the detailed risk assessments related to DA Projects and Products, discuss development and implementation of the DA risk management, and to provide structured governance around DA.

Decision-making authorities and delegation

The Global Head, Enterprise Risk Management is supported by a centralised DA team within the ERM function and is responsible for the DA framework. The respective PRT RFOs and SMEs utilise decision making authorities granted to them within their respective PRTs or in individual capacities.

Monitoring

Digital Assets are monitored through the existing Group Risk Appetite metrics across the PRTs. In addition, specific Digital Assets Risk Appetite metrics are approved and reviewed annually by GRC. DA decisions relating to other PRTs are taken within the authorities for the respective PRT.

Stress testing

Stress testing and scenario analysis are used to help assess capital requirements for Digital Assets Risk and form part of the overall scenario analysis portfolio managed under the Operational and Technology Risk Type Framework. Specific scenarios are developed annually with collaboration between the business, which owns and manages the risk, and the DA Risk function, to consider relevant DA scenarios. This approach considers the impact of extreme but plausible scenarios on the PLC Group's capital profile with respect to DA.

Third Party Risk

The Group recognises Third Party Risk as an Integrated Risk Type. Third Party Risk is defined as the potential for loss or adverse impact from failure to manage multiple risks arising from the use of Third Parties, and is the aggregate of these risks.

Risk Appetite Statement

This IRT is supported by Risk Appetite metrics embedded within relevant PRTs. The engagement of Third Parties is essential for the Group to operate efficiently and effectively. This may introduce incremental risks which, if not managed correctly, could result in regulatory non-compliance, financial loss and/or adverse impact to clients. We continue to enhance our policies, standards, processes and controls to ensure we safely manage any incremental risks introduced by the use of Third Parties.

Roles and Responsibilities

The Global Head of Risk, Functions and Operational Risk has second line oversight responsibility for Third Party Risk as defined in the Enterprise Risk Management Framework. The three lines of defence model applies to Third Party Risk, and roles and responsibilities are further defined in the Third Party Risk Management Policy and Standard. It is important to note that as an Integrated Risk Type, the risks associated with the management of Third Parties materialise across multiple PRTs. The Risk Framework Owners for the PRTs are therefore responsible for embedding requirements to manage Third Party Risk within their Risk Type Frameworks, Policies and Standards as appropriate, and ensuring compliance to the minimum requirements defined by the Global Head of Risk, Functions and Operational Risk.

Mitigation

To ensure we continue to prioritise the engagement of Third Parties, while safely managing any risks, the Third Party Risk Management Policy and Standard, in conjunction with the PRT Policies and Standards, holistically set out the Group's minimum controls requirements for the identification, mitigation and management of risks arising from the use of Third Parties. These minimum control requirements have been enhanced in 2022 to ensure compliance with new requirements issued by our regulators.

The Group aims to manage its risk profile within Risk Appetite, and in order to do so, Risk Appetite metrics for Third Party Risk are embedded within the respective PRTs including ICS, Compliance, Financial Crime and Operational and Technology Risk. To further supplement this, additional work is underway to enhance the Group's approach to concentration risk. Where appropriate, Risk Appetite metrics are cascaded to countries.

Governance Committee Oversight

At the Board level, the Board Risk Committee oversees the effective management of Third Party Risk. At the executive level, the Group Risk Committee is responsible for the governance and oversight of Third Party Risk for the Group. The Group Third Party Risk Management Committee (GTPRMC), established under the Group Non-Financial Risk Committee, is responsible for overseeing all Third Party Risk types and associated risks across the Group, as well as the effective embedding of Third Party Risk across the respective PRTs.

The management of Third Party Risk is overseen at a Country or entity level by the Country Third Party Risk Management Committee (CTPRMC). In smaller markets the responsibilities are exercised directly by the Executive Risk Committee (for subsidiaries) or Country Risk Committee (for branches).

Decision Making Authorities and Delegation

The Group Chief Risk Officer has second line responsibility for Third Party Risk under the Senior Managers Regime. The Group Chief Risk Officer has delegated the Integrated Risk Framework Owner responsibilities associated with Third Party Risk to the Global Head of Risk, Functions and Operational Risk, through the Enterprise Risk Management Framework. Second line oversight and challenge responsibilities for Third Party Risk at a Country or entity level are delegated to the Country Chief Risk Officers.

Monitoring

The monitoring of Third Party Risk within the Group's Process Universe is managed in accordance with the Operational and Technology Risk Type Framework.

The Third Party Risk management profile is reported to the GTPRMC, and includes the monitoring and oversight on Risk Appetite, assessment of new Third Party arrangements, on-going performance monitoring of Third Party arrangements, internal and external events and elevated risks with appropriate treatment plans.

Stress Testing

Stress testing and scenario analysis are used to assess capital requirements, and for Third Party Risk, form part of the overall scenario analysis portfolio managed under the Operational and Technology Risk Type Framework. Specific scenarios are developed annually with collaboration between the business, which owns and manages the risk, and the second line of defence. This approach considers the impact of extreme but plausible scenarios on the Group's Risk profile.

Capital review

The Capital review provides an analysis of the Group's capital and leverage position, and requirements.

Capital summary

The Group's capital, leverage and minimum requirements for own funds and eligible liabilities (MREL) position is managed within the Board-approved risk appetite. The Group is well capitalised with low leverage and high levels of loss-absorbing capacity.

	2022	2021
CET1 capital	**14.0%**	14.1%
Tier 1 capital	**16.6%**	16.6%
Total capital	**21.7%**	21.3%
Leverage ratio	**4.8%**	4.9%
MREL ratio	**32.1%**	31.7%
Risk-weighted assets (RWA) $million	**244,711**	271,233

The Group's capital, leverage and MREL positions were all above current requirements and Board-approved Risk Appetite.

The Group's CET1 capital decreased 19 basis points to 14.0 per cent of RWA since FY2021. Profits and RWA optimisations were more than offset by distributions (including ordinary share buy-backs of $1.3 billion during the year), regulatory headwinds, movements in FVOCI and FX translation reserves and an increase in regulatory deductions.

The PRA updated the Group's Pillar 2A requirement during Q4 2022. As at 31 December 2022 the Group's Pillar 2A was 3.7 per cent of RWA, of which at least 2.1 per cent must be held in CET1 capital. The Group's minimum CET1 capital requirement was 10.4 per cent at 31 December 2022. The UK countercyclical buffer increased to 1.0 per cent which impacts Group CET1 minimum requirement by approximately 8 basis points from December 2022.

From 1 January 2022 RWA increased due to (a) post model adjustments following new PRA rules on IRB models resulted in approximately $5.7 billion of additional RWA and (b) the introduction of standardised rules for Counterparty Credit Risk on derivatives and other instruments resulted in approximately $1.9 billion of additional RWA. These regulatory changes including removal of software benefit and others reduced the CET1 ratio by approximately 80 basis points.

The Group CET1 capital ratio at 31 December 2022 reflects the share buy-backs of $754 million completed in the first half of 2022 and $504 million completed in the third and fourth quarter of 2022. The CET1 capital ratio also includes an accrual for the FY 2022 dividend. The Board has recommended a final dividend for FY 2022 of $405 million or 14 cents per share resulting in a full year 2022 dividend of 18 cents per share, a 50 per cent increase on the 2021 dividend. In addition, the Board has announced a further share buy-back of $1 billion, the impact of this will reduce the Group's CET1 capital by around 40 basis points in the first quarter of 2023.

The Group expects to manage CET1 capital dynamically within our 13-14 per cent target range, in support of our aim of delivering future sustainable shareholder distributions.

The Group's MREL leverage requirement as at 31 December 2022 was 27.3 per cent of RWA. This is composed of a minimum requirement of 23.6 per cent of RWA and the Group's combined buffer (comprising the capital conservation buffer, the G-SII buffer and the countercyclical buffer). The Group's MREL ratio was 32.1 per cent of RWA and 9.2 per cent of leverage exposure at 31 December 2022.

During 2022, the Group successfully raised $7.2 billion of MREL eligible securities from its holding company, Standard Chartered PLC. Issuance was across the capital structure including $1.3 billion of Additional Tier 1, $0.8 billion of Tier 2 and $5.2 billion of callable senior debt.

The Group is a G-SII, with a 1.0 per cent G-SII CET1 capital buffer. The Standard Chartered PLC G-SII disclosure is published at: sc.com/en/investors/financial-results.

Capital base[1] (audited)

	2022 $million	2021 $million
CET1 capital instruments and reserves		
Capital instruments and the related share premium accounts	**5,436**	5,528
Of which: share premium accounts	**3,989**	3,989
Retained earnings[2]	**25,154**	24,968
Accumulated other comprehensive income (and other reserves)	**8,165**	11,805
Non-controlling interests (amount allowed in consolidated CET1)	**189**	201
Independently audited year-end profits	**2,988**	2,346
Foreseeable dividends	**(648)**	(493)
CET1 capital before regulatory adjustments	**41,284**	44,355
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	**(854)**	(665)
Intangible assets (net of related tax liability)	**(5,802)**	(4,392)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	**(76)**	(150)
Fair value reserves related to net losses on cash flow hedges	**564**	34
Deduction of amounts resulting from the calculation of excess expected loss	**(684)**	(580)
Net gains on liabilities at fair value resulting from changes in own credit risk	**63**	15
Defined-benefit pension fund assets	**(116)**	(159)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	**(90)**	(60)
Exposure amounts which could qualify for risk weighting of 1,250%	**(103)**	(36)
Other regulatory adjustments to CET1 capital[3]	**(29)**	–
Total regulatory adjustments to CET1	**(7,127)**	(5,993)
CET1 capital	**34,157**	38,362
Additional Tier 1 capital (AT1) instruments	**6,504**	6,811
AT1 regulatory adjustments	**(20)**	(20)
Tier 1 capital	**40,641**	45,153
Tier 2 capital instruments	**12,540**	12,521
Tier 2 regulatory adjustments	**(30)**	(30)
Tier 2 capital	**12,510**	12,491
Total capital	**53,151**	57,644
Total risk-weighted assets (unaudited)	**244,711**	271,233

1 Capital base is prepared on the regulatory scope of consolidation

2 Retained earnings includes IFRS 9 capital relief (transitional) of $106 million

3 Other regulatory adjustments to CET1 capital includes Insufficient coverage for non-performing exposures of $(29) million

Risk review and Capital review

Movement in total capital (audited)

	2022 $million	2021 $million
CET1 at 1 January	**38,362**	38,779
Ordinary shares issued in the period and share premium	**–**	–
Share buy-back	**(1,258)**	(506)
Profit for the period	**2,988**	2,346
Foreseeable dividends deducted from CET1	**(648)**	(493)
Difference between dividends paid and foreseeable dividends	**(301)**	(303)
Movement in goodwill and other intangible assets	**(1,410)**	(118)
Foreign currency translation differences	**(1,892)**	(652)
Non-controlling interests	**(12)**	21
Movement in eligible other comprehensive income	**(1,224)**	(306)
Deferred tax assets that rely on future profitability	**74**	(12)
(Increase)/decrease in excess expected loss	**(104)**	121
Additional value adjustments (prudential valuation adjustment)	**(189)**	(175)
IFRS 9 transitional impact on regulatory reserves including day one	**(146)**	(142)
Exposure amounts which could qualify for risk weighting	**(67)**	(10)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	**(30)**	(12)
Others	**14**	(176)
CET1 at 31 December	**34,157**	38,362
AT1 at 1 January	**6,791**	5,612
Net issuances (redemptions)	**241**	1,736
Foreign currency translation difference	**9**	(2)
Excess on AT1 grandfathered limit (ineligible)	**(557)**	(555)
AT1 at 31 December	**6,484**	6,791
Tier 2 capital at 1 January	**12,491**	12,657
Regulatory amortisation	**778**	(1,035)
Net issuances (redemptions)	**(1,098)**	573
Foreign currency translation difference	**(337)**	(181)
Tier 2 ineligible minority interest	**102**	(81)
Recognition of ineligible AT1	**557**	555
Others	**17**	3
Tier 2 capital at 31 December	**12,510**	12,491
Total capital at 31 December	**53,151**	57,644

The main movements in capital in the period were:

- CET1 capital decreased by $4.2 billion as retained profits of $3.0 billion were more than offset by share buy-backs of $1.3 billion, distributions paid and foreseeable of $0.9 billion, foreign currency translation impact of $1.9 billion, movement in FVOCI of $1.3 billion, regulatory changes including removal of software benefits of $1.2 billion and an increase in regulatory deductions and other movements of $0.7 billion
- AT1 capital decreased by $0.3 billion following the redemption of $1.0 billion of 7.5 per cent securities and the final $0.6 billion derecognition of legacy Tier 1 securities, partly offset by the issuance of $1.3 billion of 7.75 per cent securities
- Tier 2 capital remains largely unchanged as issuance of $0.8 billion of new Tier 2 instruments and recognition of ineligible AT1 were offset by regulatory amortisation and the redemption of $1.8 billion of Tier 2 during the year

Risk-weighted assets by business

	2022			
	Credit risk $million	**Operational risk $million**	**Market risk $million**	**Total risk $million**
Corporate, Commercial & Institutional Banking	**110,103**	**17,039**	**16,440**	**143,582**
Consumer, Private & Business Banking	**42,092**	**8,639**	**–**	**50,731**
Ventures	**1,350**	**6**	**2**	**1,358**
Central & Other items	**43,310**	**1,493**	**4,237**	**49,040**
Total risk-weighted assets	**196,855**	**27,177**	**20,679**	**244,711**

	2021			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate, Commercial & Institutional Banking	125,813	16,595	20,789	163,197
Consumer, Private & Business Banking	42,731	8,501	–	51,232
Ventures[1]	756	5	–	761
Central & Other items	50,288	2,015	3,740	56,043
Total risk-weighted assets	219,588	27,116	24,529	271,233

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

Risk-weighted assets by geographic region

	2022 $million	2021 $million
Asia	**150,816**	170,381
Africa & Middle East	**40,716**	48,852
Europe & Americas	**50,174**	50,283
Central & Other items	**3,005**	1,717
Total risk-weighted assets	**244,711**	271,233

Movement in risk-weighted assets

	Credit risk							
	Corporate, Commercial & Institutional Banking $million	**Consumer, Private & Business Banking $million**	**Ventures[1] $million**	**Central & Other items $million**	**Total $million**	**Operational risk $million**	**Market risk $million**	**Total risk $million**
At 31 December 2020	127,581	44,755	289	47,816	220,441	26,800	21,593	268,834
At 1 January 2021	127,581	44,755	289	47,816	220,441	26,800	21,593	268,834
Asset growth & mix	2,269	3,612	467	3,894	10,242	–	–	10,242
Asset quality	(1,537)	(662)	–	13	(2,186)	–	–	(2,186)
Risk-weighted assets efficiencies	(415)	(30)	–	(657)	(1,102)	–	–	(1,102)
Model Updates	–	(3,701)	–	–	(3,701)	–	–	(3,701)
Methodology and policy changes	–	–	–	–	–	–	2,065	2,065
Acquisitions and disposals	–	–	–	–	–	–	–	–
Foreign currency translation	(2,085)	(1,243)	–	(1,106)	(4,434)	–	–	(4,434)
Other, Including non-credit risk movements	–	–	–	328	328	316	871	1,515
At 31 December 2021	**125,813**	**42,731**	**756**	**50,288**	**219,588**	**27,116**	**24,529**	**271,233**
Asset growth & mix[2]	**(13,213)**	**(984)**	**594**	**(10,034)**	**(23,637)**	**–**	**–**	**(23,637)**
Asset quality	**(4,258)**	**431**	**–**	**7,344**	**3,517**	**–**	**–**	**3,517**
Risk-weighted assets efficiencies	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Model Updates	**4,329**	**1,420**	**–**	**–**	**5,749**	**–**	**(1,000)**	**4,749**
Methodology and policy changes	**2,024**	**85**	**–**	**93**	**2,202**	**–**	**1,500**	**3,702**
Acquisitions and disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign currency translation	**(4,883)**	**(1,591)**	**–**	**(3,376)**	**(9,850)**	**–**	**–**	**(9,850)**
Other, Including non-credit risk movements	**291**	**–**	**–**	**(1,005)**	**(714)**	**61**	**(4,350)**	**(5,003)**
At 31 December 2022	**110,103**	**42,092**	**1,350**	**43,310**	**196,855**	**27,177**	**20,679**	**244,711**

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

2 Corporate, Commercial & Institutional Banking asset growth & mix includes optimisation initiatives of $(13.9) billion and other efficiency actions of $(7.2) billion. Central & Other items asset growth & mix includes other efficiency actions, mainly relating to credit insurance of $(3.9) billion

Movements in risk-weighted assets

RWA decreased by $26.5 billion, or 9.8 per cent from 31 December 2021 to $244.7 billion. This was mainly due to decrease in Credit Risk RWA of $22.7 billion and Market Risk RWA of $3.9 billion, partially offset by marginal increase in Operational Risk RWA of $0.1 billion.

Corporate, Commercial & Institutional Banking

Credit Risk RWA decreased by $15.7 billion, or 12.5 per cent from 31 December 2021 to $110.1 billion mainly due to:

- $13.2 billion decrease from changes in asset growth & mix of which:
  - $13.9 billion decrease from optimisation actions including reduction in lower returning portfolios
  - $7.2 billion decrease from other business efficiency actions
  - $7.9 billion increase from asset balance growth
- $4.9 billion decrease from foreign currency translation
- $4.3 billion decrease mainly due to improvement in asset quality reflecting client upgrades partially offset by sovereign downgrades in Africa & Middle East
- $4.3 billion increase from revised rules on capital requirements
- $2.1 billion increase from revised rules on capital requirements
- $0.3 billion increase from a process enhancement relating to certain Transaction Banking facilities

Consumer, Private & Business Banking

Credit Risk RWA decreased by $0.6 billion, or 1.5 per cent from 31 December 2021 to $42.1 billion mainly due to:

- $1.6 billion decrease from foreign currency translation
- $0.9 billion decrease from changes in asset growth & mix mainly from Asia
- $1.4 billion increase from industry-wide regulatory changes to align IRB model performance
- $0.4 billion increase mainly due to deterioration in asset quality mainly in Asia
- $0.1 billion increase from revised rules on capital requirements

Ventures

Ventures is comprised of Mox Bank Limited, Trust Bank and SC Ventures. Credit Risk RWA increased by $0.6 billion, or 78.6 per cent from 31 December 2021 to $1.4 billion from asset balance growth, mainly from Mox

Central & Other items

Central & Other items RWA mainly relate to the Treasury Markets liquidity portfolio, equity investments and current & deferred tax assets.

Credit Risk RWA decreased by $7.0 billion, or 13.9 per cent from 31 December 2021 to $43.3 billion mainly due to:

- $10.0 billion decrease from changes in asset growth & mix of which:
  - $6.1 billion decrease from reduction in asset balances mainly from Asia
  - $3.9 billion decrease from credit protection on certain products
- $3.4 billion decrease from foreign currency translation
- $1.0 billion decrease due to cessation of software relief
- $7.3bn billion increase due to deterioration in asset quality mainly from sovereign downgrades in Africa & Middle East

Market Risk

Total Market Risk RWA decreased by $3.9 billion, or 15.7 per cent from 31 December 2021 to $20.7 billion due to:

- $3.8 billion decrease in Standardised Approach (SA) Specific Interest Rate Risk RWA due to reductions in the traded credit portfolio
- $1.2 billion decrease in Internal Models Approach (IMA) stressed VaR RWA due to reduced IMA positions
- $1.0 billion decrease with enhanced methodology for IMA VaR and stressed VaR
- $1.5 billion increase due to higher IMA (IMA) RWA multiplier from elevated back-testing exceptions
- $0.5 billion increase in SA Structural FX risk with increased net SFX positions after hedging
- $0.1 billion net increase due to other individually smaller movements

Operational Risk

Operational Risk RWA increased by $0.1 billion, or 0.2 per cent from 31 December 2021 to $27.2 billion mainly due to marginal increase in average income as measured over a rolling three-year time horizon for certain products.

Leverage ratio

The Group's leverage ratio, which excludes qualifying claims on central banks, was 4.8 per cent at FY2022, which was above the current minimum requirement of 3.7 per cent. The leverage ratio was 14 basis points lower than FY21. Leverage exposure decreased by $56.8 billion from a decrease in on-balance sheet items of $7.9 billion, decrease in off-balance sheet items and others of $50.8 billion and a securities financing transactions add-on increase of $1.8 billion. The decrease in exposures was largely driven by optimisation initiatives. End point Tier 1 decreased by $4.0 billion as CET1 capital reduced by $4.2 billion and the issuance of $1.25 billion 7.75 per cent AT1 securities was partly offset by the redemption of $1 billion 7.5 per cent AT1 securities.

Leverage ratio

	2022 $million	2021 $million
Tier 1 capital (transitional)	**40,641**	45,153
Additional Tier 1 capital subject to phase out	**–**	(557)
Tier 1 capital (end point)	**40,641**	44,596
Derivative financial instruments	**63,717**	52,445
Derivative cash collateral	**12,515**	9,217
Securities financing transactions (SFTs)	**89,967**	88,418
Loans and advances and other assets	**653,723**	677,738
Total on-balance sheet assets	**819,922**	827,818
Regulatory consolidation adjustments[1]	**(71,728)**	(63,704)
Derivatives adjustments		
Derivatives netting	**(47,118)**	(34,819)
Adjustments to cash collateral	**(10,640)**	(17,867)
Net written credit protection	**548**	1,534
Potential future exposure on derivatives	**35,824**	50,857
Total derivatives adjustments	**(21,386)**	(295)
Counterparty Risk leverage exposure measure for SFTs	**15,553**	13,724
Off-balance sheet items	**119,049**	139,505
Regulatory deductions from Tier 1 capital	**(7,099)**	(5,908)
Total exposure measure excluding claims on central banks	**854,311**	911,140
Leverage ratio excluding claims on central banks (%)	**4.8%**	4.9%
Average leverage exposure measure excluding claims on central banks	**864,605**	897,992
Average leverage ratio excluding claims on central banks (%)	**4.7%**	5.0%
Countercyclical leverage ratio buffer	**0.1%**	0.1%
G-SII additional leverage ratio buffer	**0.4%**	0.4%

1 Includes adjustment for qualifying central bank claims and unsettled regular way trades

Risk review and Capital review

Financial statements

Supporting the rollout of electric vehicles in Sweden

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

The facility will finance the import of electric vehicles into Europe and North America and will support the switch to EVs, resulting in significant CO_2 savings per kilometre. One of Polestar's main goals is producing a truly carbon-neutral car by 2030.

Read more online at **sc.com/SFimpactreport**

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

Opinion

In our opinion:

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

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

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

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

Basis for opinion

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

Independence

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

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

Conclusions relating to going concern

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

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

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

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

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

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 15 components in 12 countries and audit procedures on specific balances for a further 11 components in 9 countries. • The components where we performed full or specific audit procedures accounted for 82% of the absolute adjusted profit before tax (PBT) measure used to calculate materiality, 89% of absolute operating income and 95% of Total assets.
Key audit matters	• Credit impairment • Basis of accounting and impairment assessment of China Bohai Bank (Interest in Associate) • User Access Management – Privileged Access Management • Impairment of Goodwill and Investments in subsidiary undertakings • Valuation of financial instruments held at fair value with higher risk characteristics
Materiality	• Overall group materiality of $234m which represents 5% of adjusted PBT

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

Tailoring the scope

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

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

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

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

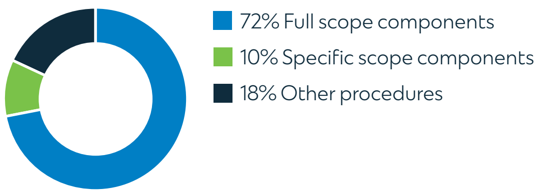
The reporting components where we performed audit procedures accounted for 82% (2021: 81%) of the Group's absolute adjusted PBT, 89% (2021: 89%) of the Group's absolute operating income and 95% (2021: 96%) of the Group's total assets. For the current year, the full scope components contributed 72% (2021: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

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

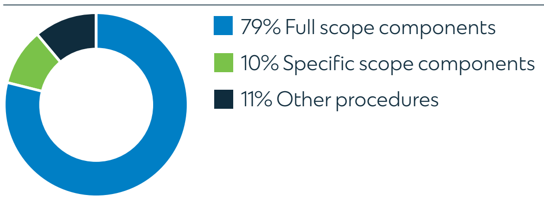
Of the remaining 303 reporting units that together represent 18% of the Group's absolute adjusted PBT, none individually contributed more than 2% of the Group's absolute adjusted PBT. For the components represented by these reporting units, we performed other procedures at the Group level which included: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

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

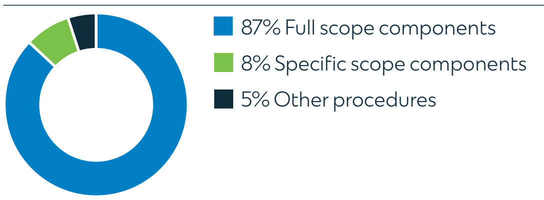
Absolute adjusted profit before tax



Absolute operating income



Total assets



Changes from the prior year

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

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

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

Involvement with component teams

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

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

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

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

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

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

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

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

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

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

Climate change

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

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

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

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

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

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

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

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

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
1. Credit Impairment Refer to the Audit Committee Report (page 164); Accounting policies (page 361); Note 8 of the financial statements; and relevant credit risk disclosures (including pages 239 and 270) At 31 December 2022, the Group reported total credit impairment balance sheet provision of \$6,075 million (2021: \$6,209 million). Management's judgements and estimates are especially subjective due to significant uncertainty associated with the estimation of expected future losses. Assumptions with increased complexity in respect of the timing and measurement of expected credit losses (ECL) include: • **Staging** – the determination of significant increase in credit risk and resultant timely allocation of assets to the appropriate stage in accordance with IFRS 9; • **Model output and adjustments** – Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL, including the appropriateness, completeness and valuation of post-model adjustments applied to model output to address risks not fully captured by the models; • **Economic scenarios** – Significant judgements involved with the determination of parameters used in the Monte Carlo Simulation and the evaluation of the appropriateness of the output from the model in terms of the extent to which it adequately generated non-linearity, including the assessment of any Post Model adjustments; • **Management overlays** – Appropriateness, completeness and valuation of risk event overlays to capture risks not identified by the credit impairment models, including the consideration of the risk of management override; and • **Individually assessed ECL allowances** – Measurement of individual provisions including the assessment of probability weighted recovery scenarios, exit strategies, collateral valuations and time to collect.	We evaluated the design of controls relevant to the Group's processes over material ECL balances, including the judgements and estimates noted, involving EY specialists to assist us in performing our procedures to the extent it was appropriate. Based on our evaluation we selected the controls upon which we intended to rely and tested those for operating effectiveness. We performed an overall stand-back assessment of the ECL allowance levels by stage to determine if they were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, the impact of sovereign downgrades and the idiosyncratic risk of the China CRE sector. Our assessment also included the evaluation of the macroeconomic environment by considering trends in the economies and countries to which the Group is exposed, and the consequences of the easing of global restrictions from the pandemic. We performed peer benchmarking where available to assess overall staging and provision coverage levels. **Staging** – We evaluated the criteria used to determine significant increase in credit risk including quantitative backstops with the resultant allocation of financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of financial assets and assessed the reasonableness of staging downgrades applied by management. To test credit monitoring which largely drives the probability of default estimates used in the staging calculation, we challenged the risk ratings (including appropriate operation of quantitative backstops) for a sample of performing accounts and other accounts exhibiting risk characteristics such as financial difficulties, deferment of payment, late payment and watchlist. We also considered the vulnerable and cyclical sectors (as defined on page 264 in the annual report).	We highlighted the following matters to the Audit Committee: • the pathway to achieve a controls reliance audit for the Group's models; • our evaluation of management's high-level assessment of the potential impact on ECL from climate change; • our assessment of the assumptions used to determine the Stage 3 ECL of individual China Commercial Real Estate developers and the management overlay applied to the sector's modelled ECL; • our assessment of the Group's enhanced Monte Carlo approach including benchmarking the impact of non-linearity from the baseline ECL against UK peers and the non-linearity overlay for retail exposures; and • our assessment of the appropriateness of the Group's methodology used to determine the ECL in relation to sovereign downgrades including the completeness and rationale for country downgrades and the resultant overlays and ECL impact. We concluded that management's methodology, judgements, and assumptions used in calculating credit impairment are materially in accordance with the accounting standard.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
1. Credit Impairment continued	**Management overlays** – We challenged the completeness and appropriateness of overlays used for risks not captured by the models, particularly regarding the worsening economic environment impacting sovereign/country level credit grades with a focus on Sri Lanka and Ghana which defaulted during the year, and other countries that suffered significant credit downgrades and the China Commercial Real Estate sector. Our procedures included evaluating the underpinning assumptions and judgments as to whether they are appropriate in prevailing market conditions, and for China CRE validating LGD assumptions by engaging local EY Real Estate specialist to validate the collateral values of material Stage 2 exposures. **Individually assessed ECL allowances** – Our procedures included challenging management's forward-looking economic assumptions of the recovery outcomes identified and assigned individual probability weightings, and recalculating a sample of individually assessed provisions. We also engaged our valuation specialists to test the value of the collateral used in management's calculations. Our sample was based on quantitative thresholds and qualitative factors, including exposure to vulnerable sectors. We have independently assessed all material China CRE developers in Stage 3 including challenging the plausibility of the applied scenarios, the corresponding weights assigned to work out scenarios and engaging local EY Real Estate specialist to validate the collateral values. We also considered whether planned exit strategies were viable. Where relevant, with input from our climate specialists, we considered the potential impact of climate change in the determination of each element of the ECL provisions.	
2. Basis of accounting and impairment assessment of China Bohai Bank (Interest in Associate) Refer to the Audit Committee Report (page 165); Accounting policies (page 437); and Note 32 of the financial statements Interest in Associate – China Bohai Bank $1,421 million (2021: $1,917 million) Other impairment – China Bohai Bank – $308 million (2021: $300 million). We focused on judgements and estimates, including the appropriateness of the equity accounting treatment under IAS 28 and the assessment of whether the investment was impaired. **Basis of accounting** The Group holds a 16.26% stake in China Bohai Bank and equity accounts for the investment as an associate, on the grounds that the Group is able to exercise significant influence over China Bohai Bank. IAS 28 states that if the entity holds, directly or indirectly, less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. There is a risk that the equity accounting treatment may not be appropriate, if the Group cannot demonstrate that it exerts significant influence over China Bohai Bank.	**Basis of accounting** We evaluated the facts and circumstances that the Group presented to demonstrate that it exercises significant influence over China Bohai Bank, through Board representation, membership of Board Committees and the sharing of industry and technical advice. **Impairment testing** The Group impaired the value of the investment in China Bohai Bank by $308 million (2021: $300 million). We assessed the appropriateness of the Group's VIU methodology for testing the impairment of the investment in China Bohai Bank for compliance with the accounting standards. We tested the mathematical accuracy of the VIU model and engaged our valuation specialists to support the audit team in calculating an independent range for the assumptions underlying the VIU calculations, which are the discount rate and long-term growth rate. We performed audit procedures to assess the reasonableness of the Group's forecast of the future cashflows relating to Bohai, by evaluating management's assessment, benchmarking the forecasts to broker reports published for comparable companies and challenging management with regard to the relevance and reliability of historical data when preparing their assessment.	We concluded that the Group continues to maintain significant influence over China Bohai Bank as at 31 December 2022. We concluded that the Interest in Associate –China Bohai Bank balance was not materially misstated as at 31 December 2022. We concluded that the disclosures in the annual report appropriately reflect the sensitivity of the carrying value to reasonably possible changes in key assumptions in the valuation of the investment in China Bohai Bank.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
2. Basis of accounting and impairment assessment of China Bohai Bank (Interest in Associate) continued **Impairment testing** At 31 December 2022, China Bohai Bank's market capitalisation was significantly lower than the carrying value of the investment. In addition, the financial performance of China Bohai Bank deteriorated during 2022. These matters are indicators of impairment. Impairment of the investment in China Bohai Bank is determined by comparing the carrying value to the value-in-use (VIU). The VIU is modelled by reference to future cashflow forecasts (forecast profit, including a haircut for regulatory capital), discount rate and macroeconomic assumptions such as long-term growth rates. Consequently, there is a risk that if the judgements and assumptions underpinning the impairment assessments are inappropriate, then the investment in China Bohai Bank may be misstated. The risk of impairment has increased in current year in the context of economic developments in China as well as Bohai's financial performance in 2022. The risk in respect of significant influence has not changed compared to the prior year.	We assessed the appropriateness of disclosures in the annual report in relation to the impact of reasonably possible changes in key assumptions on the carrying value of the investment in China Bohai Bank.	
3. User Access Management – Privileged Access Management Refer to the Audit Committee Report (page 165) IT General Controls (ITGCs) support the continuous operation of the automated and other IT dependent controls within the business processes related to financial reporting. Effective IT general controls are needed to ensure that IT applications process business data as expected and that changes are made in an appropriate manner. During the 2020 and 2021 audits, a number of significant privileged identity management (PIM) control deficiencies were identified by us. Similar deficiencies were identified by Group Internal Audit (GIA) and the predecessor auditor in 2018 and 2019. The possibility of IT application users gaining access privileges beyond those necessary to perform their assigned duties may result in breaches in segregation of duties, including inappropriate manual intervention, unauthorised changes to systems or programmes. These deficiencies are still in the process of being fully remediated. During the current year audit, we made further observations relating to the effectiveness of remediation activities. The risk has decreased in the current year due to management's remediation program, which is still in progress as at the year-end date.	We evaluated the results of management's remediation program and risk assessment for applications in our audit scope. We also tested IT controls (including IT compensating controls) where possible, and also performed additional IT substantive procedures to assess the impact of risks associated with the reported deficiencies, on the financial statements. We assessed the impact of the results of the above on our audit procedures over the financial statements for the year ended 31 December 2022.	• We communicated a weakness in internal control to the Audit Committee throughout the audit, in respect of the effectiveness of privileged identity management controls. • We explained the results of the additional audit procedures performed. As a result of the procedures performed, we have reduced the risk that our audit has not identified a material error in the Group and Company financial statements, related to privileged access management, to an appropriate level.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
5. Valuation of financial instruments held at fair value with higher risk characteristics Refer to the Audit Committee Report (page 165); Accounting policies (page 371); and Note 13 of the financial statements. At 31 December 2022, the Group reported financial assets measured at fair value of $282,263 million (2021: $303,678 million), and financial liabilities at fair value of $149,765 million (2021: $138,596 million), of which financial assets of $5,865 million (2021: $4,116 million) and financial liabilities of $1,878 million (2021: $1,653 million) are classified as Level 3 in the fair value hierarchy. The fair value of financial instruments with higher risk characteristics involves the use of management judgement in the selection of valuation models and techniques, pricing inputs and assumptions and fair value adjustments. A higher level of estimation uncertainty is involved for financial instruments valued using complex models, pricing inputs that have limited observability, and fair value adjustments, including the Credit Valuation Adjustment, Funding Valuation Adjustment, Debit Valuation Adjustment and Own Credit Adjustment. We considered the following portfolios presented a higher level of estimation uncertainty: • Level 3 derivatives and debt securities in issue and a portfolio of Level 2 financial instruments whose valuation involves the use of complex models, and • Unlisted equity investments, loans at fair value, debt and other financial instruments classified in Level 3 with unobservable pricing inputs. The level of risk remains consistent with the prior year.	We evaluated the design and operating effectiveness of controls relating to the valuation of financial instruments, including independent price verification, model review and approval, fair value adjustments, income statement analysis and reporting. Among other procedures, we engaged our valuation specialists to assist the audit team in performing the following procedures: • Test complex model-dependent valuations by independently revaluing a sample of Level 3 and complex Level 2 derivative financial instruments and debt securities in issue, in order to assess the appropriateness of models and the adequacy of assumptions and inputs used by the Group; • Test valuations of other financial instruments with higher estimation uncertainty, such as unlisted equity investments, loans at fair value, debt and other financial instruments. We compared management's valuation to our own independently developed range, where appropriate; • Assessed the appropriateness of pricing inputs as part of the Independent Price Verification process; and • Compared the methodology used for fair value adjustments to current market practice. We revalued a sample of valuation adjustments, compared funding and credit spreads to third party data and challenged the basis for determining illiquid credit spreads. Where differences between our independent valuation and management's valuation were outside our thresholds, we performed additional testing to assess the impact on the valuation of financial instruments. Throughout our audit procedures we considered the continuing uncertainty arising from the current macro-economic environment including market volatility. In addition, we assessed whether there were any indicators of aggregate bias in financial instrument marking and methodology assumptions.	We concluded that assumptions used by management to estimate the fair value of financial instruments with higher risk characteristics and the recognition of related income were reasonable. We highlighted the following matters to the Audit Committee: • Complex model-dependent valuations were appropriate based on the output of our independent revaluations; • Fair values of derivative transactions, debt securities in issue, unlisted equity investments, loans, debt and other financial instruments valued using pricing information with limited observability were not materially misstated as at 31 December 2022, based on the output of our independent calculations; and • Valuation adjustments in respect of credit, funding, own credit and other risks applied to derivative portfolios and debt securities in issue were appropriate, based on our analysis of market data and benchmarking of pricing information.

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

Our application of materiality

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

Materiality

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

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

Starting basis

- Statutory profit before tax – $4,286m

Adjustments

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

Materiality

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

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

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

Performance materiality

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

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

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

Reporting threshold

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Corporate Governance Statement

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Other matters we are required to address

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

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

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

Use of our report

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

Ernst & Young LLP

David Canning Jones (Senior statutory auditor)

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

London

16 February 2023

Consolidated income statement

For the year ended 31 December 2022

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

		cents	cents
Earnings per share:			
Basic earnings per ordinary share	12	**85.9**	61.3
Diluted earnings per ordinary share	12	**84.3**	60.4

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

Consolidated statement of comprehensive income

For the year ended 31 December 2022

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

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

Consolidated balance sheet

As at 31 December 2022

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

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

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

José Viñals
Group Chairman

Bill Winters
Group Chief Executive

Andy Halford
Group Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2022

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

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

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

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

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

5 Movement related to Translation adjustment and AT1 Securities charges

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

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

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

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

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

Note 28 includes a description of each reserve.

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

Cash flow statement

For the year ended 31 December 2022

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

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

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

Company balance sheet

For the year ended 31 December 2022

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

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

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

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

José Viñals
Group Chairman

Bill Winters
Group Chief Executive

Andy Halford
Group Chief Financial Officer

Company statement of changes in equity

For the year ended 31 December 2022

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

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

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

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

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

5 Movement mainly related to AT1 securities charges

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

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

Note 28 includes a description of each reserve.

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

Contents – Notes to the financial statements

Notes to the financial statements

1. Accounting policies

Statement of compliance

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

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

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

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

a) Risk review: Disclosures marked as 'audited' from the start of the Credit Risk section (page 236) to the end of Other principal risks in the same section (page 319).

b) Capital review: Tables marked as 'audited' from the start of 'CRD Capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (pages 321 to 322).

Basis of preparation

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

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

Significant and other accounting estimates and judgement

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

Significant accounting estimates and critical judgements

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

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

Other areas of accounting estimate and judgement

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

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

Climate impact on the Group's balance sheet

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

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

1. Accounting policies continued

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

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

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

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

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

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

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

IFRS and Hong Kong accounting requirements

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

Comparatives

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

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

New accounting standards in issue but not yet effective

IFRS 17 Insurance Contracts

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

1. Accounting policies continued

Going concern

These financial statements were approved by the Board of directors on 16 February 2023. The directors have made an assessment of the Group's ability to continue as a going concern. This assessment has been made having considered the impact of COVID-19, macroeconomic and geopolitical headwinds, including:

- Review of the Group Strategy and Corporate Plan
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual budget
- Consideration of stress testing performed, including both the Bank of England annual stress test and a Group Recovery and Resolution Plan (RRP) as submitted to the PRA. Both these submissions include the application of stressed scenarios including; COVID additional waves with the accompanying economic shocks, credit impact and short term liquidity shocks. Under the tests and through the range of scenarios, the results of these exercises and the RRP demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet minimum regulatory capital and liquidity requirements
- Analysis of the capital, funding and liquidity position of the Group, including the capital and leverage ratios, and ICAAP which summarises the Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios
- The Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due, was also reviewed
- The level of debt in issue, including redemptions and issuances during the year, debt falling due for repayment in the next 12 months and further planned debt issuances, including the appetite in the market for the Group's debt
- A detailed review of all principal and emerging risks

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

2. Segmental information

Basis of preparation

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

Segments and regions

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

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

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

The changes above require comparative periods to be restated.

2. Segmental information continued

Restructuring items excluded from underlying results

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

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

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

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

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

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

2. Segmental information continued

Underlying performance by client segment

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

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

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

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

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

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

2. Segmental information continued

Operating income by client segment

	2022				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	10,045	6,016	29	165	16,255
Restructuring	41	–	–	2	43
Other items	–	–	–	20	20
Statutory operating income	10,086	6,016	29	187	16,318

	2021 (Restated)[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	8,407	5,735	1	570	14,713
Restructuring	9	–	–	(41)	(32)
Other items	–	–	20	–	20
Statutory operating income	8,416	5,735	21	529	14,701

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

Underlying performance by region

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

2. Segmental information continued

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

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

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

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

Operating income by region

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

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

2. Segmental information continued

Additional segmental information (statutory)

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

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

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

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

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

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

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

3. Net interest income

Accounting policy

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

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

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

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

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

4. Net fees and commission

Accounting policy

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

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

4. Net fees and commission continued

The Group applies the following practical expedients:

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

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

Transaction Banking

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

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

Financial Markets

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

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

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

Wealth Management

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

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

Retail Products

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

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

4. Net fees and commission continued

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

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

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

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

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

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

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

4. Net fees and commission continued

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

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

5. Net trading income

Accounting policy

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

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

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

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

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

6. Other operating income

Accounting policy

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

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

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

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

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

7. Operating expenses

Accounting policy

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Credit impairment

Accounting policy

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Credit impairment continued

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

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

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

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

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

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

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

Recognition

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

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

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

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

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

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

8. Credit impairment continued

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

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

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

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

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

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

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

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

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

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

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

8. Credit impairment continued

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

Forborne loans

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

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

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

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

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

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

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

Improvement in credit risk/curing

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

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

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

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

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

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

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

8. Credit impairment continued

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

1 Includes impairment of $13 million (2021: Nil) on originated credit-impaired debt securities

9. Goodwill, fixed asset, and other impairment

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

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

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

10. Taxation

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

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

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

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

Other accounting estimates and judgements

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

10. Taxation continued

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

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

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

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

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

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

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

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

10. Taxation continued

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

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

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

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

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

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

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

10. Taxation continued

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

Deferred tax comprises assets and liabilities as follows:

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

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

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

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

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

Unrecognised deferred tax

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

11. Dividends

Accounting policy

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

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

Ordinary equity shares

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

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

2022 recommended final ordinary equity share dividend

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

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

Preference shares and Additional Tier 1 securities

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

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

12. Earnings per ordinary share

Accounting policy

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

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

The table below provides the basis of underlying earnings.

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

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

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

13. Financial instruments

Classification and measurement

Accounting policy

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

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

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

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

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

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

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

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

The Group's business model assessment is as follows:

Business model	Business objective	Characteristics	Businesses	Products
Hold to collect	Intent is to originate financial assets and hold them to maturity, collecting the contractual cash flows over the term of the instrument	• Providing financing and originating assets to earn interest income as primary income stream • Performing credit risk management activities • Costs include funding costs, transaction costs and impairment losses	• Corporate Lending • Financial Markets • Transaction Banking • Retail Lending • Treasury Markets (Loans and Borrowings)	• Loans and advances • Debt securities
Hold to collect and sell	Business objective met through both hold to collect and by selling financial assets	• Portfolios held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities • Income streams come from interest income, fair value changes, and impairment losses	• Treasury Markets	• Debt securities
Fair value through profit or loss	All other business objectives, including trading and managing financial assets on a fair value basis	• Assets held for trading • Assets that are originated, purchased, and sold for profit taking or underwriting activity • Performance of the portfolio is evaluated on a fair value basis • Income streams are from fair value changes or trading gains or losses	• Financial Markets	• Trading portfolios • Financial Markets reverse repos • Financial Markets (FM Bond and Loan Syndication)

Financial statements

13. Financial instruments continued

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

Equity instruments designated as held at FVOCI

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

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

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

Mandatorily classified at fair value through profit or loss

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

Trading, including:

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

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

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

Designated at fair value through profit or loss

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

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

Financial liabilities held at amortised cost

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

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

13. Financial instruments continued

Financial guarantee contracts and loan commitments

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

Fair value of financial assets and liabilities

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

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

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

Initial recognition

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

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

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

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

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

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

Financial assets held at FVOCI

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

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

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

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

13. Financial instruments continued

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

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

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

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

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

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

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

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

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

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

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

13. Financial instruments continued

Reclassifications

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

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

Reclassified from amortised cost

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

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

Reclassified from fair value through other comprehensive income

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

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

Reclassified from fair value through profit or loss

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

13. Financial instruments continued

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

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

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

13. Financial instruments continued

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

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

13. Financial instruments continued

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

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

Interest rate benchmark reform

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

13. Financial instruments continued

How the Group is managing the transition to alternative benchmark rates

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

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

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

Progress during 2022

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

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

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

Risks which the Group is exposed to due to IBOR transition

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

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

13. Financial instruments continued

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

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

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

13. Financial instruments continued

Offsetting of financial instruments

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

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

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

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

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

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

Related amounts not offset in the balance sheet comprises:

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

13. Financial instruments continued

Financial liabilities designated at fair value through profit or loss

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

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

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

Valuation of financial instruments

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

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

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

Significant accounting estimates and judgements

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

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

13. Financial instruments continued

Valuation techniques

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

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

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

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

13. Financial instruments continued

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

Fair value adjustments

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

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

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

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

13. Financial instruments continued

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

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

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

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

Fair value hierarchy – financial instruments held at fair value

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

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

13. Financial instruments continued

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

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

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

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

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

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

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

13. Financial instruments continued

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

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

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

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

13. Financial instruments continued

Fair value hierarchy – financial instruments measured at amortised cost

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

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

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

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 $17,943 million at 31 December 2022 and $17,153 million at 31 December 2021

13. Financial instruments continued

Loans and advances to customers by client segment[1]

	2022					
	Carrying value			Fair value		
	Stage 3 $million	Stage 1 and stage 2 $million	Total $million	Stage 3 $million	Stage 1 and stage 2 $million	Total $million
Corporate, Commercial & Institutional Banking	**2,481**	**137,150**	**139,631**	**2,525**	**137,187**	**139,712**
Consumer, Private & Business Banking	**677**	**130,278**	**130,955**	**685**	**131,679**	**132,364**
Ventures	**–**	**698**	**698**	**–**	**696**	**696**
Central & other items	**230**	**39,133**	**39,363**	**230**	**37,221**	**37,451**
At 31 December 2022	**3,388**	**307,259**	**310,647**	**3,440**	**306,783**	**310,223**

	2021 (Restated)[2]					
	Carrying value			Fair value		
	Stage 3 $million	Stage 1 and stage 2 $million	Total $million	Stage 3 $million	Stage 1 and stage 2 $million	Total $million
Corporate, Commercial & Institutional Banking	2,659	136,742	139,401	2,750	136,463	139,213
Consumer, Private & Business Banking	779	135,651	136,430	780	135,782	136,562
Ventures	–	88	88	–	88	88
Central & other items	–	22,549	22,549	–	22,562	22,562
At 31 December 2021	3,438	295,030	298,468	3,530	294,895	298,425

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

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

13. Financial instruments continued

Fair value of financial instruments

Level 3 Summary and significant unobservable inputs

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

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

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

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

13. Financial instruments continued

Level 3 summary and significant unobservable inputs continued

Instrument	Value as at 31 December 2021 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	9	–	Discounted cash flows	Recovery rates	87.3%–100%	93.6%
Loans and advances to customers	1,357	–	Discounted cash flows	Price/yield	0.2% – 11.8%	3.1%
				Recovery rates	10.6% – 100%	87.8%
Reverse repurchase agreements and other similar secured lending	1,566	–	Discounted cash flows	Repo curve	0.3%–3.0%	2.4%
Debt securities, alternative tier one and other eligible securities	349	–	Discounted cash flows	Price/yield	5.1% – 12.4%	7.5%
				Recovery rates	0.01% – 1.0%	0.2%
Government bonds and treasury bills	40	–	Discounted cash flows	Price/yield	2.7% – 5.5%	3.7%
Asset-backed securities	–	–	Discounted cash flows	Price/yield	N/A	N/A
Equity shares (includes private equity investments)	679	–	Comparable pricing/ yield	EV/EBITDA multiples	6.1x–15.3x	8.6x
				EV/Revenue multiples	10.1x	10.1x
				P/E multiples	12.6x–25.3x	14.9x
				P/B multiples	0.4x–3.3x	1.4x
				P/S multiples	1.8x–2.6x	1.8x
				Liquidity discount	7.9%–29.2%	16.5%
			Discounted cash flows	Discount rates	6.0%–17.4%	8.6%
			Option pricing model	EV/Revenue multiples	4.0x–85.5x	12.1x
				Volatility	55.0%–65.0%	60.3%
Other Assets	26	–	NAV	N/A	N/A	N/A
Derivative financial instruments of which:						
Foreign exchange	10	3	Option pricing model	Foreign exchange option implied volatility	3.1% – 6.1%	5.1%
			Discounted cash flows	Foreign exchange curves	(16.4)% – 57.3%	9.0%
Interest rate	53	16	Discounted cash flows	Interest rate curves	(16.4)%–18.8%	5.0%
			Option pricing model	Bond option implied volatility	N/A	N/A
Credit	24	41	Discounted cash flows	Credit spreads	0.1%–11.5%	1.0%
				Price/yield	5.9% –7.3%	6.6%
Equity and stock index	3	34	Internal pricing model	Equity correlation	8.0% – 96.0%	70.0%
				Equity-FX correlation	(70.0)%–85.0%	(33.0)%
Deposits by banks	–	283	Discounted cash flows	Credit spreads	0.4% – 3.0%	1.4%
				Price/yield	6.8%–8.3%	7.5%
Customer accounts	–	454	Discounted cash flows	Credit spreads	1.0% – 2.0%	1.2%
				Interest rate curves	0.9%–5.6%	4.7%
				Price/yield	8.9%–12.1%	10.1%
Debt securities in issue	–	821	Discounted cash flows	Credit spreads	0.9%–2.2%	1.0%
				Interest rate curves	0.9% – 5.6%	4.9%
			Internal pricing model	Equity correlation	8.0% – 96.0%	70.0%
				Equity-FX correlation	(70.0)%–85.0%	(33.0)%
Short position	–	–	N/A	N/A	N/A	N/A
Other Liabilities	–	1	Comparable pricing/ yield	EV/EBITDA multiples	3.07x–9.95x	6.84x
Total	4,116	1,653				

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

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

13. Financial instruments continued

Level 3 Summary and significant unobservable inputs continued

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

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

13. Financial instruments continued

Level 3 movement tables – financial assets

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

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

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

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

13. Financial instruments continued

Level 3 movement tables – financial assets continued

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

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

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

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

13. Financial instruments continued

Level 3 movement tables – financial liabilities

	2022						
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Short positions $million	Other liabilities $million	Total $million
At 01 January 2022	**283**	**454**	**821**	**94**	**–**	**1**	**1,653**
Total (gains)/losses recognised in income statement – net trading income	**(37)**	**(82)**	**(158)**	**155**	**(3)**	**5**	**(120)**
Issues	**447**	**1,818**	**815**	**179**	**140**	**–**	**3,399**
Settlements	**(400)**	**(1,266)**	**(1,066)**	**(291)**	**(97)**	**–**	**(3,120)**
Transfers out[1]	**(5)**	**–**	**(38)**	**(23)**	**–**	**–**	**(66)**
Transfers in[2]	**–**	**48**	**77**	**7**	**–**	**–**	**132**
At 31 December 2022	**288**	**972**	**451**	**121**	**40**	**6**	**1,878**
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2022	**(1)**	**(17)**	**(7)**	**(3)**	**–**	**–**	**(28)**

	2021						
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Short positions $million	Other liabilities $million	Total $million
At 01 January 2021	146	21	160	119	–	–	446
Total losses/(gains) recognised in income statement – net trading income	8	(5)	(12)	(23)	–	–	(32)
Issues	269	803	1,615	166	–	–	2,853
Settlements	(145)	(365)	(986)	(181)	–	–	(1,677)
Transfers out[1]	–	–	(48)	(6)	–	–	(54)
Transfers in[2]	5	–	92	19	–	1	117
At 31 December 2021	283	454	821	94	–	1	1,653
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2021	–	–	–	(14)	–	–	(14)

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

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

13. Financial instruments continued

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

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

	Held at fair value through profit or loss			Fair value through other comprehensive income		
	Net exposure $million	Favourable changes $million	Unfavourable changes $million	Net exposure $million	Favourable changes $million	Unfavourable changes $million
Financial instruments held at fair value						
Loans and advances	**1,826**	**1,851**	**1,758**	**–**	**–**	**–**
Reverse Repurchase agreements and other similar secured lending	**1,998**	**2,013**	**1,979**	**–**	**–**	**–**
Asset backed securities	**1**	**1**	**1**	**–**	**–**	**–**
Debt securities, alternative tier one and other eligible bills	**1,152**	**1,168**	**1,124**	**–**	**–**	**–**
Equity shares	**182**	**200**	**164**	**655**	**715**	**595**
Other Assets	**7**	**8**	**6**	**–**	**–**	**–**
Derivative financial instruments	**(77)**	**(44)**	**(109)**	**–**	**–**	**–**
Customers accounts	**(972)**	**(934)**	**(1,010)**	**–**	**–**	**–**
Deposits by banks	**(288)**	**(283)**	**(293)**	**–**	**–**	**–**
Repurchase agreements and other similar secured borrowings	**–**	**–**	**–**	**–**	**–**	**–**
Short positions	**(40)**	**(39)**	**(41)**	**–**	**–**	**–**
Debt securities in issue	**(451)**	**(419)**	**(482)**	**–**	**–**	**–**
Other Liabilities	**(6)**	**(5)**	**(7)**	**–**	**–**	**–**
At 31 December 2022	**3,332**	**3,517**	**3,090**	**655**	**715**	**595**
Financial instruments held at fair value						
Loans and advances	1,366	1,398	1,328	–	–	–
Reverse Repurchase agreements and other similar secured lending	1,566	1,579	1,550	–	–	–
Asset backed securities	–	–	–	–	–	–
Debt securities, alternative tier one and other eligible bills	349	366	332	40	41	38
Equity shares	186	205	168	493	541	442
Other Assets	26	29	24	–	–	–
Derivative financial instruments	(4)	10	(16)	–	–	–
Customers accounts	(454)	(447)	(461)	–	–	–
Deposits by banks	(283)	(278)	(287)	–	–	–
Short positions	–	–	–	–	–	–
Debt securities in issue	(821)	(764)	(879)	–	–	–
Other Liabilities	(1)	(1)	(1)	–	–	–
At 31 December 2021	1,930	2,097	1,758	533	582	480

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

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

14. Derivative financial instruments

Accounting policy

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

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

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

Hedge accounting

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

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

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

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

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

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

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

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

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

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

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

14. Derivative financial instruments continued

Fair value hedge

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

Cash flow hedge

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

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

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

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

Net investment hedge

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

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

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

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

14. Derivative financial instruments continued

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

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

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

Derivatives held for hedging

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

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

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

Fair value hedges

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

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

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

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

14. Derivative financial instruments continued

Fair value hedges continued

Hedging instruments and ineffectiveness

Interest rate[1]	2022 Notional $million	Carrying amount Asset $million	Carrying amount Liability $million	Change in fair value used to calculate hedge ineffectiveness[2] $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	41,772	112	2,914	(3,020)	(7)
Interest rate swaps – loans and advances	1,117	68	–	53	(1)
Interest rate swaps – debt securities and other eligible bills	37,871	2,258	25	3,127	13
Interest and currency risk[1]					
Cross currency swaps – subordinated notes issued	72	–	4	(260)	12
Cross currency swaps – debt securities and other eligible bills	1,201	16	44	(9)	4
Total at 31 December 2022	82,033	2,454	2,987	(109)	21

Interest rate[1]	2021 Notional $million	Carrying amount Asset $million	Carrying amount Liability $million	Change in fair value used to calculate hedge ineffectiveness[2] $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – issued notes	35,310	575	212	(891)	(9)
Interest rate swaps – loans and advances	2,079	19	13	13	–
Interest rate swaps – debt securities and other eligible bills	41,277	363	113	717	(1)
Interest and currency risk[1]					
Cross currency swaps – subordinated notes issued	1,469	–	150	(139)	6
Cross currency swaps – debt securities and other eligible bills	793	43	1	50	–
Total at 31 December 2021	80,928	1,000	489	(250)	(4)

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

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

Hedged items in fair value hedges

2022	Carrying amount Asset $million	Carrying amount Liability $million	Accumulated amount of fair value hedge adjustments included in the carrying amount Asset $million	Accumulated amount of fair value hedge adjustments included in the carrying amount Liability $million	Change in the value used for calculating hedge ineffectiveness[1] $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[2] $million
Issued notes	–	42,702	–	2,756	3,284	414
Debt securities and other eligible bills	36,028	–	(2,075)	–	(3,100)	441
Loans and advances to customers	1,051	–	(65)	–	(54)	1
Total at 31 December 2022	37,079	42,702	(2,140)	2,756	130	856

2021	Carrying amount Asset $million	Carrying amount Liability $million	Accumulated amount of fair value hedge adjustments included in the carrying amount Asset $million	Accumulated amount of fair value hedge adjustments included in the carrying amount Liability $million	Change in fair value used for calculating hedge ineffectiveness[1] $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[2] $million
Issued notes	–	35,206	–	31	1,029	862
Debt securities and other eligible bills	41,637	–	(363)	–	(769)	(19)
Loans and advances to customers	2,072	–	(7)	–	(14)	(1)
Total at 31 December 2021	43,709	35,206	(370)	31	246	842

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

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

14. Derivative financial instruments continued

Income statement impact of fair value hedges

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

Cash flow hedges

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

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

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

Hedging instruments and ineffectiveness

	2022					
		Carrying amount				
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness[1] $million	(Loss)/gain recognised in OCI $million	Ineffectiveness (loss) recognised in net trading income $million
Interest rate risk						
Interest rate swaps	31,977	100	671	(533)	(531)	(2)
Currency risk						
Forward foreign exchange contract	11,987	99	385	(141)	(1 41)	–
Cross currency swaps	11,787	86	362	421	426	(5)
Total as at 31 December 2022	55,751	285	1,418	(253)	(246)	(7)

	2021					
		Carrying amount				
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness[1] $million	Gain recognised in OCI $million	Ineffectiveness gain/(loss) recognised in net trading income $million
Interest rate risk						
Interest rate swaps	10,381	60	74	77	77	–
Currency risk						
Forward foreign exchange contract	72	2	–	2	2	–
Cross currency swaps	12,214	293	51	297	297	–
Total as at 31 December 2021	22,667	355	125	376	376	–

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

Financial statements

14. Derivative financial instruments continued

Hedged items in cash flow hedges

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

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

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

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

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

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

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

Net investment hedges

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

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

14. Derivative financial instruments continued

Hedging instruments and ineffectiveness

	2022						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness[1] $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[2]	**14,576**	**120**	**141**	**512**	**512**	**–**	**–**

	2021						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness[1] $million	Changes in the value of the hedging instrument recognised in OCI $million	Ineffectiveness recognised in profit or loss $million	Amount reclassified from reserves to income $million
Derivative forward currency contracts[2]	13,198	88	79	116	116	–	–

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

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

Hedged items in net investment hedges

	2022		
	Change in the value used for calculating hedge ineffectiveness[1] $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	**(512)**	**(21)**	**–**

	2021		
	Change in the value used for calculating hedge ineffectiveness[1] $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	(116)	9	–

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

Impact of net investment hedges on other comprehensive income

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

14. Derivative financial instruments continued

Maturity of hedging instruments

Fair value hedges		2022 Less than one month	2022 More than one month and less than one year	2022 One to five years	2022 More than five years
Interest rate swap					
Notional	$million	2,462	8,888	53,225	16,185
Average fixed interest rate	USD	1.76%	2.29%	2.16%	1.83%
	EUR	–	2.73%	0.51%	0.56%
Cross currency swap					
Notional	$million	–	1,109	164	–
Average fixed interest rate (to USD)	JPY	–	(0.62)%	–	–
	EUR	–	–	–	–
	KRO	–	–	–	–
Average exchange rate	JPY/USD	–	138.78	–	–
	EUR/USD	–	–	–	–
	KRO/USD	–	–	–	–

Cash flow hedges		Less than one month	More than one month and less than one year	One to five years	More than five years
Interest rate swap					
Notional	$million	195	16,465	14,819	498
Average fixed interest rate	HKD	–	0.35%	1.34%	–
	USD	3.80%	1.82%	1.60%	1.29%
Cross currency swap					
Notional	$million	45	8,466	2,650	626
Average fixed interest rate	HKD	–	3.93%	–	0.21%
	KRO	–	3.26%	3.83%	–
	USD	–	4.15%	–	–
	TWD	(0.61)%	(1.38)%	0.32%	–
Average exchange rate	HKD/USD	–	7.84	–	7.85
	KRO/USD	–	1,342.85	1,278.62	1,300.90
	USD/HKD	–	7.84	–	–
	TWD/USD	27.74	30.77	29.73	–
Forward foreign exchange contracts					
Notional	$million	1,246	10,741	–	–
Average exchange rate	JPY/USD	135.18	133.26	–	–
	TWD/USD	–	–	–	–

Net investment hedges		Less than one month	More than one month and less than one year	One to five years	More than five years
Foreign exchange derivatives					
Notional	$million	14,576	–	–	–
Average exchange rate	CNY[1]/USD	6.71	–	–	–
	KRW[1]/USD	1,296.95	–	–	–
	AED/USD	3.67	–	–	–
	TWD/USD	–	–	–	–
	HKD/USD	7.83	–	–	–

1 Offshore currency

14. Derivative financial instruments continued

Maturity of hedging instruments continued

Fair value hedges		2021 Less than one month	2021 More than one month and less than one year	2021 One to five years	2021 More than five years
Interest rate swap					
Notional	$million	3,186	7,175	49,386	18,919
Average fixed interest rate	USD	2.00%	0.72%	1.05%	1.43%
	EUR	–	0.12%	(0.17)%	(0.11)%
Cross currency swap					
Notional	$million	48	1,492	722	–
Average fixed interest rate (to USD)	EUR	–	1.29%	0.54%	–
	KRO	–	0.09%	–	–
Average exchange rate	EUR/USD	–	0.78	0.80	–
	KRO/USD	–	1,134.50	–	–
Cash flow hedges					
Interest rate swap					
Notional	$million	–	4,443	4,750	1,188
Average fixed interest rate	HKD	–	0.57%	0.41%	–
	USD	–	0.08%	2.13%	1.29%
Cross currency swap					
Notional	$million	152	10,260	1,802	–
Average fixed interest rate	HKD	–	0.73%	–	–
	KRO	–	1.09%	–	–
	JPY	–	(0.13)%	–	–
	TWD	(0.33)%	(0.33)%	–	–
Average exchange rate	HKD/USD	–	7.78	–	–
	KRO/USD	–	1,158.03	–	–
	JPY/USD	–	109.05	–	–
	TWD/USD	27.98	27.85	–	–
Forward foreign exchange contracts					
Notional	$million	–	–	72	–
Average exchange rate	CLO/USD	–	–	868.10	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	5,234	7,964	–	–
Average exchange rate	CNY[1]/USD	6.57	–	–	–
	KRW[1]/USD	1,144.04	1,185.10	–	–
	TWD/USD	27.55	27.34	–	–
	HKD/USD	–	7.05	–	–

1 Offshore currency

14. Derivative financial instruments continued

Interest rate benchmark reform

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

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

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

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

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

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

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

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

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

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

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

15. Loans and advances to banks and customers

Accounting policy

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

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

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

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

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

Accounting policy

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

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

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

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

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

Reverse repurchase agreements and other similar secured lending

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

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

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

Repurchase agreements and other similar secured borrowing

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

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

	2022				
Collateral pledged against repurchase agreements	**Fair value through profit or loss $million**	**Fair value through Other Comprehensive Income $million**	**Amortised cost $million**	**Off-balance sheet $million**	**Total $million**
On-balance sheet					
Debt securities and other eligible bills	**2,956**	**3,630**	**4,917**	**–**	**11,503**
Off-balance sheet					
Repledged collateral received	**–**	**–**	**–**	**44,628**	**44,628**
At 31 December 2022	**2,956**	**3,630**	**4,917**	**44,628**	**56,131**

	2021				
Collateral pledged against repurchase agreements	Fair value through profit or loss $million	Fair value through Other Comprehensive Income $million	Amortised cost $million	Off-balance sheet $million	Total $million
On-balance sheet					
Debt securities and other eligible bills	3,427	2,655	2,601	–	8,683
Off-balance sheet					
Repledged collateral received	–	–	–	57,879	57,879
At 31 December 2021	3,427	2,655	2,601	57,879	66,562

17. Goodwill and intangible assets

Accounting policy

Goodwill

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

Other accounting estimates and judgements

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

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

Acquired intangibles

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

Computer software

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

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

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

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

17. Goodwill and intangible assets continued

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

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

Outcome of impairment assessment

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

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

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

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

17. Goodwill and intangible assets continued

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

	2022														
					Sensitivities										
					GDP		Discount rate		Cashflow		Cashflow		Cash-flow	Downside scenario	Extreme downside scenario
														GDP -1%	GDP -1%
														DR +1%	DR +1%
		Base Case			+1%	-1%	+1%	-1%	+10%	-10%	+20%	-20%	-30%	CF -10%	CF -20%
CGU	Goodwill $million	Head-room $million	Pre Tax Discount Rate	GDP	Head-room $million	Head-room $million	Head-room $million	Head-room $million	Head-room $million	Head-room $million	Head-room $million	Head-room $million	Head-room $million	Head-room $million	Head-room $million
Hong Kong	**357**	**1,115**	**12.40%**	**1.66%**	**1,810**	**572**	**361**	**2,076**	**2,142**	**91**	**3,168**	**(935)**	**(1,961)**	**(911)**	**(1,760)**

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

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

Acquired intangibles

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

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

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

18. Property, plant and equipment

Accounting policy

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

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

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

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

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

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

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

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

Other accounting estimates and judgements

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

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

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 $835 million on page 344

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

18. Property, plant and equipment continued

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

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

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

Operating lease assets

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

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

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

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

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

Financial statements

19. Leased assets

Accounting policy

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

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

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

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

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

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

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

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

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

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

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

Maturity analysis

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

	2022				
	One year or less $million	**Between one year and two years $million**	**Between two years and five years $million**	**More than five years $million**	**Total $million**
Other liabilities – lease liabilities	**272**	**239**	**437**	**310**	**1,258**

	2021				
	One year or less $million	Between one year and two years $million	Between two years and five years $million	More than five years $million	Total $million
Other liabilities – lease liabilities	293	247	521	175	1,236

20. Other assets

Accounting policy

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

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

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

Other assets include:

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

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

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

21. Assets held for sale and associated liabilities

Accounting Policy

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

a) Their carrying amounts will be recovered principally through sale.

b) They are available for immediate sale in their present condition; and

c) Their sale is highly probable.

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

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

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

Assets held for sale

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

21. Assets held for sale and associated liabilities continued

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

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

Liabilities held for sale

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

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

22. Debt securities in issue

Accounting policy

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

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

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

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

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

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

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

23. Other liabilities

Accounting policy

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

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

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

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

24. Provisions for liabilities and charges

Accounting policy

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

Other accounting estimates and judgements

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

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

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

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

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

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

25. Contingent liabilities and commitments

Accounting policy

Financial guarantee contracts and loan commitments

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

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

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

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

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

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

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

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

26. Legal and regulatory matters

Accounting policy

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

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

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

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

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

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

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

27. Subordinated liabilities and other borrowed funds

Accounting policy

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

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

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

1 Issued by Standard Chartered Bank

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

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

27. Subordinated liabilities and other borrowed funds continued

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

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

Redemptions and repurchases during the year

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

Issuance during the year

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

28. Share capital, other equity instruments and reserves

Accounting policy

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

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

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

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

1 Issued and fully paid ordinary shares of 50 cents each

2 Includes preference share capital of $75,000

28. Share capital, other equity instruments and reserves continued

Share buy-back

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

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

Ordinary share capital

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

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

Preference share capital

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

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

Other equity instruments

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

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

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

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

3 Interest payable semi-annually in arrears

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

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

The AT1 issuances above are primarily purchased by institutional investors.

28. Share capital, other equity instruments and reserves continued

The principal terms of the AT1 securities are described below:

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

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

Reserves

The constituents of the reserves are summarised as follows:

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

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

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

28. Share capital, other equity instruments and reserves continued

Own shares

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

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

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

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

Dividend waivers

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

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

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

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

Financial statements

28. Share capital, other equity instruments and reserves continued

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

28. Share capital, other equity instruments and reserves continued

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

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

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

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

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

29. Non-controlling interests

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

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

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

Financial statements

30. Retirement benefit obligations

Accounting policy

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

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

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

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

Other accounting estimates and judgements

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

Retirement benefit obligations comprise:

	2022 $million	2021 $million
Defined benefit plans obligation	**128**	192
Defined contribution plans obligation	**18**	18
Net obligation	**146**	210

Retirement benefit charge comprises:

	2022 $million	2021 $million
Defined benefit plans	**58**	62
Defined contribution plans[1]	**332**	315
Charge against profit (Note 7)	**390**	377

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

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

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

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

30. Retirement benefit obligations continued

UK Fund

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

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

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

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

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

Overseas plans

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

Key assumptions

The principal financial assumptions used at 31 December 2022 were:

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

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

2 The range of assumptions shown for 2021 also includes Germany

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

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

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

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

30. Retirement benefit obligations continued

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

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

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

Profile of plan obligations

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

Fund values:

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

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

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

30. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

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

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

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

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

2021	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Unfunded plans Total $million
Current service cost[1]	–	55	–	9	64
Past service cost and curtailments[2]	–	(1)	–	(4)	(5)
Settlement cost[2]	–	(3)	–	(1)	(4)
Interest income on pension plan assets	(26)	(27)	–	–	(53)
Interest on pension plan liabilities	27	29	–	4	60
Total charge to profit before deduction of tax	1	53	–	8	62
Net gains on plan assets[3]	(6)	(65)	–	–	(71)
Gains on liabilities	(87)	(10)	(2)	(9)	(108)
Total gains recognised directly in statement of comprehensive income before tax	(93)	(75)	(2)	(9)	(179)
Deferred taxation	–	17	–	–	17
Total gains after tax	(93)	(58)	(2)	(9)	(162)

1 Includes administrative expenses paid out of plan assets of $1 million (2020: $2 million)

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

3 The actual return on the UK Fund assets was a gain of $32 million and on overseas plan assets was a gain of $92 million

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans Post-retirement medical $million	Unfunded plans Other $million	Unfunded plans Total $million
Surplus/(deficit) at January 2022	88	(44)	(13)	(223)	(192)
Contributions	–	67	1	12	80
Current service cost[1]	–	(47)	–	(6)	(53)
Past service cost and curtailments	–	(2)	–	–	(2)
Settlement costs and transfers impact	–	–	–	–	–
Net interest on the net defined benefit asset/liability	1	1	–	(5)	(3)
Actuarial(losses)/gains	(33)	30	2	42	41
Assets held for sale[3]	–	(4)	–	2	(2)
Exchange rate adjustment	(8)	–	–	11	3
Surplus/(deficit) at 31 December 2022[2]	48	1	(10)	(167)	(128)

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

2 The deficit total of $128 million is made up of plans in deficit of $248 million (2021: $355 million) net of plans in surplus with assets totalling $120 million (2021: $163 million)

3 Assets held for sale includes funded and unfunded plans in Cameroon, Cote D'Ivoire, Jordan and Zimbabwe

Financial statements

30. Retirement benefit obligations continued

	Funded plans		Unfunded plans		
	UK Fund $million	Overseas plans $million	Post-retirement medical $million	Other $million	Total $million
(Deficit)/surplus at January 2021	(48)	(124)	(16)	(246)	(434)
Contributions	45	58	1	18	122
Current service cost[1]	–	(55)	–	(9)	(64)
Past service cost and curtailments	–	1	–	4	5
Settlement costs and transfers impact	–	3	–	1	4
Net interest on the net defined benefit asset/liability	(1)	(2)	–	(4)	(7)
Actuarial gains	93	75	2	9	179
Adjustment for Indonesia scheme	–	–	–	–	–
Exchange rate adjustment	(1)	–	–	4	3
Surplus/(deficit) at 31 December 2021[2]	88	(44)	(13)	(223)	(192)

1 Includes administrative expenses paid out of plan assets of $1 million (2020: $2 million)

2 The deficit total of $192 million is made up of plans in deficit of $355 million (2020: $476 million) net of plans in surplus with assets totalling $163 million (2020: $42 million)

The Group's expected contribution to its defined benefit pension plans in 2023 is $61 million.

	2022			2021		
	Assets $million	Obligations $million	Total $million	Assets $million	Obligations $million	Total $million
At 1 January 2022	**2,942**	**(3,134)**	**(192)**	2,957	(3,391)	(434)
Contributions[1]	**81**	**(1)**	**80**	123	(1)	122
Current service cost[2]	**–**	**(53)**	**(53)**	–	(64)	(64)
Past service cost and curtailments	**–**	**(2)**	**(2)**	–	5	5
Settlement costs & impact of transfers[3]	**(5)**	**5**	**–**	10	(6)	4
Interest cost on pension plan liabilities	**–**	**(69)**	**(69)**	–	(60)	(60)
Interest income on pension plan assets	**66**	**–**	**66**	53	–	53
Benefits paid out[2]	**(176)**	**176**	**–**	(220)	220	–
Actuarial (losses)/gains [4]	**(599)**	**640**	**41**	71	108	179
Assets held for sale	**(18)**	**16**	**(2)**	–	–	–
Exchange rate adjustment	**(287)**	**290**	**3**	(52)	55	3
At 31 December 2022	**2,004**	**(2,132)**	**(128)**	2,942	(3,134)	(192)

1 Includes employee contributions of $1 million (2021: $1 million)

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

3 Impact of settlements relates to the buyout of a pension plan in Switzerland which was agreed in December.

4 Actuarial gain on obligation comprises of $708 million gain (2021: $108 million gain) from financial assumption changes, $9 million gain (2021: $3 million gain) from demographic assumption changes and $77 million loss (2021: $3 million loss) from experience

31. Share-based payments

Accounting policy

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services (measured by the fair value of the awards granted) received in exchange for the grant of the shares and awards is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for three-year awards granted in 2023 in respect of 2022 performance, which vest in 2024-2026, is recognised as an expense over the period from 1 January 2022 to the vesting dates in 2024-2026. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and awards at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions for the number of shares and awards that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of shares and awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy service conditions and non-market vesting conditions are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when awards in the form of options are exercised.

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy service conditions or market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement. Any revaluation related to cash-settled awards is recorded as an amount due from subsidiary undertakings.

Other accounting estimates and judgements

Share-based payments involve judgement and estimation uncertainty in determining the expenses and carrying values of share awards at the balance sheet date.

- LTIP awards are determined using an estimation of the probability of meeting certain metrics over a three-year performance period using the Monte Carlo simulation model.
- Deferred shares and restricted shares are determined using an estimation of expected dividends.
- The 2013 Sharesave Plan valuation is determined using a binomial option-pricing model.

The Group operates a number of share-based arrangements for its executive directors and employees. Details of the share-based payment charge are set out below.

	2022[1]			2021[1]		
	Cash $million	Equity $million	Total $million	Cash $million	Equity $million	Total $million
Deferred share awards	16	92	108	9	81	90
Other share awards	20	71	91	10	67	77
Total share-based payments	**36**	**163**	**199**	19	148	167

1 No forfeiture assumed

2021 Standard Chartered Share Plan (the '2021 Plan') and 2011 Standard Chartered Share Plan (the '2011 Plan')

The 2021 Plan was approved by shareholders in May 2021 and is the Group's main share plan, replacing the 2011 Plan for new awards, June 2021. It may be used to deliver various types of share awards to employees and former employees of the Group, including directors and former executive directors:

- Long Term Incentive Plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: relative total shareholder return (TSR); return on tangible equity (RoTE) (with a Common Equity Tier 1 (CET1) underpin); and strategic measures. Each measure is assessed independently over a three-year period. LTIP awards have an individual conduct gateway requirement that results in the award lapsing if not met
- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice

31. Share-based payments continued

- Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures

Under the 2021 Plan and 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2021 Plan during which new awards can be made is nine years. The 2011 Plan has expired and no further awards will be granted under this plan.

Valuation – LTIP awards

The vesting of awards granted in both 2022 and 2021 is subject to relative TSR performance measures, achievement of a strategic scorecard and satisfaction of RoTE (subject to a capital CET1 underpin). The vesting of awards also have additional conditions under strategic measures related to targets set for sustainability linked to business strategy. The fair value of the TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoTE and strategic measures in the scorecard, to determine the accounting charge.

No dividend equivalents accrue for the LTIP awards made in 2022 or 2021 and the fair value takes this into account, calculated by reference to market consensus dividend yield.

	2022	2021
Grant date	**14–March**	15–March
Share price at grant date (£)	**4.88**	4.9
Vesting period (years)	**3–Jul**	3–Jul
Expected divided yield (%)	**3.4**	3.4
Fair value (RoTE) (£)	**1.24, 1.20**	1.25, 1.20
Fair value (TSR) (£)	**0.70, 0.68**	0.72, 0.71
Fair value (Strategic) (£)	**1.65, 1.60**	1.66, 1.60

Valuation – deferred shares and restricted shares

The fair value for deferred awards which are not granted to material risk takers is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends. For awards granted to material risk takers in 2022, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

Deferred share awards

	2022					
Grant date	**09 November**		**20 June**		**14 March**	
Share price at grant date (£)	**5.62**		**6.04**		**4.88**	
Vesting period (years)	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**
1-3 years	**N/A**	**5.62**	**N/A**	**6.04**	**N/A**	**4.88**
1-5 years	**3.4**	**5.17**	**3.4, 3.4**	**5.56, 5.56**	**N/A, 3.4, 3.4, 3.4**	**4.88, 4.48, 4.41, 4.34**
3-7 years	**–**	**–**	**–**	**–**	**3.4,3.4,3.4**	**4.48, 4.13, 3.99**

	2021			
Grant date	21 June		15 March	
Share price at grant date (£)	4.69		4.90	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1-3 years	N/A, 3.4	4.69, 4.24	N/A, 3.4, 3.4	4.90, 4.58, 4.43
1-5 years	3.4	4.17	3.4, 3.4, 3.4	4.43, 4.36, 4.29
3-7 years	–	–	3.4, 3.4	4.15, 4.01

31. Share-based payments continued

Other restricted share awards

Grant date	2022							
	28-Nov		09-Nov		20-Jun		14-Mar	
Share price at grant date (£)	5.90		5.62		6.04		4.88	
Vesting period (years)	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**
4 months			**3.4**	**5.56**				
1 year	**3.4**	**5.71**	**3.4**	**5.44**	**3.4**	**5.84**	**3.4**	**4.72**
1.4 years			**3.4**	**5.38**	**3.4**		**3.4**	
2 years	**3.4**	**5.52**	**3.4**	**5.26**	**3.4**	**5.65**	**3.4**	**4.56**
2.4 years			**3.4**	**5.2**	**3.4**		**3.4**	
3 years	**3.4**	**5.34**	**3.4**	**5.08**	**3.4**	**5.46**	**3.4**	**4.41**
4 years	**3.4**	**5.16**	**3.4**	**4.92**	**3.4**	**5.28**	**3.4**	**4.27**
5 years	**3.4**	**4.99**			**3.4**	**5.11**	**3.4**	**4.13**
6 years							**3.4**	**3.99**

	2021					
Grant date	30 September		21 June		15 March	
Share price at grant date (£)	4.37		4.69		4.90	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1 year	3.4	4.23	3.4	4.53	3.4	4.74
2 years	3.4	4.09	3.4	4.38	3.4	4.58
3 years	3.4	3.95	3.4	4.24	3.4	4.43
4 years	3.4	3.82	3.4	4.10	3.4	4.29
5 years	3.4	3.70	–	–	–	–

All Employee Sharesave Plans

2013 Sharesave Plan

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

The 2013 Sharesave Plan was approved by shareholders in May 2013, and expires in May 2023. A new Sharesave plan will be taken to shareholders for approval at the Annual General Meeting in May 2023.

Valuation – Sharesave:

Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors. The fair value per option granted and the assumptions used in the calculation are as follows:

All Employee Sharesave Plan (Sharesave)

	2022	2021
Grant date	**28 November**	30 September
Share price at grant date (£)	**5.80**	4.37
Exercise price (£)	**4.23**	3.67
Vesting period (years)	**3**	3
Expected volatility (%)	**39.3**	35.1
Expected option life (years)	**3.33**	3.33
Risk-free rate (%)	**3.21**	0.42
Expected dividend yield (%)	**3.4**	3.4
Fair value (£)	**2.08**	1.11

The expected volatility is based on historical volatility over the last three years, or three years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is calculated by reference to market consensus dividend yield.

31. Share-based payments continued

Limits

An award shall not be granted under the 2021 Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2021 Plan and under any other discretionary share plan operated by Standard Chartered PLC to exceed such number as represents 5 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2021 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year under the 2021 Plan or 2013 Sharesave Plan and under any other employee share plan operated by Standard Chartered PLC to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2021 Plan or 2013 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares which may be issued or transferred pursuant to awards then outstanding under the 2021 Plan or 2013 Sharesave Plan as relevant to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2021 Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time. The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2013 Sharesave Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

Standard Chartered PLC has been granted a waiver from strict compliance with Rules 17.03(3), 17.03(9) and 17.03(18) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong. Details are set out in the market announcement made on 5 May 2021.

Reconciliation of share award movements for the year to 31 December 2022

	2011 Plan[1]			
	LTIP	Deferred / Restricted shares	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2022	11,627,751	39,718,654	16,897,075	3.95
Granted[2,3]	3,066,288	25,037,706	5,777,197	–
Lapsed	(2,927,828)	(1,121,849)	(2,700,678)	4.29
Exercised	(426,260)	(17,185,471)	(2,864,075)	5.03
Outstanding at 31 December 2022	11,339,951	46,449,040	17,109,519	3.81
Total number of securities available for issue under the plan	11,339,951	46,449,040	17,109,519	
Percentage of the issued shares this represents as at 31 December 2022	0.39	1.60	0.59	3.81
Exercisable as at 31 December 2022	–	1,191,693	1,699,772	4.96
Range of exercise prices (£)[3]	–	–	3.14 – 5.13	–
Intrinsic value of vested but not exercised options ($ million)	0.02	8.93	2.59	
Weighted average contractual remaining life (years)	7.88	8.25	2.27	
Weighted average share price for awards exercised during the period (£)	5.09	4.93	5.94	

1 Granted under the 2021 Plan and 2011 Plan. Employees do not contribute to the cost of these awards.

2 3,048,826 (LTIP) granted on 14 March 2022, 14,989 (LTIP) granted as a notional dividend on 1 March 2022, 2,473 (LTIP) granted as a notional dividend on 8 August 2022, 23,434,127 (Deferred/Restricted shares) granted on 14 March 2022, 77,479 (Deferred/Restricted shares) granted as a notional dividend on 1 March 2022, 584,322 (DRSA/RSA) granted on 20 June 2022, 43,918 (Deferred/Restricted shares) granted as a notional dividend on 8 August 2022, 771,103 (Deferred/Restricted shares) granted on 9 November 2022, 126,757 (Deferred/Restricted shares) granted on 28 November 2022 under the 2021 Plan. 5,777,197 (Sharesave) granted on 28 November 2022 under the 2013 Sharesave Plan.

3 For Sharesave granted in 2022 the exercise price is £4.23 per share, a 20% discount from the closing price on 1 November 2022. The closing price on 1 November 2022 was £5.282.

31. Share-based payments continued

Reconciliation of share award movements for the year to 31 December 2021

	2011 Plan[1]			Weighted average Sharesave exercise price (£)
	LTIP	Deferred/ Restricted shares	Sharesave	
Outstanding at 1 January 2021	22,918,242	39,543,548	16,591,704	4.31
Granted[2,3]	4,038,071	17,113,973	4,274,039	–
Lapsed	(15,005,847)	(1,018,379)	(3,964,053)	5.16
Exercised	(322,715)	(15,920,488)	(4,615)	3.53
Outstanding at 31 December 2021	11,627,751	39,718,654	16,897,075	3.95
Total number of securities available for issue under the plan	11,627,751	39,718,654	16,897,075	
Percentage of the issued shares this represents as at 31 December 2021	0.40%	1.30%	0.50%	3.95
Exercisable as at 31 December 2021	3,952	1,701,506	2,571,103	4.96
Range of exercise prices (£)[3]	–	–	3.14 – 6.20	–
Intrinsic value of vested but not exercised options ($ million)	0.02	10.33	0.38	
Weighted average contractual remaining life (years)	7.85	8.12	2.18	
Weighted average share price for awards exercised during the period (£)	4.97	4.89	4.66	

1 Employees do not contribute towards the cost of these awards

2 16,704,511 (DRSA/RSA) granted on 15 March 2021, 94,954 (DRSA/RSA) granted as notional dividend on 01 March 2021, 4,023,843 (LTIP) granted on 15 March 2021, 10,954 (LTIP) granted as notional dividend on 01 March 2021, 197,111 (DRSA/RSA) granted on 21 June 2021. 34,606 (DRSA/RSA) granted as notional dividend on 13 August 2021, 3,274 (LTIP) granted as notional dividend on 13 August 2021, 82,791 (RSA) granted on 30 September 2021, 4,274,039 (Sharesave) granted on 30 September 2021. LTIP and DRSA/RSA awards granted in March 2021 were granted under the 2011 Plan, and DRSA/RSA awards granted in June and September 2021 were granted under the 2021 Plan. Notional dividends were granted under the 2011 Plan. Sharesave options granted in 2021 were granted under the 2013 Sharesave Plan

3 For Sharesave granted in 2021 the exercise price is £3.67 per share, which was a 20% discount to the closing share price on 27 August 2021. The closing share price on 27 August 2021 was of £4.578

32. Investments in subsidiary undertakings, joint ventures and associates

Accounting policy

Subsidiaries

Subsidiaries are all entities, including structured entities, which the Group controls. The Group controls an entity when it is exposed to, and has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Group's practical ability to direct the relevant activities of the entity unilaterally for the Group's own benefit and is subject to reassessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are deconsolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the income statement.

Associates and joint arrangements

Joint arrangements are where two or more parties either have rights to the assets, and obligations of the joint arrangement (joint operations), or have rights to the net assets of the joint arrangement (joint venture). The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. The Group did not have any contractual interest in joint operations.

An associate is an entity over which the Group has significant influence.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. At each balance sheet date, the Group assesses whether there is any objective evidence of impairment in the investment in associates and joint ventures. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate or joint venture below its cost, among other factors.

32. Investments in subsidiary undertakings, joint ventures and associates continued

Significant accounting estimates and judgements

The Group applies judgement in determining if it has control, joint control or significant influence over subsidiaries, joint ventures and associates respectively. These judgements are based upon identifying the relevant activities of counterparties, being those activities that significantly affect the entities returns, and further making a decision of if the Group has control over those entities, joint control, or has significant influence (being the power to participate in the financial and operating policy decisions but not control them).

These judgements are at times determined by equity holdings, and the voting rights associated with those holdings. However, further considerations including but not limited to board seats, advisory committee members and specialist knowledge of some decision-makers are also taken into account. Further judgement is required when determining if the Group has de-facto control over an entity even though it may hold less than 50% of the voting shares of that entity. Judgement is required to determine the relative size of the Group's shareholding when compared to the size and dispersion of other shareholders.

Impairment testing of investments in associates and joint ventures, and on a Company level investments in subsidiaries is performed if there is a possible indicator of impairment. Judgement is used to determine if there is objective evidence of impairment. Objective evidence may be observable data such as losses incurred on the investment when applying the equity method, the granting of concessions as a result of financial difficulty, or breaches of contracts/regulatory fines of the associate or joint venture. Further judgement is required when considering broader indicators of impairment such as losses of active markets or ratings downgrades across key markets in which the associate or joint venture operate in.

Impairment testing is based on estimates including forecasting the expected cash flows from the investments, growth rates, terminal values and the discount rate used in calculation of the present values of those cash flows. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill (see Note 17 for details on goodwill recognised by the Group). If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the income statement.

Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally, or where contingent or deferred consideration is payable, adjustments arising from their subsequent finalisation are not reflected in the income statement if (i) they arise within 12 months of the acquisition date (or relate to acquisitions completed before 1 January 2014) and (ii) the adjustments arise from better information about conditions existing at the acquisition date (measurement period adjustments). Such adjustments are applied as at the date of acquisition and, if applicable, prior year amounts are restated. All changes that are not measurement period adjustments are reported in income other than changes in contingent consideration not classified as financial instruments, which are accounted for in accordance with the appropriate accounting policy, and changes in contingent consideration classified as equity, which is not remeasured.

Changes in ownership interest in a subsidiary, which do not result in a loss of control, are treated as transactions between equity holders and are reported in equity. Where a business combination is achieved in stages, the previously held equity interest is remeasured at the acquisition date fair value with the resulting gain or loss recognised in the income statement.

In the Company's financial statements, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

Investments in subsidiary undertakings	2022 $million	2021 $million
As at 1 January	**60,429**	57,407
Additions[1]	**1,545**	4,023
Disposal[2]	**(999)**	(1,001)
As at 31 December	**60,975**	60,429

1 Includes internal Additional Tier 1 Issuances of $1 billion by Standard Chartered Bank, $500 million by Standard Chartered Bank (Hong Kong) Ltd (2021: Additional Tier 1 issuances of $2.7 billion by Standard Chartered Bank and $1.3 billion by Standard Chartered Holdings Limited)

2 Redemption of Additional Tier1 capital of $1 billion by Standard Chartered Bank (2021: Additional Tier1 capital of $1 billion by Standard Chartered Bank)

32. Investments in subsidiary undertakings, joint ventures and associates continued

At 31 December 2022, the principal subsidiary undertakings, all indirectly held except for Standard Chartered Bank (Hong Kong) Limited, and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank, England and Wales	United Kingdom, Middle East, South Asia, Asia Pacific, Americas and, through Group companies, Africa	**100**
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	Hong Kong	**100**
Standard Chartered Bank (Singapore) Limited, Singapore	Singapore	**100**
Standard Chartered Bank Korea Limited, Korea	Korea	**100**
Standard Chartered Bank (China) Limited, China[1]	China	**100**
Standard Chartered Bank (Taiwan) Limited, Taiwan	Taiwan	**100**
Standard Chartered Bank AG, Germany	Germany	**100**
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	**100**

1 Under PRC law, registered as Standard Chartered Bank (China) Limited

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	**99.87**
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	**98.99**
Standard Chartered Bank Botswana Limited, Botswana	Botswana	**75.83**
Standard Chartered Bank Kenya Limited, Kenya	Kenya	**74.32**
Standard Chartered Bank Nepal Limited, Nepal	Nepal	**70.21**
Standard Chartered Bank Ghana PLC, Ghana	Ghana	**69.42**
Mox Bank Limited, Hong Kong	Hong Kong	**65.98**

A complete list of subsidiary undertaking is included in Note 40.

The Group does not have any material non-controlling interest except as listed above, which contribute $(6.2) million (31 December 2021: $17 million) of the (loss)/Profit attributable to non-controlling interest and $261 million (31 December 2021: $298 million) of the equity attributable to non-controlling interests

While the Group's subsidiaries are subject to local statutory capital and liquidity requirements in relation to foreign exchange remittance, these restrictions arise in the normal course of business and do not significantly restrict the Group's ability to access or use assets and settle liabilities of the Group.

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory framework within which the banking subsidiaries operate. These frameworks require banking operations to keep certain levels of regulatory capital, liquid assets, exposure limits and comply with other required ratios. These restrictions are summarised below:

Regulatory and liquidity requirements

The Group's subsidiaries are required to maintain minimum capital, leverage ratios, liquidity and exposure ratios which therefore restrict the ability of these subsidiaries to distribute cash or other assets to the parent company.

The subsidiaries are also required to maintain balances with central banks and other regulatory authorities in the countries in which they operate. At 31 December 2022, the total cash and balances with central banks was $58 billion (31 December 2021: $73 billion) of which $9 billion (31 December 2021: $8 billion) is restricted.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits to the parent company, generally to maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends to the Group. Certain subsidiaries are also subject to local exchange control regulations which provide for restrictions on exporting capital from the country other than through normal dividends.

32. Investments in subsidiary undertakings, joint ventures and associates continued

Contractual requirements

The encumbered assets in the balance sheet of the Group's subsidiaries are not available for transfer around the Group. Encumbered assets are disclosed in Risk review and Capital review (page 236 to 325).

Share of profit from investment in associates and joint ventures comprises:

	2022 $million	2021 $million
Loss from investment in joint ventures	**(7)**	(2)
Profit from investment in associates	**163**	198
Total	**156**	196

Interests in associates and joint ventures	2022 $million	2021 $million
As at 1 January	**2,147**	2,162
Exchange translation difference	**(232)**	43
Additions	**26**	90
Share of profits	**156**	196
Dividend received	**(58)**	(38)
Disposals	**(1)**	(16)
Impairment[1]	**(336)**	(300)
Share of FVOCI and Other reserves	**(79)**	10
Other movements[2]	**8**	–
As at 31 December	**1,631**	2,147

1 Other impairment mainly relates to the Group's investment in its associate China Bohai Bank (Bohai)

2 Movement related to CurrencyFair

A complete list of the Group's interest in associates is included in Note 40. The Group's principal associates are:

Associate	Nature of activities	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	Banking	China	16.26
CurrencyFair Limited Exchange Ireland	Banking	Ireland	43.42

On the 10th September 2021, The Group, through its subsidiary Standard Chartered UK Holdings Limited completed its investment in CurrencyFair Limited, an Irish foreign exchange payments platform.

The Group purchased CurrencyFair through the contribution of its existing investment in its joint venture, Assembly Payments Pte. Limited and a cash injection into CurrencyFair of $35 million, which provided the Group with equity of 43.42% in CurrencyFair. This ownership, along with seats on the board of directors resulted in the Group having significant influence over CurrencyFair and as such would equity method account the investment.

The transaction will facilitate creation of a combined payments and foreign exchange products franchise, combining the customer base, staff, expertise and capabilities of both CurrencyFair and Assembly Payments.

The fair value of consideration for the investment was as follows:

Consideration	$million
Fair value of the Group's investment in Assembly Payments[1]	36
Cash consideration	35
Total consideration/investment in associate	71

1 The fair value of Assembly Payments was determined to be $60 million, of which the Group's equity ownership on transfer was 59.63%. The Group carried this investment under the equity method at a balance of $16 million resulting in a profit on disposal of $20 million

The Group's ownership percentage in China Bohai Bank is 16.26%.

Although the Group's investment in China Bohai Bank is less than 20 per cent but it is considered to be an associate because of the significant influence the Group is able to exercise over the management and financial and operating policies. This influence is primarily through board representation and the provision of technical expertise to Bohai. The Group applies the equity method of accounting for investments in associates.

32. Investments in subsidiary undertakings, joint ventures and associates continued

Bohai has a statutory year end of 31 December, but publishes its year-end financial statements after the Group. As it is impracticable for Bohai to prepare financial statements earlier for use of the Group, the Group recognises its share of Bohai's earnings on a three-month lag basis. Therefore, the Group recognised its share of Bohai's profits and movements in other comprehensive income for the 12 months ended 30 September 2022 in the Group's consolidated statemement of income and consolidated statement of comprehensive income for the year ended 31 December 2022, respectively.

There have been no material events after 30 September 2022 which would require adjustments in respect of the share of Bohai's profits and movements in OCI recognised by the Group for the period ended on 31 December 2022.

If the Group did not have significant influence in Bohai, the investment would be carried at fair value rather than the current carrying value.

Impairment testing

At 31 December 2022, the listed equity value of Bohai is below the carrying amount of the Group's investment in associate. As a result, the Group assessed the carrying value of its investment in Bohai for impairment and concluded that an impairment loss of $308 million (2021: $300 million) was required. The revised carrying value of the Group's investment in Bohai of $1,421 million (2021: $1,917 million) represents the higher of the value in use and fair value less costs to sell. The financial forecasts used for the VIU calculation reflects the current economic conditions. The reduction (compared to 2021) in the recoverable amount of Bohai is primarily a result of industry challenges and uncertainties that may impact profitability, as well as lower net profits reported in Q3 2022 (than in Q3 2021), which is used as a starting point for the VIU calculation.

Bohai	2022 $million	2021 $million
VIU	**1,421**	1,917
Carrying amount[1]	**1,729**	2,217
Fair value[2]	**685**	1,114

1 The Group's 16.26% share in the net assets less other equity instruments which the Group does not hold

2 Number of shares held by the Group multiplied by the quoted share price at 31 December

Basis of recoverable amount

The impairment test was performed by comparing the recoverable amount of Bohai, determined as the higher of VIU and fair value less costs to sell, with its carrying amount.

The value in use ('VIU') is calculated using a dividend discount model ('DDM'), which estimates the distributable future cash flows to the equity holders, after adjusting for the regulatory capital requirements, for a 5-year period, after which a terminal value ('TV') is calculated based on the 'Gordon Growth' model. The key assumptions in the VIU are as follows:

- Short to medium term projections are based on management's best estimates of future profits available to ordinary shareholders and have been determined with reference to the latest published financial results and historical performance of Bohai;
- The projections use publicly available information and include normalised performance over the forecast period, inclusive of: (i) net profit growth assumptions based on China GDP; (ii) ECL assumptions using Bohai historical ECL and the prevailing Chinese market challenges and uncertainties as a basis; and (iii) net interest margin increases from 2024 with reference to third party market interest rate forecasts in China;
- The discount rate applied to these cash flows was estimated with reference to transaction and broker data in the local Chinese market, cross checked to the capital asset pricing model (CAPM), which includes a long term risk-free rate, beta and company risk premium assumptions for Bohai;
- A long term growth rate for China is used to extrapolate the expected short to medium term earnings to perpetuity to derive a terminal value; and
- An estimation of RWAs and RWA growth to determine a capital maintenance haircut to forecast profits. This haircut is taken in order for Bohai to meet its target regulatory capital requirements over the forecast period. This haircut takes into account movements in risk weighted assets and the total capital required, including required retained earnings over time to meet the target capital rations.

The key assumptions used in the VIU calculation:

	2022 %	2021 %
Pre tax discount rate	**13.03**	14.83
Forecast profit long term growth rate	**4.00**	4.75
Long term RWA growth rate	**4.00**	4.75
Minimum CET 1 ratio[1]	**7.50**	7.50

1 At 30 September 2022, Bohai's CET 1 ratio was 8.05%

Financial statements

32. Investments in subsidiary undertakings, joint ventures and associates continued

The sensitivities disclosed below are for changes to the discount rate, normalised profits and RWA assumptions of Bohai. All these sensitivity analyses assume a CET 1 capital requirement of 7.50%, consistent with local legislation. The GDP growth assumptions affect the forecast profits and RWA estimates over the short to medium term and in the terminal period, and sensitivities are already disclosed, thus a separate sensitivity has not been included for this input.

	Base Case				Sensitivities – 2022							
					Discount rate		Forecast profit[1]		RWA		Combined RWA -10% CF -10%	Combined RWA +10% CF +10%
					+1%	-1%	+10%	-10%	+10%	-10%		
Carrying amount Pre impairment $million	VIU $million	Headroom $million	Pre tax discount rate	GDP	Impairment $million	Impairment $million	Impairment $million	Impairment $million	Impairment $million	Impairment $million	Impairment $million	Impairment $million
1,729	**1,421**	**(308)**	**13.03%**	**4.00%**	**(504)**	**(48)**	**(67)**	**(552)**	**(578)**	**(40)**	**(283)**	**(336)**

1 Results include changes to NIM and additional ECL overlay assumptions, which are not necessarily linear

To improve the headroom to zero would require, on the basis of changing individual assumptions an increase in forecast profits by 12.76 per cent, decrease in discount rate by 1.15 per cent and a decrease in RWA by 11.50 per cent.

The following table sets out the summarised financial statements of China Bohai Bank prior to the Group's share of the associates being applied:

	30 Sep 2022 $million	30 Sep 2021 $million
Total assets	**236,396**	250,951
Total liabilities	**220,662**	234,196
Operating income[1]	**3,958**	4,840
Net profit[1]	**1,186**	1,230
Other comprehensive income[1]	**(457)**	44

1 This represents twelve months of earnings (1 October to 30 September)

33. Structured entities

Accounting policy

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Contractual arrangements determine the rights and therefore relevant activities of the structured entity. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their activities. Structured entities are consolidated when the substance of the relationship between the Group and the structured entity indicates the Group has power over the contractual relevant activities of the structured entity, is exposed to variable returns, and can use that power to affect the variable return exposure.

In determining whether to consolidate a structured entity to which assets have been transferred, the Group takes into account its ability to direct the relevant activities of the structured entity. These relevant activities are generally evidenced through a unilateral right to liquidate the structured entity, investment in a substantial proportion of the securities issued by the structured entity or where the Group holds specific subordinate securities that embody certain controlling rights. The Group may further consider relevant activities embedded within contractual arrangements such as call options which give the practical ability to direct the entity, special relationships between the structured entity and investors, and if a single investor has a large exposure to variable returns of the structured entity.

Judgement is required in determining control over structured entities. The purpose and design of the entity is considered, along with a determination of what the relevant activities are of the entity and who directs these. Further judgements are made around which investor is exposed to, and absorbs the variable returns of the structured entity. The Group will have to weigh up all of these facts to consider whether the Group, or another involved party is acting as a principal in its own right or as an agent on behalf of others. Judgement is further required in the ongoing assessment of control over structured entities, specifically if market conditions have an effect on the variable return exposure of different investors.

The Group has involvement with both consolidated and unconsolidated structured entities, which may be established by the Group as a sponsor or by a third-party.

Interests in consolidated structured entities: A structured entity is consolidated into the Group's financial statements where the Group controls the structured entity, as per the determination in the accounting policy above. The following table presents the Group's interests in consolidated structured entities.

	2022 $million	2021 $million
Aircraft and ship leasing	**3,531**	3,450
Principal and other structured finance	**330**	229
Total	**3,861**	3,679

Interests in unconsolidated structured entities: Unconsolidated structured entities are all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities. This is predominantly within the CCIB business segment. An interest in a structured entity is contractual or non-contractual involvement which creates variability of the returns of the Group arising from the performance of the structured entity.

33. Structured entities continued

The table below presents the carrying amount of the assets recognised in the financial statements relating to interests held in unconsolidated structured entities, the maximum exposure to loss relating to those interests and the total assets of the structured entities. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For derivatives, the maximum exposure to loss represents the on-balance sheet valuation and not the notional amount. For commitments and guarantees, the maximum exposure to loss is the notional amount of potential future losses.

	2022[1]					2021 (Restated)[2]				
	Asset-backed securities $million	Corporate Lending & Structured Finance $million	Principal Finance funds $million	Other activities $million	Total $million	Asset-backed securities $million	Corporate Lending & Structured Finance[1] $million	Principal Finance funds $million	Other activities $million	Total $million
Group's interest - assets										
Financial assets held at fair value through profit or loss	**851**	**–**	**136**	**–**	**987**	1,144	–	128	35	1,307
Loans and advances/Investment securities at amortised cost	**18,696**	**35,928**	**–**	**246**	**54,870**	13,635	34,114	–	–	47,749
Investment securities (fair value through other comprehensive income)	**2,248**	**–**	**–**	**–**	**2,248**	2,221	–	–	–	2,221
Other assets	**–**	**–**	**8**	**–**	**8**	–	–	10	–	10
Total assets	**21,795**	**35,928**	**144**	**246**	**58,113**	17,000	34,114	138	35	51,287
Off-balance sheet	**–**	**18,385**	**93**	**–**	**18,478**	42	17,773	102	–	17,917
Group's maximum exposure to loss	**21,795**	**54,313**	**237**	**246**	**76,591**	17,042	51,887	240	35	69,204
Total assets of structured entities	**177,194**	**53,657**	**291**	**1,828**	**232,970**	241,580	48,833	1,014	37	291,465

1 As at 31 December 2022 Corporate Lending & Structured Finance includes $14,261 million (2021: $15,549 million) related to Loans and advances/investment securities at amortized cost within Structured Finance and $21,667 million (2021: $18,565 million) within Corporate Lending; Group's maximum exposure to loss within Structured Finance of $22,971 million (2021: $24,146 million) and $31,342 million (2021: $27,741 million) within Corporate Lending; and Total assets of structured entities within Structured Finance of $35,732 million (2021: $31,683 million) and $17,925 million (2021: $17,149 million) within Corporate Lending

2 The 2021 have been restated to reflect the addition of the Group's interest in certain entities reported on the Group's balance sheet but not previously disclosed as unconsolidated structured entities, associated off-balance sheet exposure, maximum exposure to loss, and the total assets of structured entities. The restatement results in increases to the following: Loans and advances/investment securities at amortized cost within Structured Finance of $12,083 million and Corporate Lending of $18,565 million; Group's maximum exposure to loss within Structured Finance of $19,545 million and Corporate Lending of $27,741 million; Off-balance sheet within Structured Finance of $7,462 million and Corporate Lending of $9,176 million; and Total assets of structured entities within Structured Finance of $17,728 million and Corporate Lending of $17,149 million

The main types of activities for which the Group utilises unconsolidated structured entities cover synthetic credit default swaps for managed investment funds (including specialised Principal Finance funds), portfolio management purposes, structured finance and asset-backed securities. These are detailed as follows:

- **Asset-backed securities (ABS):** The Group also has investments in asset-backed securities issued by third-party sponsored and managed structured entities. For the purpose of market making and at the discretion of ABS trading desk, the Group may hold an immaterial amount of debt securities from structured entities originated by credit portfolio management. This is disclosed in the ABS column above.
- Portfolio management (Group sponsored entities): For the purposes of portfolio management, the Group purchased credit protection via synthetic credit default swaps from note-issuing structured entities. This credit protection creates credit risk which the structured entity and subsequently the end investor absorbs. The referenced assets remain on the Group's balance sheet as they are not assigned to these structured entities. The Group continues to own or hold all of the risks and returns relating to these assets. The credit protection obtained from the regulatory-compliant securitisation only serves to protect the Group against losses upon the occurrence of eligible credit events and the underlying assets are not derecognised from the Group's balance sheet. The Group does not hold any equity interests in the structured entities, but may hold an insignificant amount of the issued notes for market making purposes. This is disclosed in the ABS section above. The proceeds of the notes' issuance are typically held as cash collateral in the issuer's account operated by a trustee or invested in AAA-rated government-backed securities to collateralise the structured entities swap obligations to the Group, and to repay the principal to investors at maturity. The structured entities reimburse the Group on actual losses incurred, through the use of the cash collateral or realisation of the collateral security. Correspondingly, the structured entities write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All funding is committed for the life of these vehicles and the Group has no indirect exposure in respect of the vehicles' liquidity position. The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the structured entities have Standard Chartered branding.
- **Corporate Lending & Structured finance:** Corporate Lending comprises secured lending in the normal course of business to third parties through structured entities.

  Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more structured entities, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return. The transactions largely relate to real estate financing and the provision of aircraft leasing and ship finance.
- **Principal finance fund:** The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure, real estate and private equity.
- **Other activities:** Other activities include structured entities created to support margin financing transactions, the refinancing of existing credit and debt facilities, as well as setting up of bankruptcy remote structured entities.

34. Cash flow statement

Adjustment for non-cash items and other adjustments included within income statement

	Group		Company	
	2022 $million	2021 $million	2022 $million	2021 $million
Amortisation of discounts and premiums of investment securities	**237**	9	**–**	–
Interest expense on subordinated liabilities	**570**	497	**615**	551
Interest expense on senior debt securities in issue	**794**	528	**696**	522
Other non-cash items	**(12)**	(113)	**301**	(30)
Pension costs for defined benefit schemes	**58**	62	**–**	–
Share-based payment costs	**199**	167	**–**	–
Impairment losses on loans and advances and other credit risk provisions	**836**	254	**–**	–
Dividend income from subsidiaries	**–**	–	**(1,047)**	(2,244)
Other impairment	**439**	372	**–**	–
Gain on disposal of property, plant and equipment	**(62)**	(93)	**–**	–
Loss/(gain) on disposal of FVOCI and AMCST financial assets	**190**	(179)	**–**	–
Depreciation and amortisation	**1,186**	1,181	**–**	–
Fair value changes through profit or loss	**(365)**	(48)	**–**	–
Foreign currency revaluation	**(365)**	(337)	**–**	–
Profit from associates and joint ventures	**(156)**	(196)	**–**	–
Total	**3,549**	2,104	**565**	(1,201)

Change in operating assets

	Group		Company	
	2022 $million	2021 $million	2022 $million	2021 $million
(Increase)/decrease in derivative financial instruments	**(11,873)**	16,527	**259**	630
Decrease/(increase) in debt securities, treasury bills and equity shares held at fair value through profit or loss	**9,888**	(7,707)	**289**	(2,864)
Decrease/(increase) in loans and advances to banks and customers	**26**	(41,066)	**–**	–
Net increase in prepayments and accrued income	**(1,056)**	(84)	**–**	–
Net decrease/(increase) in other assets	**2,470**	(5,574)	**(806)**	(3,132)
Total	**(545)**	(37,904)	**(258)**	(5,366)

Change in operating liabilities

	Group		Company	
	2022 $million	2021[1] $million	2022 $million	2021[1] $million
Increase/(decrease) in derivative financial instruments	**17,145**	(17,664)	**1,004**	–
Net (decrease)/increase in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	**(9,259)**	66,805	**106**	3,977
Increase/(decrease) in accruals and deferred income	**1,381**	176	**4**	(15)
Net decrease in other liabilities	**(481)**	(3,363)	**(2,080)**	(839)
Total	**8,786**	45,954	**(966)**	3,123

1 Prior period has been restated

34. Cash flow statement continued

Disclosures

	Group		Company	
	2022 $million	2021 $million	2022 $million	2021 $million
Subordinated debt (including accrued interest):				
Opening balance	**16,885**	16,892	**16,395**	16,301
Proceeds from the issue	**750**	1,137	**750**	1,137
Interest paid	**(667)**	(580)	**(619)**	(576)
Repayment	**(1,848)**	(546)	**(1,800)**	(546)
Foreign exchange movements	**(338)**	(201)	**(337)**	(201)
Fair value changes	**(1,502)**	(401)	**(1,098)**	(305)
Accrued interest and others	**648**	584	**604**	585
Closing balance	**13,928**	16,885	**13,895**	16,395
Senior debt (including accrued interest):				
Opening balance	**29,904**	29,990	**16,981**	20,889
Proceeds from the issue	**11,902**	10,944	**1,500**	2,250
Interest paid	**(845)**	(690)	**(506)**	(504)
Repayment	**(7,838)**	(9,945)	**(2,980)**	(5,408)
Foreign exchange movements	**(729)**	(678)	**(431)**	(366)
Fair value changes	**(1,051)**	(402)	**(1,014)**	(372)
Accrued Interest and Others	**945**	685	**530**	492
Closing balance	**32,288**	29,904	**14,080**	16,981

35. Cash and cash equivalents

Accounting policy

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

The following balances with less than three months' maturity from the date of acquisition have been identified by the Group as being cash and cash equivalents.

	Group		Company	
	2022 $million	2021 $million	2022 $million	2021 $million
Cash and balances at central banks	**58,263**	72,663	**–**	–
Less: restricted balances	**(9,173)**	(8,152)	**–**	–
Treasury bills and other eligible bills	**17,936**	9,132	**–**	–
Loans and advances to banks	**20,558**	24,788	**–**	–
Trading securities	**1,135**	1,174	**–**	–
Amounts owed by and due to subsidiary undertakings	**–**	–	**7,417**	11,336
Total	**88,719**	99,605	**7,417**	11,336

36. Related party transactions

Directors and officers

Details of directors' remuneration and interests in shares are disclosed in the Directors' remuneration report.

IAS 24 Related party disclosures requires the following additional information for key management compensation. Key management comprises non-executive directors, executive directors of Standard Chartered PLC, the Court directors of Standard Chartered Bank and the persons discharging managerial responsibilities (PDMR) of Standard Chartered PLC.

	2022 $million	2021 $million
Salaries, allowances and benefits in kind	**39**	40
Share-based payments	**26**	28
Bonuses paid or receivable	**4**	4
Termination benefits	**1**	-
Total	**70**	72

Transactions with directors and others

At 31 December 2022, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (Hong Kong Listing Rules) about loans to directors were as follows:

	2022		2021	
	Number	$million	Number	$million
Directors[1]	**3**	**–**	3	–

1 Outstanding loan balances were below $50,000

The loan transactions provided to the directors of Standard Chartered PLC were a connected transaction under Chapter 14A of the Hong Kong Listing Rules. It was fully exempt as financial assistance under Rule 14A.87(1), as it was provided in our ordinary and usual course of business and on normal commercial terms.

As at 31 December 2022, Standard Chartered Bank had in place a charge over $89 million (2021: $100 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

Other than as disclosed in the Annual Report and Accounts, there were no other transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the Hong Kong Listing Rules.

Details of non-revenue transactions with Temasek Holdings (Private) Limited are set out on page 222.

Company

The Company has received $1,012 million (2021: $907 million) of net interest income from its subsidiaries. The Company issues debt externally and lends proceeds to Group companies.

The Company has an agreement with Standard Chartered Bank that in the event of Standard Chartered Bank defaulting on its debt coupon interest payments, where the terms of such debt requires it, the Company shall issue shares as settlement for non-payment of the coupon interest.

	2022			2021		
	Standard Chartered Bank $million	Standard Chartered Bank (Hong Kong) Limited $million	Others[1] $million	Standard Chartered Bank $million	Standard Chartered Bank (Hong Kong) Limited $million	Others[1] $million
Assets						
Due from subsidiaries	**6,860**	**141**	**255**	10,814	82	279
Derivative financial instruments	**47**	**–**	**–**	266	54	–
Debt securities	**18,787**	**4,469**	**526**	19,047	4,852	1,173
Total assets	**25,694**	**4,610**	**781**	30,127	4,988	1,452
Liabilities						
Due to subsidiaries	**2**	**–**	**–**	–	–	–
Derivative financial instruments	**1,283**	**61**	**–**	339	–	–
Total liabilities	**1,285**	**61**	**–**	339	–	–

1 Others include Standard Chartered Bank (Singapore) Limited, Standard Chartered Holdings Limited and Standard Chartered I H Limited

Financial statements

36. Related party transactions continued

Associate and joint ventures

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

	2022 $million	2021 (Restated)[1] $million
Assets		
Loans and advances	**20**	22
Derivative assets	**18**	2
Total assets	**38**	24
Liabilities		
Deposits	**610**	984
Derivative liabilities	**–**	1
Other liabilities	**19**	–
Total liabilities	**629**	985
Loan commitments and other guarantees[2]	**164**	80

1 Prior period has been restated

2 The maximum loan commitments and other guarantees during the period were $164 million (2021: $80 million)

37. Post balance sheet events

On 9 January 2023, Standard Chartered PLC issued $1 billion 6.170 per cent Fixed Rate Reset Notes due 2027 and $1.5 billion 6.301 per cent Fixed Rate Reset Notes due 2029.

The Group announced, on 11 January 2023, the launch of the process to explore alternatives for the future ownership of its aviation finance business within the CCIB business segment. While an auction is now underway, no commitment to a sale existed at 31 December 2022 and, in accordance with IFRS 5, the Group did not meet the requirements to classify the business as 'held for sale'. While it is not possible to estimate the financial effect of a sale at this stage, as no bids have been received yet, we do not expect to execute it at below our book values.

A share buy-back for up to a maximum consideration of $1 billion has been declared by the directors after 31 December 2022. This will reduce the number of ordinary shares in issue by cancelling the repurchased shares.

A final dividend for 2022 of 14 cents per ordinary share was declared by the directors after 31 December 2022.

38. Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, Ernst & Young LLP and its associates (together Ernst & Young LLP), are set out below. All services are approved by the Group Audit Committee and are subject to controls to ensure the external auditor's independence is unaffected by the provision of other services.

	2022 $million	2021 $million
Audit fees for the Group statutory audit	**22.2**	15.9
Of which fees for the audit of Standard Chartered Bank Group	**16.3**	11.8
Fees payable to EY for other services provided to the SC PLC Group:		
Audit of Standard Chartered PLC subsidiaries	**12.8**	10.8
Total audit fees	**35.0**	26.7
Audit-related assurance services	**5.5**	5.3
Other assurance services	**4.3**	3.2
Other non-audit services	**0.1**	0.1
Corporate finance transaction services	**0.3**	0.6
Total non-audit fees	**10.2**	9.2
Total fees payable	**45.2**	35.9

The following is a description of the type of services included within the categories listed above:

- Audit fees for the Group statutory audit are in respect of fees payable to Ernst & Young LLP for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC
- Audit-related fees consist of fees such as those for services required by law or regulation to be provided by the auditor, reviews of interim financial information, reporting on regulatory returns, reporting to a regulator on client assets and extended work performed over financial information and controls authorised by those charged with governance
- Other assurance services include agreed-upon-procedures in relation to statutory and regulatory filings
- Corporate finance transaction services are fees payable to Ernst & Young LLP for issuing comfort letters

Expenses incurred in respect of their role as auditor, were reimbursed to EY LLP $0.6 million (2021: $0.2 million). Such expenses did not exceed 1% of total fees charged above.

39. Standard Chartered PLC (Company)

Classification and measurement of financial instruments

Financial assets	2022 Derivatives held for hedging $million	2022 Amortised cost $million	2022 Non-trading mandatorily at fair value through profit or loss $million	2022 Total $million	2021 Derivatives held for hedging $million	2021 Amortised cost $million	2021 Non-trading mandatorily at fair value through profit or loss $million	2021 Total $million
Derivatives	61	–	–	61	320	–	–	320
Investment securities	–	8,423	15,358[1]	23,781	–	9,424	15,647[1]	25,071
Amounts owed by subsidiary undertakings	–	7,417	–	7,417	–	11,336	–	11,336
Total	61	15,840	15,358	31,259	320	20,760	15,647	36,727

1 Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited issued Loss Absorbing Capacity (LAC) eligible debt securities

Instruments classified as amortised cost, which include investment securities and amounts owed by subsidiary undertakings, are recorded in stage 1 for the recognition of expected credit losses.

Derivatives held for hedging are held at fair value and are classified as Level 2 and Level 3 while the counterparty is Standard Chartered Bank and external counterparties.

Debt securities comprise corporate securities issued by Standard Chartered Bank and have a fair value equal to carrying value of $8,423 million (2021: $9,424 million).

In 2022 and 2021, amounts owed by subsidiary undertakings have a fair value equal to carrying value.

Financial liabilities	2022 Derivatives held for hedging $million	2022 Amortised cost $million	2022 Designated at fair value through profit or loss $million	2022 Total $million	2021 Derivatives held for hedging $million	2021 Amortised cost $million	2021 Designated at fair value through profit or loss $million	2021 Total $million
Derivatives	1,343	–	–	1,343	339	–	–	339
Debt securities in issue	–	13,891	10,397	24,288	–	16,809	9,472	26,281
Subordinated liabilities and other borrowed funds	–	11,239	2,445	13,684	–	13,830	2,332	16,162
Amounts owed to subsidiary undertakings	–	2	–	2	–	–	–	–
Total	1,343	25,132	12,842	39,317	339	30,639	11,804	42,782

Derivatives held for hedging are held at fair value and are classified as Level 2 and Level 3 while the counterparty is Standard Chartered Bank and external counter parties.

The fair value of debt securities in issue held at amortised cost is $13,611 million (2021: $17,171 million).

The fair value of subordinated liabilities and other borrowed funds held at amortised cost is $10,434 million (2021: $14,569 million).

Derivative financial instruments

Derivatives	2022 Notional principal amounts $million	2022 Assets $million	2022 Liabilities $million	2021 Notional principal amounts $million	2021 Assets $million	2021 Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange	9,351	47	61	8,362	54	51
Currency swaps	574	–	71	2,049	–	207
Interest rate derivative contracts:						
Swaps	15,423	–	1,211	14,465	266	81
Credit derivative contracts	3,256	14	–	–	–	–
Total	28,604	61	1,343	24,876	320	339

Financial statements

39. Standard Chartered PLC (Company) continued

Credit risk

Maximum exposure to credit risk

	2022 $million	2021 $million
Derivative financial instruments	61	320
Debt securities	23,781	25,071
Amounts owed by subsidiary undertakings	7,417	11,336
Total	31,259	36,727

In 2022 and 2021, amounts owed by subsidiary undertakings were neither past due nor impaired; the Company had no individually impaired loans.

In 2022 and 2021, the Company had no impaired debt securities. The debt securities held by the Company are issued by Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited, subsidiary undertakings with credit ratings of A+.

There is no material expected credit loss on these instruments as they are Stage 1 assets, and of a high quality.

Liquidity risk

The following table analyses the residual contractual maturity of the assets and liabilities of the Company on a discounted basis:

	2022								
	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
Assets									
Derivative financial instruments	45	–	–	–	–	–	16	–	61
Investment securities	2,000	–	–	–	–	–	5,351	16,430	23,781
Amount owed by subsidiary undertakings	719	1,250	140	–	840	1,523	2,081	864	7,417
Investments in subsidiary undertakings	–	–	–	–	–	–	–	60,975	60,975
Other assets	–	–	–	–	–	–	–	–	–
Total assets	2,764	1,250	140	–	840	1,523	7,448	78,269	92,234
Liabilities									
Derivative financial instruments	77	3	–	–	–	75	330	858	1,343
Senior debt	–	–	–	–	–	2,090	14,155	8,043	24,288
Amount owed to subsidiary undertakings	–	–	–	–	–	–	–	2	2
Other liabilities	175	134	95	14	5	–	–	–	423
Subordinated liabilities and other borrowed funds	2,004	88	13	248	14	1,900	2,078	7,339	13,684
Total liabilities	2,256	225	108	262	19	4,065	16,563	16,242	39,740
Net liquidity gap	508	1,025	32	(262)	821	(2,542)	(9,115)	62,027	52,494

39. Standard Chartered PLC (Company) continued

	2021								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Derivative financial instruments	55	1	2	–	–	55	104	103	320
Investment securities	–	–	–	–	960	4,444	2,947	16,720	25,071
Amount owed by subsidiary undertakings	2,335	159	216	305	853	2,349	2,132	2,987	11,336
Investments in subsidiary undertakings	–	–	–	–	–	–	–	60,429	60,429
Total assets	2,390	160	218	305	1,813	6,848	5,183	80,239	97,156
Liabilities									
Derivative financial instruments	47	–	–	4	95	–	117	76	339
Senior debt	–	–	–	–	–	4,542	11,873	9,866	26,281
Other debt securities in issue	–	–	–	–	–	–	–	–	–
Amount owed to subsidiary undertakings	–	–	–	–	–	–	–	–	–
Other liabilities	169	126	83	15	10	–	–	59	462
Subordinated liabilities and other borrowed funds	1,007	47	15	240	883	2,409	2,470	9,091	16,162
Total liabilities	1,223	173	98	259	988	6,951	14,460	19,092	43,244
Net liquidity gap	1,167	(13)	120	46	825	(103)	(9,277)	61,147	53,912

Financial liabilities on an undiscounted basis

	2022								
	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
Derivative financial instruments	**77**	**3**	**–**	**–**	**–**	**75**	**330**	**858**	**1,343**
Debt securities in issue	**88**	**66**	**262**	**145**	**271**	**2,896**	**15,676**	**9,057**	**28,461**
Subordinated liabilities and other borrowed funds	**2,097**	**174**	**33**	**273**	**17**	**2,035**	**2,552**	**14,668**	**21,849**
Other liabilities	**9**	**15**	**–**	**–**	**–**	**–**	**–**	**–**	**24**
Total liabilities	**2,271**	**258**	**295**	**418**	**288**	**5,006**	**18,558**	**24,583**	**51,677**

	2021								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Derivative financial instruments	47	–	–	4	95	–	117	76	339
Debt securities in issue	102	30	179	130	196	5,144	13,122	11,019	29,922
Subordinated liabilities and other borrowed funds	1,114	134	37	261	917	2,522	2,786	15,376	23,147
Other liabilities	–	–	–	–	–	–	–	59	59
Total liabilities	1,263	164	216	395	1,208	7,666	16,025	26,530	53,467

40. Related undertakings of the Group

As at 31 December 2022, the Group's interests in related undertakings are disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Funding (Jersey) Limited, Stanchart Nominees Limited, Standard Chartered Holdings Limited and Standard Chartered Nominees Limited are directly held subsidiaries, all other related undertakings are held indirectly. Unless otherwise stated, the principal country of operation of each subsidiary is the same as its country of incorporation Note 32 details undertakings that have a significant contribution to the Group's net profit or net assets.

Subsidiary Undertakings

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
FinVentures UK Limited	Investment Holding Company	United Kingdom	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing (UK) Limited	Leasing Business	United Kingdom	£1.00 Ordinary shares	100
SC (Secretaries) Limited	Others	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 1 LTD[7,8]	Leasing Business	United Kingdom	£1.00 Ordinary shares	100
SC Transport Leasing 2 Limited[7,8]	Leasing Business	United Kingdom	£1.00 Ordinary shares	100
SC Ventures Innovation Investment L.P.	Investment Holding Company	United Kingdom	Limited Partnership interest	100
SCMB Overseas Limited	Investment Holding Company	United Kingdom	£0.10 Ordinary shares	100
Stanchart Nominees Limited	Nominee Services	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Africa Limited	Investment Holding Company	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Bank	Banking & Financial Services	United Kingdom	US$0.01 Non-Cumulative Irredeemable Preference	100
			US$1.00 Ordinary	100
			US$5.00 Non-Cumulative Redeemable Preference	100
Standard Chartered Foundation[1]	Charity projects	United Kingdom	Guarantor	100
Standard Chartered Health Trustee (UK) Limited	Trustee Services	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Holdings Limited	Investment Holding Company	United Kingdom	$2.00 Ordinary shares	100
Standard Chartered I H Limited	Investment Holding Company	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) 3 Limited[9]	Leasing Business	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Leasing (UK) Limited[7,8,9]	Leasing Business	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered NEA Limited	Investment Holding Company	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Nominees Limited	Nominee Services	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered Nominees (Private Clients UK) Limited	Nominee Services	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Strategic Investments Limited	Investment Holding Company	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Securities (Africa) Holdings Limited	Investment Holding Company	United Kingdom	$1.00 Ordinary shares	100
Standard Chartered Trustees (UK) Limited	Trustee Services	United Kingdom	£1.00 Ordinary shares	100
Standard Chartered UK Holdings Limited	Investment Holding Company	United Kingdom	$1.00 Ordinary shares	100
The SC Transport Leasing Partnership 1	Leasing Business	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 2	Leasing Business	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 3	Leasing Business	United Kingdom	Limited Partnership interest	100
The SC Transport Leasing Partnership 4	Leasing Business	United Kingdom	Limited Partnership interest	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The BW Leasing Partnership 1 LP[1]	Leasing Business	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 2 LP[1]	Leasing Business	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 3 LP[1]	Leasing Business	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 4 LP[1]	Leasing Business	United Kingdom	Limited Partnership interest	100
The BW Leasing Partnership 5 LP[1]	Leasing Business	United Kingdom	Limited Partnership interest	100
Zodia Markets (UK) Limited	Banking & Financial Services	United Kingdom	$1.00 Ordinary shares	100
Zodia Markets Holdings Limited	Banking & Financial Services	United Kingdom	$1.00 Ordinary shares	75.0
The following companies have the address of 2 More London Riverside, London SE1 2JT, United Kingdom				
Bricks (C&K) LP[1]	Limited Partnership interest	United Kingdom	Limited Partnership interest	100
Bricks (C) LP[1]	Limited Partnership interest	United Kingdom	Limited Partnership interest	100
Bricks (T) LP[1]	Limited Partnership interest	United Kingdom	Limited Partnership interest	100
The following companies have the address of 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.				
SC Ventures G.P. Limited	Investment Holding Company	United Kingdom	£1.00 Ordinary shares	100
Assembly Payments UK Ltd	Payment Services Provider	United Kingdom	$1.00 Ordinary shares	100
The following company has the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom				
Corrasi Covered Bonds LLP	Trustee Services	United Kingdom	Membership Interest	50.0
The following companies have the address of Thomas House, 84 Eccleston Square, London, SW1V 1PX, United Kingdom				
Zodia Custody Limited	Custody services	United Kingdom	$1.00 Ordinary shares	95.1
Zodia Holdings Limited	Investment holding company	United Kingdom	$1.00 Ordinary shares	100
The following company has the address of Robert Denholm House, Bletchingly Road, Nutfield, Redhill, RH1 4HW, United Kingdom				
CurrencyFair (UK) Limited	Banking & Financial Services	United Kingdom	£1.00 Ordinary shares	100
The following company has the address of 23 De Walden Street, London, W1G 8RW, United Kingdom				
Shoal Limited	Digital marketplace for sustainable and "green" products.	United Kingdom	US$1.00 Ordinary	100
The following company has the address of 1 Poultry, London, EC2R 8EJ, United Kingdom				
Zai Technologies Limited	Payment Services Provider.	United Kingdom	£1.00 Ordinary	100
The following company has the address Edifício Kilamba, 8 Andar Avenida 4 de Fevereiro, Marginal, Luanda, Angola				
Standard Chartered Bank Angola S.A.	Banking & Financial Services	Angola	AOK8,742.05 Ordinary shares	60.0
The following company has the address of Level 5, 345 George St, Sydney NSW 2000, Australia				
Standard Chartered Grindlays Pty Limited	Investment Holding Company	Australia	AUD Ordinary shares	100

Financial statements

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 17/31 Queen Street, Melbourne VIC 3000, Australia				
Assembly Payments Australia Pty Ltd	Holding Company	Australia	$ Ordinary shares	100
The following company has the address of Wilsons Landing, Level 5, 6A Glen Street, Milsons Point NSW 2061, Australia				
CurrencyFair Australia Pty Ltd	Foreign Currency conversion services.	Australia	AUD Ordinary	100
The following company has the address of Level 20, 31 Queen Street, Melbourne VIC 3000, Australia				
Zai Australia Pty Ltd	Payment Service Provider	Australia	$1.00 Ordinary	100
			AUD0.01 Ordinary shares	
The following companies have the address of 5th Floor Standard House Bldg, The Mall, Queens Road, PO Box 496, Gaborone, Botswana				
Standard Chartered Bank Insurance Agency (Proprietary) Limited	Insurance Services	Botswana	BWP Ordinary shares	100
Standard Chartered Investment Services (Proprietary) Limited	Nominee Services	Botswana	BWP Ordinary shares	100
Standard Chartered Bank Botswana Limited	Banking & Financial Services	Botswana	BWP Ordinary shares	75.8
Standard Chartered Botswana Nominees (Proprietary) Limited	Nominee Services	Botswana	BWP Ordinary shares	100
Standard Chartered Botswana Education Trust[2]	CSR programme.	Botswana	Interest in Trust	100
The following company has the address of Avenida Brigadeiro Faria Lima, no 3.477, 6 andar, conjunto 62 - Torre Norte, Condominio Patio Victor Malzoni, CEP 04538-133, Sao Paulo, Brazil				
Standard Chartered Representação e Participações Ltda	Banking & Financial Services	Brazil	BRL1.00 Ordinary shares	100
The following company has the address of G01-02, Wisma Haji Mohd Taha Building, Jalan Gadong, BE4119, Brunei Darussalam				
Standard Chartered Securities (B) Sdn Bhd	Investment Management	Brunei Darussalam	BND1.00 Ordinary shares	100
The following company has the address of Standard Chartered Bank Cameroon S.A, 1155, Boulevard de la Liberté, Douala, B.P. 1784, Cameroon				
Standard Chartered Bank Cameroon S.A.	Banking & Financial Services	Cameroon	XAF10,000.00 Ordinary shares	100
The following company has the address of 66 Wellington Street, West, Suite 4100, Toronto Dominion Centre, Toronto ON M5K 1B7, Canada				
CurrencyFair (Canada) Ltd	Dormant	Canada	CAD$ Common shares	100
The following company has the address of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands				
Cerulean Investments LP	Investment Holding Company	Cayman Islands	Limited Partnership interest	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Maples Finance Limited, PO Box 1093 GT, Queensgate House, Georgetown, Grand Cayman, Cayman Islands				
SCB Investment Holding Company Limited	Investment Holding Company	Cayman Islands	US$1,000.00 Ordinary-A	99.9
The following company has the address of No. 1034, Managed by Tianjin Dongjiang Secretarial Services , Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone,, Tianjin Pilot Free Trade Zone, China				
Pembroke Aircraft Leasing (Tianjin) Limited[3]	Holding Company	China	$1.00 Ordinary shares	100
The following company has the address of No. 1035, Managed by Tianjin Dongjiang Secretarial Services , Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone,, Tianjin Pilot Free Trade Zone, China				
Pembroke Aircraft Leasing Tianjin 1 Limited[3]	SPV for Aircraft Operating Lease Business	China	CNY1.00 Ordinary shares	100
The following company has the address of No. 1036, Managed by Tianjin Dongjiang Secretarial Services , Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone,, Tianjin Pilot Free Trade Zone, China				
Pembroke Aircraft Leasing Tianjin 2 Limited[3]	SPV for Aircraft Operating Lease Business	China	CNY1.00 Ordinary shares	100
The following company has the address of Standard Chartered Tower, 201 Century Avenue, Pudong, Shanghai 200120, China				
Standard Chartered Bank (China) Limited[3]	Commercial banking	China	CNY Ordinary shares	100
The following company has the address of No. 35, Xinhuanbei Road, TEDA, Tianjin, 300457, China				
Standard Chartered Global Business Services Co. Limited[3]	Research, development, other services	China	$ Ordinary shares	100
The following companies have the address of Units Unit 802B, 803, 1001A,1002B,1003-1005,1101-1105, 1201-1205,1302C,1303, No. 235 Tianhe North Road, Tianhe District,, Guangzhou City, Guangdong Province, China				
Standard Chartered Global Business Services (Guangzhou) Co.Ltd.[3]	Research, development, other services	China	$ Ordinary shares	100
Standard Chartered (Guangzhou) Business Management Co.Ltd.[3]	Business consulting services	China	$ Ordinary shares	100
The following company has the address of 8A, Hony Tower, 1st Financial Street, Nanshan District, Shenzen, China				
SC Ventures Investment Management (Shenzhen) Limited	Serve as a fund manager in China	China	US$1.00 Ordinary	100
The following company has the address of Room 2619, No 9, Linhe West Road, Tianhe District, Guangzhou, China				
Guangzhou CurrencyFair Information Technology Limited[3]	Foreign Currency conversion services.	China	CNY Ordinary shares	100

Financial statements

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of No. 188 Yeshen Rd, 11F, A-1161 RM, Pudong New District, Shanghai, 31, 201308, China				
Standard Chartered Trading (Shanghai) Limited[3]	wholesale of base metal and its products	China	$15,000,000.00 Ordinary Shares	100
The following company has the address of Standard Chartered Bank Cote d'Ivoire, 23 Boulevard de la République, Abidjan 17, 17 B.P. 1141, Cote d'Ivoire				
Standard Chartered Bank Cote d' Ivoire SA	Banking & Financial Services	Cote d'Ivoire	XOF100,000.00 Ordinary shares	100
The following company has the address of 8 Ecowas Avenue, Banjul, Gambia				
Standard Chartered Bank Gambia Limited	Banking & Financial Services	Gambia	GMD1.00 Ordinary shares	74.8
The following company has the address of Taunusanlage 16, 60325, Frankfurt am Main, Germany				
Standard Chartered Bank AG	Banking & Financial Services	Germany	€ Ordinary shares	100
The following companies have the address of Standard Chartered Bank Building, 87 Independence Avenue, P.O. Box 768, Accra,Ghana				
Standard Chartered Bank Ghana PLC	Banking & Financial Services	Ghana	GHS Ordinary shares	69.4
			GHS0.52 Non-cumulative Irredeemable Preference Shares	87.0
Standard Chartered Ghana Nominees Limited	Nominee Services	Ghana	GHS Ordinary shares	100
The following company has the address of Standard Chartered Bank Ghana Limited, 87, Independence Avenue, Post Office Box 678, Accra, Ghana				
Standard Chartered Wealth Management Limited Company	Investment Management	Ghana	GHS Ordinary shares	100
The following company has the address of 18/F., Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong				
Horsford Nominees Limited	Nominee Services	Hong Kong	HKD Ordinary shares	100
The following companies have the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.				
Kozagi Limited	Investment Holding Company	Hong Kong	HKD Ordinary shares	100
Standard Chartered PF Real Estate (Hong Kong) Limited	Investment Holding Company	Hong Kong	$ Ordinary shares	100
The following companies have the address of 15/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong				
Marina Acacia Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Amethyst Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Angelite Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Beryl Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Emerald Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Flax Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Gloxinia Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
Marina Hazel Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Ilex Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Iridot Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Leasing Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Mimosa Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Moonstone Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Peridot Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Sapphire Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Marina Tourmaline Shipping Limited	Leasing Business	Hong Kong	$ Ordinary shares	100
Standard Chartered Leasing Group Limited	Investment Holding Company	Hong Kong	$ Ordinary shares	100
The following company has the address of 25/F, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong				
Standard Chartered Trade Support (HK) Limited	Corporate Finance & Advisory Services	Hong Kong	HKD Ordinary shares	100
The following company has the address of 13/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong				
Standard Chartered Private Equity Limited	Investment Holding Company	Hong Kong	HKD Ordinary shares	100
The following company has the address of 14/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong				
Standard Chartered Trust (Hong Kong) Limited	Investment Management	Hong Kong	HKD Ordinary shares	100
The following company has the address of 15/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong				
Standard Chartered Securities (Hong Kong) Limited	Corporate Finance & Advisory Services	Hong Kong	HKD Ordinary shares	100
The following company has the address of 21/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong				
Standard Chartered Asia Limited	Investment Holding Company	Hong Kong	HKD Deferred shares	100
			HKD Ordinary shares	100
The following company has the address of 32/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong				
Standard Chartered Bank (Hong Kong) Limited	Banking & Financial Services	Hong Kong	HKD Ordinary-A	100
			HKD Ordinary-B	100
			US$ Ordinary-C	100
			US$ Ordinary-D	100
The following company has the address of 39/F., Oxford House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong				
Mox Bank Limited	Banking & Financial Services	Hong Kong	HKD Ordinary shares	66.0
The following company has the address of 31/F, Tower 2 Times Square, 1 Matheson St, Causeway Bay, Hong Kong				
Assembly Payments HK Limited	Online payment platform	Hong Kong	HKD Ordinary Shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Suites 1103-4 AXA Tower, Landmark East, 100 How Ming Street, Kwun Tong, Hong Kong				
Currencyfair Asia Limited	Foreign Currency conversion services.	Hong Kong	HKD Ordinary shares	100
The following company has the address of 2 Floor Sabari Complex 24 Field Marshal, Capriappa RD Shanthala Nagar, Ashok Nagar, Bangalore, Karnataka, , 560025, India				
Assembly Payments India Private Limited	Activities auxiliary to financial intermediation	India	INR100.00 Ordinary	100
The following company has the address of 1st Floor, Europe Building, No.1, Haddows Road, Nungambakkam, Chennai, 600 006, India				
Standard Chartered Global Business Services Private Limited	Offshore Support Services	India	INR10.00 Equity shares	100
The following company has the address of 90 M.G.Road, II Floor, Fort, Mumbai, Maharashtra, 400 001, India				
Standard Chartered Finance Private Limited	Support Services	India	INR10.00 Ordinary shares	98.6
The following company has the address of Ground Floor, Crescenzo Building, G Block, C 38/39 , Bandra Kurla Complex, Bandra (East) , Mumbai , Mumbai , Maharashtra , 400051, India				
Standard Chartered Private Equity Advisory (India) Private Limited	Support Services	India	INR1,000.00 Ordinary shares	100
The following company has the address of Second Floor, Indiqube Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India.				
Standard Chartered Research and Technology India Private Limited	Support Services	India	INR10.00 A Equity shares	100
			INR10.00 Cumulative Redeemable Preference	100
The following company has the address of Crescenzo, 6th Floor, Plot No 38-39 G Block , Bandra Kurla Complex, , Bandra East , Mumbai , Maharashtra , 400051, India				
Standard Chartered Capital Limited	Banking & Financial Services	India	INR10.00 Equity shares	100
The following company has the address of 2nd Floor, 23-25 M.G. Road, Fort, Mumbai, 400 001, India				
Standard Chartered Securities (India) Limited	Banking & Financial Services	India	INR10.00 Equity shares	100
The following company has the address of Ground Floor, Crescenzo Building, G Block, C 38/39 , Bandra Kurla Complex, Bandra (East) , Mumbai , Mumbai , Maharashtra , 400051, India				
St Helen's Nominees India Private Limited	Nominee Services	India	INR10.00 Equity shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Vaishnavi Serenity, First Floor, No. 112, Koramangala Industrial Area, 5th Block, Koramangala, Bangalore, Karnataka, 560095, India				
Standard Chartered (India) Modeling and Analytics Centre Private Limited	Support Services	India	INR10.00 Equity shares	100
The following companies have the address of 91 Pembroke Road, Dublin 4, Ballsbridge, Dublin, DO4 EC42, Ireland				
CurrencyFair (Canada) Limited	Dormant	Ireland	€1.00 Ordinary	100
CurrencyFair Nominees Limited	Nominee company	Ireland	€1.00 Ordinary	100
The following companies have the address of 32 Molesworth Street, Dublin 2, D02Y512, Ireland				
Inishbrophy Leasing Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Inishcannon Leasing Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Inishcrean Leasing Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Inishdawson Leasing Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Inisherkin Leasing Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Inishoo Leasing Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Nightjar Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 1 Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 2 Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 3 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 4 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 5 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 6 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 7 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 8 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 9 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 10 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 11 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 12 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 13 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 14 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 15 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 16 Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Aircraft Leasing Holdings Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Pembroke Capital Limited	Leasing Business	Ireland	€1.25 Ordinary shares	100
			US$1.00 Ordinary	
Skua Limited	Leasing Business	Ireland	$1.00 Ordinary shares	100
Zodia Markets (Ireland) Limited	Banking & Financial Services	Ireland	$1.00 Ordinary shares	100
The following company has the address of 27 Fitzwilliam Street, Dublin, D02 TP23, Ireland				
Zodia Custody (Ireland) Limited	Custody services	Ireland	$1.00 Ordinary shares	100
The following company has the address of 91 Pembroke Road, Dublin 4, Ballsbridge, Dublin, DO4 EC42, Ireland				
CurrencyFair Limited	FX transfer services	Ireland	€0.001 Ordinary shares	100
			€0.001 Ordinary shares	27.9

Financial statements

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man				
Pembroke Group Limited[4]	Aircraft leasing, fleet advisory and technical services	Isle of Man	$0.01 Ordinary shares	100
The following companies have the address of 1st Floor, Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, IM1 1EB, Isle of Man				
Standard Chartered Assurance Limited	Insurance Services	Isle of Man	$1.00 Ordinary shares	100
			US$1.00 Redeemable Preference	100
Standard Chartered Isle of Man Limited[5]	Insurance & Reinsurance Company	Isle of Man	$1.00 Ordinary shares	100
The following company has the address of 21/F, Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo, 100-6155, Japan				
Standard Chartered Securities (Japan) Limited	Banking & Financial Services	Japan	JPY Ordinary	100
The following company has the address of 15 Castle Street, St Helier, JE4 8PT, Jersey				
SCB Nominees (CI) Limited	Nominee Services	Jersey	$1.00 Ordinary shares	100
The following company has the address of IFC 5, St Helier, JE1 1ST, Jersey				
Standard Chartered Funding (Jersey) Limited[5]	Investment Holding Company	Jersey	£1.00 Ordinary shares	100
The following companies have the address of StandardChartered@ Chiromo, Number 48, Westlands Road, P. O. Box 30003 - 00100, Nairobi, Kenya				
Solveazy Technology Kenya Ltd	B2B digital platform	Kenya	KES1,000.00 Ordinary	100
Standard Chartered Bancassurance Intermediary Limited	Insurance Services	Kenya	KES1,00.00 Ordinary shares	100
Standard Chartered Investment Services Limited	Investment services	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Bank Kenya Limited	Banking & Financial Services	Kenya	KES5.00 Ordinary shares	74.3
Standard Chartered Securities (Kenya) Limited	Corporate Finance & Advisory Services	Kenya	KES10.00 Ordinary shares	100
			KES5.00 Preference	100
Standard Chartered Financial Services Limited	Merchant Banking	Kenya	KES20.00 Ordinary shares	100
Standard Chartered Kenya Nominees Limited1	Nominee Services	Kenya	KES20.00 Ordinary shares	100
Tawi Fresh Kenya Limited	Digital Marketplace, Ecommerce	Kenya	KES1,000.00 Ordinary	100
The following company has the address of 47 Jongno, Jongno-gu, Seoul, 110-702, Republic of Korea				
Standard Chartered Bank Korea Limited	Banking & Financial Services	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of 2F, 47 Jongno, Jongno-gu, Seoul, 110-702, Republic of Korea				
Standard Chartered Securities Korea Co., Ltd	Asset Management	Korea, Republic of	KRW5,000.00 Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Atrium Building, Maarad Street, 3rd Floor, P.O.Box: 11-4081 Riad El Solh, Beirut, Beirut Central District, Lebanon				
Standard Chartered Metropolitan Holdings SAL	Investment Holding Company	Lebanon	$10.00 Ordinary A shares	100
The following companies have the address of Level 26, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia				
Cartaban (Malaya) Nominees Sdn Berhad	Nominee Services	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Asing) Sdn Bhd	Nominee Services	Malaysia	RM Ordinary shares	100
Cartaban Nominees (Tempatan) Sdn Bhd	Nominee Services	Malaysia	RM Ordinary shares	100
Golden Maestro Sdn Bhd	Investment Holding Company	Malaysia	RM Ordinary shares	100
Price Solutions Sdn Bhd	Direct Sales/Collection Services	Malaysia	RM Ordinary shares	100
SCBMB Trustee Berhad	Trustee Services	Malaysia	RM Ordinary shares	100
Standard Chartered Bank Malaysia Berhad	Banking & Financial Services	Malaysia	RM Irredeemable Convertible Preference shares	100
			RM Ordinary shares	100
Standard Chartered Saadiq Berhad	Banking & Financial Services	Malaysia	RM Ordinary shares	100
The following companies have the address of TMF Trust Labuan Limited, Brumby Centre, Lot 42,, Jalan Muhibbah, 87000 Labuan F.T., Malaysia				
Marina Morganite Shipping Limited[6]	Ownership and leasing of vessels	Malaysia	$ Ordinary shares	100
Marina Moss Shipping Limited[6]	Ownership and Leasing of vessels	Malaysia	$ Ordinary shares	100
Marina Tanzanite Shipping Limited[6]	Ownership and leasing of vessels	Malaysia	$ Ordinary shares	100
The following company has the address of Suite 18-1, Level 18, Vertical Corporate Tower B, Avenue 10, The Vertical, Bangsar South City , No. 8, Jalan Kerinchi , 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia				
Resolution Alliance Sdn Bhd	Investment Holding Company	Malaysia	RM Ordinary shares	100
			Irredeemable Preference	100
The following company has the address of 12th Floor, Menara Symphony , No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya , Selangor, Malaysia				
Solv Sdn. Bhd.	B2B digital platform offering financial services	Malaysia	RM5.00 Ordinary	100
The following company has the address of Level 1, Wisma Standard Chartered, Jalan Teknologi 8, Taman Teknologi Malaysia, 57000 Bukit Jalil, Kuala Lumpur, Wilayah Persekutuan, Malaysia				
Standard Chartered Global Business Services Sdn Bhd	Offshore Support Services	Malaysia	RM Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 10th Floor, Menara Hap Seng, No. 1&3, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia				
Assembly Payments Malaysia Sdn. Bhd.	Other financial service activities	Malaysia	RM Ordinary shares	100
The following companies have the address of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands				
Marina Alysse Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Amandier Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Ambroisee Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Angelica Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Aventurine Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Buxus Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Citrine Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Dahlia Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Dittany Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Dorado Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Lilac Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Lolite Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Obsidian Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Protea Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Quartz Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Remora Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Turquoise Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
Marina Zircon Shipping Limited[6]	Ownership, Leasing of vessels	Marshall Islands	$1.00 Ordinary shares	100
The following companies have the address of 6/F, Standard Chartered Tower, 19, Bank Street, Cybercity, Ebene, 72201, Mauritius				
Standard Chartered Bank (Mauritius) Limited	Banking & Financial Services	Mauritius	$ Ordinary shares	100
Standard Chartered Private Equity (Mauritius) Limited	Investment Management	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) II Limited	Investment Management	Mauritius	$1.00 Ordinary shares	100
Standard Chartered Private Equity (Mauritius) III Limited	Investment Management	Mauritius	$1.00 Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Mondial Management Services Ltd, Unit 2L, 2nd Floor Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius				
Subcontinental Equities Limited	Investment Holding Company	Mauritius	$1.00 Ordinary shares	100
The following company has the address of IQEQ Corporate Services (Mauritius) Ltd, 33, Edith Cavell Street, Port Louis, 11324, Mauritius				
Actis Treit Holdings (Mauritius) Limited[1]	Investment Holding Company	Mauritius	Class A $1.00 Ordinary shares	62.0
The following company has the address of Standard Chartered Bank Nepal Limited, Madan Bhandari Marg, Ward No.34, Kathmandu Metropolitan City, Kathmandu District, Bagmati Zone, Kathmandu, Nepal				
Standard Chartered Bank Nepal Limited	Banking & Financial Services	Nepal	NPR100.00 Ordinary shares	70.2
The following company has the address of Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands				
Pembroke Holland B.V.	Leasing Business	Netherlands	€450.00 Ordinary shares	100
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
Standard Chartered Holdings (Africa) B.V.[5]	Holding company	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (Asia Pacific) B.V.[5]	Holding company	Netherlands	€4.50 Ordinary shares	100
Standard Chartered Holdings (International) B.V.[5]	Holding company	Netherlands	€4.50 Ordinary shares	100
Standard Chartered MB Holdings B.V.[5]	Holding company.	Netherlands	€4.50 Ordinary shares	100
The following company has the address of 4 All good Place, Rototuna North, Hamilton, New Zealand, 3210				
PromisePay Limited	Payment Services Provider	New Zealand	NZD Ordinary shares	100
The following companies have the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria				
Standard Chartered Bank Nigeria Limited	Banking & Financial Services	Nigeria	NGN1.00 B Redeemable Preference	100
			NGN1.00 Irredeemable Non Cumulative Preference	100
			NGN1.00 Ordinary	100
Standard Chartered Capital & Advisory Nigeria Limited	Corporate Finance & Advisory Services	Nigeria	NGN1.00 Ordinary shares	100
Standard Chartered Nominees (Nigeria) Limited	Custody Services	Nigeria	NGN1.00 Ordinary shares	100
The following company has the address of 3/F Main SCB Building, I.I Chundrigar Road, Karachi, Sindh, 74000, Pakistan				
Price Solution Pakistan (Private) Limited	Banking & Financial Services	Pakistan	PKR10.00 Ordinary shares	100
The following company has the address of P.O. Box No. 5556I.I. Chundrigar Road, Karachi, 74000, Pakistan				
Standard Chartered Bank (Pakistan) Limited	Banking & Financial Services	Pakistan	PKR10.00 Ordinary shares	98.9

Financial statements

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Rondo Ignacego Daszyńskiego 2B, 00-843, Warsaw, Poland				
Standard Chartered Global Business Services spółka z ograniczoną odpowiedzialnością	Offshore Support Services	Poland	PLN50.00 Ordinary shares	100
The following company has the address of Al Faisaliah Office Tower Floor No 7 (T07D) , King Fahad Highway, Olaya District, Riyadh P.O box 295522 , Riyadh, 11351 , Saudi Arabia				
Standard Chartered Capital (Saudi Arabia)	Custody Services	Saudi Arabia	SAR10.00 Ordinary shares	100
The following company has the address of 9 & 11, Lightfoot Boston Street, Freetown, Sierra Leone				
Standard Chartered Bank Sierra Leone Limited	Banking & Financial Services	Sierra Leone	SLL1.00 Ordinary shares	80.7
The following companies have the address of 9 Raffles Place, #27-00 Republic Plaza, 048619, Singapore				
Actis Treit Holdings No.1 (Singapore) Private Limited[1]	Investment Holding Company	Singapore	SGD Ordinary	100
Actis Treit Holdings No.2 (Singapore) Private Limited[1]	Investment Holding Company	Singapore	SGD Ordinary	100
The following companies have the address of 8 Marina Boulevard, Marina Bay Financial Centre Tower 1,, Level 25-01, 018981, Singapore, Singapore				
Standard Chartered Private Equity (Singapore) Pte. Ltd	Investment Holding Company	Singapore	$ Ordinary shares	100
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Investment Holding Company	Singapore	$ Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, Level 26, Marina Bay Financial Centre, Tower 1, 018981, Singapore				
Marina Aquata Shipping Pte. Ltd.	Leasing Business	Singapore	$ Ordinary shares	100
Marina Aruana Shipping Pte. Ltd.	Leasing Business	Singapore	SGD & USD Ordinary shares	100
Marina Cobia Shipping Pte. Ltd.	Leasing Business	Singapore	SGD & USD Ordinary shares	100
Marina Fatmarini Shipping Pte. Ltd.	Leasing Business	Singapore	$ Ordinary shares	100
Marina Frabandari Shipping Pte. Ltd.	Leasing Business	Singapore	$ Ordinary shares	100
Marina Gerbera Shipping Pte. Ltd.	Leasing Business	Singapore	$ Ordinary shares	100
Marina Opah Shipping Pte. Ltd.	Leasing Business	Singapore	SGD Ordinary shares	100
Marina Partawati Shipping Pte. Ltd.	Leasing Business	Singapore	$ Ordinary shares	100
The following company has the address of 7 Changi Business Park Crescent, #03-00 Standard Chartered @ Changi, 486028, Singapore				
Raffles Nominees (Pte.) Limited	Nominee Services	Singapore	SGD Ordinary shares	100
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore				
SCTS Capital Pte. Ltd	Nominee Services	Singapore	SGD Ordinary shares	100
SCTS Management Pte. Ltd.	Nominee Services	Singapore	SGD Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Bank (Singapore) Limited	Banking & Financial Services	Singapore	SGD Non-cumulative Class C Tier-1 preference	100
			SGD Ordinary-A	100
			US$ Non-cumulative Class B Tier-1 Preference	100
			US$ Ordinary-A	100
			US$ Ordinary-B	100
			US$ Ordinary-C	100
Standard Chartered Trust (Singapore) Limited	Trustee Services	Singapore	SGD Ordinary shares	100
Standard Chartered Holdings (Singapore) Private Limited	Investment Holding Company	Singapore	SGD Ordinary	100
			US$ Ordinary	100
Standard Chartered Nominees (Singapore) Pte Ltd	Nominee Services	Singapore	SGD Ordinary shares	100
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore				
Autumn Life Pte. Ltd.	Support Services	Singapore	$ Ordinary shares	100
Cardspal Pte. Ltd.	Support Services	Singapore	$ Ordinary shares	100
Audax Financial Technology Pte. Ltd	Support Services	Singapore	$ Ordinary shares	100
Letsbloom Pte. Ltd.	Others	Singapore	$ Ordinary shares	100
SCV Research and Development Pte. Ltd.	Others	Singapore	$ Ordinary shares	100
Pegasus Dealmaking Pte. Ltd.	Mergers and Acquisitions (M&A) marketplace	Singapore	$ Ordinary shares	100
The following companies have the address of Tricor WP Corporate Services Pte Ltd, 80 Robinson Road #02-00, 068898, Singapore				
Power2SME Pte. Ltd.	Investment Holding Entity	Singapore	$ Ordinary shares	90.6
SCV Master Holding Company Pte. Ltd.	Investment Holding Entity	Singapore	$ Ordinary shares	100
Solv-India Pte. Ltd.	Investment Holding Entity	Singapore	$ Ordinary shares	100
The following company has the address of 77 Robinson Road, #25-00 Robinson 77, 068896, Singapore				
Trust Bank Singapore Limited	Banking & Financial Services	Singapore	SGD Ordinary shares	60.0
The following company has the address of 1 Robinson Road, #17-00, AIA Tower, 048542, Singapore				
CurrencyFair (Singapore) Pte.Ltd	Foreign Currency conversion services.	Singapore	SGD Ordinary shares	100
The following companies have the address of 38 Beach Road, #29-11 South Beach Tower, 189767, Singapore				
Assembly Payments SGP Pte. Ltd.	Transaction/Payment Processing Services	Singapore	SGD Ordinary shares	100
Assembly Payments Pte. Ltd.	Investment holding company	Singapore	$ Ordinary shares	100
			$ Preference shares	100
The following company has the address of Abogado Pte Ltd, No. 8 Marina Boulevard, #05-02 MBFC Tower 1, 018981, Singapore				
Standard Chartered IL&FS Management (Singapore) Pte. Limited	Investment Management	Singapore	$ Ordinary	50.0

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 2nd Floor, 115 West Street, Sandton, Johannesburg, 2196, South Africa				
CMB Nominees (RF) PTY Limited	Nominee Services	South Africa	ZAR1.00 Ordinary shares	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)	Nominee Services	South Africa	ZAR Ordinary shares	100
The following company has the address of 6 Fort Street, PO 785848, , Birnam, Sandton, 2196 2146, South Africa				
Promisepay (PTY) Ltd	Payment Services Provider	South Africa	ZAR1.00 Ordinary	100
The following company has the address of 1F, No.177 & 3F-6F, 17F-19F, No.179, Liaoning Street, Zhongshan Dist., Taipei, 104, Taiwan				
Standard Chartered Bank (Taiwan) Limited	Banking & Financial Services	Taiwan	TWD10.00 Ordinary shares	100
The following companies have the address of 1 Floor, International House, Shaaban Robert Street/Garden Avenue, PO Box 9011, Dar Es Salaam, Tanzania, United Republic of				
Standard Chartered Bank Tanzania Limited	Banking & Financial Services	Tanzania	TZS1,000.00 Ordinary shares	100
			TZS1,000.00 Preference	100
Standard Chartered Tanzania Nominees Limited	Nominee Services	Tanzania	TZS1,000.00 Ordinary shares	100
The following company has the address of No. 140, 11th, 12th and 14th Floor, Wireless Road, Lumpini, Patumwan, Bangkok, 10330, Thailand				
Standard Chartered Bank (Thai) Public Company Limited	Banking & Financial Services	Thailand	THB10.00 Ordinary shares	99.9
The following company has the address of Buyukdere Cad. Yapi Kredi Plaza C Blok, Kat 15, Levent, Istanbul, 34330, Türkiye				
Standard Chartered Yatirim Bankasi Turk Anonim Sirketi	Banking & Financial Services	Türkiye	TRL0.10 Ordinary shares	100
The following company has the address of Standard Chartered Bank Bldg, 5 Speke Road, PO Box 7111, Kampala, Uganda				
Standard Chartered Bank Uganda Limited	Banking & Financial Services	Uganda	UGS1,000.00 Ordinary shares	100
The following company has the address of EX-26, Ground Floor, Bldg 16-Co Work, Dubai Internet City, Dubai, United Arab Emirates				
Appro Onboarding Solutions FZ-LLC	IT solutions provider and support service provider.	United Arab Emirates	AED1,000.00 Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Suites 507, 508, 509, 15th Floor, Al Sarab Tower, Adgm Square, Al Maryah Island, Abu Dhabi				
Financial Inclusion Technologies Ltd	Digital wallet and technology payments platform	United Arab Emirates	US$1.00 Ordinary	100
The following company has the address of 505 Howard St. #201, San Francisco, CA 94105, United States				
SC Studios, LLC	Offshore Support Services	United States	Membership Interest	100
The following company has the address of Standard Chartered Bank, 37F, 1095 Avenue of the Americas, New York 10036, United States				
Standard Chartered Bank International (Americas) Limited	Banking & Financial Services	United States	$1,000.00 Ordinary shares	100
The following companies have the address of Corporation Trust Centre, 1209 Orange Street, Wilmington DE 19801, United States				
Standard Chartered Holdings Inc.	Investment Holding Company	United States	$100.00 Common shares	100
Standard Chartered Securities (North America) LLC	Banking & Financial Services	United States	Membership Interest	100
The following company has the address of 50 Fremont Street, San Francisco CA 94105, United States				
Standard Chartered Overseas Investment, Inc.	Investment Holding Company	United States	$10.00 Ordinary shares	100
The following companies have the address of C/O Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States				
CurrencyFair (USA) Inc	Dormant	United States	$1.00 Uncertificated Shares	100
Standard Chartered Trade Services Corporation	Trade Services	United States	$0.01 Common shares	100
The following company has the address of 25 Taylor St, San Francisco, CA, 94102-3916				
Assembly Escrow Inc	Payment Services Provider	United States	$0.0001 Ordinary	100
The following company has the address of 555 Washington Av, St Louis, MO, United States of America, 63101				
Assembly Payments, Inc	Payment services provider	United States	$0.0001 Ordinary	100
The following company has the address of Level 3, #CP1.L01 and #CP2.L01, Capital Place, 29 Lieu Giai Street, Ngoc Khanh Ward, Ba Dinh District, Ha Noi, 10000, Vietnam				
Standard Chartered Bank (Vietnam) Limited	Banking & Financial Services	Vietnam	VND Charter Capital shares	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, Virgin Islands, British				
Sky Favour Investments Limited[6]	Investment Holding Company	Virgin Islands, British	$1.00 Ordinary shares	100
Sky Harmony Holdings Limited[6]	Investment Holding Company	Virgin Islands, British	$1.00 Ordinary shares	100
The following companies have the address of Stand No. 4642, Corner of Mwaimwena Road and Addis Ababa Dri, Lusaka, Zambia, 10101, Zambia				
Standard Chartered Bank Zambia Plc	Banking & Financial Services	Zambia	ZMW0.25 Ordinary shares	90.0
Standard Chartered Zambia Securities Services Nominees Limited	Nominee Services	Zambia	ZMW1.00 Ordinary shares	100
The following companies have the address of Africa Unity Square Building, 68 Nelson Mandela Avenue, Harare, Zimbabwe				
Africa Enterprise Network Trust[2]	Investment Holding Company	Zimbabwe	Interest in Trust	100
Standard Chartered Bank Zimbabwe Limited	Banking & Financial Services	Zimbabwe	$1.00 Ordinary shares	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Nominee Services	Zimbabwe	$2.00 Ordinary shares	100

1 The Group has determined that these undertakings are excluded from being consolidated into the Groups accounts, and do not meet the definition of a Subsidiary under IFRS. See notes 31 and 32 for the consolidation policy and disclosure of the undertaking.

2 No share capital by virtue of being a trust

3 Limited liability company

4 The Group has determined the principal place of operation to be Ireland

5 The Group has determined the principal place of operation to be United Kingdom

6 The Group has determined the principal place of operation to be Hong Kong

7 Company is exempt from the requirements of the companies Act relating to the audit of individual accounts by virtue of S479A

8 Company numbers of the subsidiaries taking an audit exemption are SC Transport Leasing 1 LTD 06787116, SC Transport Leasing 2 Limited 06787090 and Standard Chartered Leasing (UK) Limited 05513184

9 Directly held related undertaking

Joint ventures

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Tricor WP Corporate Services Pte Ltd, 80 Robinson Road #02-00, 068898, Singapore				
Olea Global Pte. Ltd.	Provision of trade finance products and services	Singapore	$ Ordinary shares	50.0
			$ Preference shares	100

40. Related undertakings of the Group continued

Associates

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 41 Luke Street, London, EC2A 4DP , United Kingdom				
Fintech for International Development Ltd	Financial intermediation	United Kingdom	$0.0001 Ordinary-A	44.4
The following company has the address of Bohai Bank Building, No.218 Hai He Dong Lu, Hedong District, Tianjin, China, 300012, China				
China Bohai Bank Co., Ltd.	General commercial banking businesses	China	CNY1.00 Ordinary shares	16.2
The following company has the address of 17/F, 100, Gongpyeong-dong, Jongno-gu, Seoul, Korea, Republic of				
Ascenta IV	Investment making	Korea, Republic of	KRW1.00 Partnership Interest	39.1
The following company has the address of 1 Raffles Quay, #23-01, One Raffles Quay, 048583, Singapore				
Clifford Capital Holdings Pte. Ltd.	Investment Holding Company	Singapore	$1.00 Ordinary shares	9.9
The following company has the address of 10 Marina Boulevard #08-08, Marina Bay, Financial Centre, 018983, Singapore				
Verified Impact Exchange Holdings Pte. Ltd	Exchange offering liquidity of trade	Singapore	SGD Ordinary shares	15.0
			$ Redeemable Convertible Preference shares	28.5
The following company has the address of Victoria House, State House Avenue, Victoria, MAHE, Seychelles				
Seychelles International Mercantile Banking Corporation Limited.	Commercial Bank	Seychelles	SCR1,000.00 Ordinary shares	22.0
The following company has the address of Avenue de Tivoli 2, 1007, Lausanne, Switzerland				
Metaco SA	Integrated infrastructure solutions	Switzerland	CHF 0.01 Preference A Shares	29.5

40. Related undertakings of the Group continued

Significant investment holdings and other related undertakings

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom				
Corrasi Covered Bonds (LM) Limited	Liquidation member (Bond holders)	United Kingdom	£1.00 Ordinary	20.0
The following company has the address of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman , KY1-9005, Cayman Islands				
ATSC Cayman Holdco Limited	Investment holding	Cayman Islands	$0.01 Ordinary-A shares	5.2
			$0.01 Ordinary-B shares	100
The following company has the address of 3, Floor 1, No.1, Shiner Wuxingcaiyuan, West Er Huan Rd, , Xi Shan District, Kunming, Yunnan Province, PRC , China				
Yunnan Golden Shiner Property Development Co., Ltd.	Real Estate Developers	China	CNY1.00 Ordinary shares	37.5
The following companies have the address of Unit 605-08, 6/F Wing On Centre, 111 Connaught Road, Central, Sheung Wan, Hong Kong				
Actis Temple Stay Holdings (HK) Limited	Investment holding	Hong Kong	$ Class A Ordinary shares	39.6
			$ Class B Ordinary shares	39.6
Actis Rivendell Holdings (HK) Limited	Investment holding	Hong Kong	$ Class A Ordinary shares	39.6
			$ Class B Ordinary shares	39.6
The following company has the address of 1221 A, Devika Tower, 12th Floor, , 6 Nehru Place, New Delhi 110019, New Delhi, 110019, India				
Mikado Realtors Private Limited	Other business activities	India	INR10.00 Ordinary shares	26.0
The following company has the address of 4thFloor, 274, Chitalia House, Dr. Cawasji Hormusji Road, Dhobi Talao, Mumbai City, Maharashtra, India 400 002, Mumbai, 400 002, India				
Industrial Minerals and Chemical Co. Pvt. Ltd	Minerals and Chemical	India	INR100.00 Ordinary shares	26.0
The following company has the address of Deloitte Anjin Korea, 5F., One IFC, 23, Yoido-dong, Youngdeungpo-gu, Seoul, Korea, Republic of				
Ascenta III	Investment making	Korea	KRW Class B Equity Interest	31.0
The following company has the address of 3 Jalan Pisang, c/o Watiga Trust Ltd, 199070 Singapore				
SCIAIGF Liquidating Trust[1]	Investment Holding Company	Singapore	Interest in trust	43.9
The following company has the address of 49, Sungei Kadut Avenue, #03-01 S729673, Singapore				
Omni Centre Pte. Ltd.	Real Estate Owners & Developers	Singapore	SGD Redeemable Convertible Preference shares	99.9
The following company has the address of 251 Little Falls Drive, Wilmington, New Castle DE 19808, United States				
Paxata, Inc.	Data Analytics	United States	US$0.0001 Series C2 Preferred Stock	40.7
			US$0.0001 Series C3 Preferred Stock	8.91

40. Related undertakings of the Group continued

In liquidation

Subsidiary Undertakings

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of "C/O Teneo Restructuring Limited 156 Great Charles Street Queensway Birmingham West Midlands B3 3HN"				
Standard Chartered Masterbrand Licensing Limited	To manage intellectual property for Group	United Kingdom	$1.00 Ordinary Shares	100
The following companies have the address of Bucktrout House, Glategny Esplanade, St Peter Port, GY1 3HQ, Guernsey				
Birdsong Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Nominees One Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Nominees Two Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Songbird Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Secretaries (Guernsey) Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Trust (Guernsey) Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
The following company has the address of 8/Floor, Gloucester Tower , The Landmark, 15 Queen's Road Central, Hong Kong				
Leopard Hong Kong Limited	Corporate Finance & Advisory Services	Hong Kong	$ Ordinary shares	100
The following company has the address of 30 Rue Schrobilgen, 2526, Luxembourg				
Standard Chartered Financial Services (Luxembourg) S.A.	Banking services	Luxembourg	€25.00 Ordinary shares	100
The following company has the address of Jiron Huascar 2055, Jesus Maria, Lima 15072, Peru				
Banco Standard Chartered en Liquidacion	Financial counselling services	Peru	$75.133 Ordinary shares	100
The following company has the address of Luis Alberto de Herrera 1248, Torre II, Piso 11, Esc. 1111, Uruguay				
Standard Chartered Uruguay Representacion S.A.	Leasing Business	Uruguay	UYU1.00 Ordinary shares	100
The following company has the address of C/O Teneo Financial Advisory Limited, 156 Great Charles Street, Queensway, Birmingham, West Midlands, B3 3HN, United Kingdom				
Standard Chartered Leasing (UK) 2 Limited	Investment Holding Entity	United Kingdom	$1.00 Ordinary shares	100
The following company has the address of C/o WALKERS CORPORATE LIMITED, 190 Elgin Avenue George Town Grand Cayman KY1-9008 , Cayman Islands				
Sirat Holdings Limited	Leasing Business	Cayman Islands	$0.01 Ordinary shares	100
The following company has the address of TMF Trust Labuan Limited, Brumby Centre, Lot 42,, Jalan Muhibbah, 87000 Labuan F.T., Malaysia				
Pembroke Leasing (Labuan) 3 Berhad	Investment Holding Company	Malaysia	$ Ordinary shares	100

40. Related undertakings of the Group continued

In liquidation continued

Subsidiary Undertakings continued

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of c/o Ocorian Corporate Services (Mauritius) Ltd, 6th Floor, Tower A, 1 Cybercity, Ebene, 72201, Mauritius				
Standard Chartered Financial Holdings	Investment Holding Company	Mauritius	$1.00 Ordinary shares	100
The following company has the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria				
Cherroots Nigeria Limited	Investment Holding Company	Nigeria	NGN1.00 Ordinary Shares	100

Liquidated/dissolved/sold

Subsidiary Undertakings

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Unit 605-08, 6/F Wing On Centre, 111 Connaught Road, Central, Sheung Wan, Hong Kong				
Actis Jack Holdings (HK) Limited	Investment holding	Hong Kong	$ Class A Ordinary shares	39.6
			$ Class B Ordinary shares	39.6
Actis Young City Holdings (HK) Limited	Investment holding	Hong Kong	$ Class A Ordinary shares	39.6
			$ Class B Ordinary shares	39.6
The following company has the address of 2 More London Riverside, London SE1 2JT, United Kingdom				
Bricks (M) LP1	Investment Holding Company	United Kingdom	Limited Partnership interest	100
The following company has the address of 26F, Fortune Financial Centre, #5, Dong San Huan Zhong Lu, Chaoyang District, Beijing, P. R. China.				
Standard Chartered Corporate Advisory Co. Ltd	Corporate Finance & Advisory Services	China	$1.00 Ordinary shares	100
The following company has the address of 13/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong				
Standard Chartered Private Equity Managers (Hong Kong) Limited	Corporate Finance & Advisory Services	Hong Kong	HKD Ordinary shares	100
The following company has the address of Vistra Corporate Services Centre, Ground Floor, NPF Building, Beach Road, Apia, Samoa				
Standard Chartered Nominees (Western Samoa) Limited	Nominee Services	Samoa	$1.00 Ordinary shares	100
The following company has the address of "C/O Teneo Restructuring Limited 156 Great Charles Street Queensway Birmingham West Midlands B3 3HN"				
Compass Estates Limited	Investment holding	United Kingdom	£1.00 Ordinary shares	100
The following company has the address of 32 Molesworth Street, Dublin 2, D02Y512, Ireland				
Inishlynch Leasing Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100

40. Related undertakings of the Group continued

Liquidated/dissolved/sold continued

Subsidiary Undertakings continued

Name and registered address	Activity	Place of Incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Menara Standard Chartered, 3rd Floor, Jl. Prof.Dr. Satrio no. 164, Setiabudi, Jarkarta Selatan, Indonesia				
PT Solusi Cakra Indonesia (dalam likuidasi)	Banking & Financial Services	Indonesia	IDR23,809,600.00 Ordinary shares	99.0
The following company has the address of No. 157 – 157 A, Jakarta Barat, 11130, Indonesia.				
PT. Price Solutions Indonesia (dalam likuidasi)	Direct Sales/Collection Services	Indonesia	$100.00 Ordinary shares	100
The following company has the address of Standard Chartered@Chiromo, Number 48, Westlands Road, P. O. Box 30003 - 00100, Nairobi, Kenya				
Standard Chartered Management Services Limited	Investment Management	Kenya	KES20.00 Ordinary shares	100
The following company has the address of M6-2701, West 27Fl, Suha-dong, 26, Eulji-ro 5-gil, Jung-gu, Seoul, Korea, Republic of				
Resolution Alliance Korea Ltd	Investment Management	Korea, Republic of	KRW5,000.00 Ordinary shares	100
The following company has the address of 8 Marina Boulevard, Level 27, Marina Bay Financial Centre, Tower 1, 018981, Singapore				
Standard Chartered (2000) Limited	Others	Singapore	SGD1.00 Ordinary shares	100
The following company has the address of C/o IQ EQ Corporate Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, 11324, Mauritius				
FAI Limited	Investment Advisory services	Mauritius	$1.00 Ordinary shares	76.5
The following company has the address of Standard Chartered Bank France, 32 Rue de Monceau,75008, Paris, France				
Pembroke Lease France SAS	Leasing Business	France	€1.00 Ordinary shares	100
The following company has the address of Level 26, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia				
Popular Ambience Sdn Bhd	To undertake investments in non-performing loans	Malaysia	RM Ordinary shares	100
The following company has the address of 8/Floor, Gloucester Tower , The Landmark, 15 Queen's Road Central, Hong Kong				
Leopard Hong Kong Limited	Holding Company	Hong Kong	$ Ordinary shares	100
The following company has the address of Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia				
House Network SDN BHD	Administration of shared ATM network	Malaysia	RM1.00 Ordinary shares	25.0

Supplementary information

Celebrating our Community Champions

This year, we are celebrating the inspiring employee volunteering (EV) work undertaken by our colleagues.

Employee volunteering is a core component of our community engagement and runs through our DNA. It enables our employees to do the right thing and strengthens their relationships with our communities as well as each other. Each employee is entitled to up to four days of paid volunteering leave a year, which can be used for bank-wide initiatives or supporting charitable causes of their choice.

With thousands of EV hours undertaken globally, here are three champions who are truly here for good.

Creating a cultural exchange for good

Meet Arie Vidi N Nurcholis, Indonesia

Arie mobilised his Client Acquisitions and Client Care Centre team of 400 people to volunteer together.

With over 90 per cent of his colleagues being Muslim, they came together to support their local orphanage during Ramadan. They provided daily breakfasts and rolled up their sleeves to help with the building and maintenance work at the orphanage.

As part of their cultural exchange, at the end of the year, they also supported an annual Christmas gathering at a local catholic orphanage, providing food and gifts to the children.

This work not only brought their team together but uplifted the children they visited.

Mentoring the next generation of leaders

Meet Chantele Pereira, United States

Chantele worked on a number of initiatives in 2022 aimed at nurturing the next generation of leaders. She led our Women in Tech programme in the Americas, specifically our #Bossgirls initiative, which is an entrepreneurship bootcamp for high schoolers in the United States. As part of her work, she managed volunteer recruitment and taught financial education as part of the curriculum.

Chantele also mentored students in the Leadership Enterprise for a Diverse America programme. The programme aims to diversify the talent pipeline by helping high school students from under-resourced communities gain entry to the nation's most selective colleges.

Antony of trees plants seedlings in Kenya

Meet Antony Ngure, Kenya

When our team in Kenya entered a partnership with the Nairobi Arboretum Conservancy Community Forest Association and committed to creating a tree nursery of 1 million seedlings by 2024, Antony was determined to help. Antony mobilised 367 team members to help plant seedlings. This translated to 32 per cent staff participation in EV, in Kenya. He also led the distribution of 23,000 seedlings to the participants of our second sustainable marathon in 2022 – up from 5,000 seedlings distributed in 2021.

His commitment to the environment earned him the nickname – Antony wa miti (Antony of trees).

Supplementary financial information

Five-year summary

	2022 $million	2021 $million	2020 $million	2019 $million	2018 $million
Operating profit before impairment losses and taxation	**5,405**	3,777	4,374	4,484	3,142
Impairment losses on loans and advances and other credit risk provisions	**(836)**	(254)	(2,325)	(908)	(653)
Other impairment	**(425)**	(372)	(98)	(136)	(182)
Profit before taxation	**4,286**	3,347	1,613	3,713	2,548
Profit/(loss) attributable to shareholders	**2,948**	2,315	724	2,303	1,054
Loans and advances to banks[1]	**39,519**	44,383	44,347	53,549	61,414
Loans and advances to customers[1]	**310,647**	298,468	281,699	268,523	256,557
Total assets	**819,922**	827,818	789,050	720,398	688,762
Deposits by banks[1]	**28,789**	30,041	30,255	28,562	29,715
Customer accounts[1]	**461,677**	474,570	439,339	405,357	391,013
Shareholders' equity	**43,162**	46,011	45,886	44,835	45,118
Total capital resources[2]	**63,731**	69,282	67,383	66,868	65,353
Information per ordinary share					
Basic earnings/(loss) per share	**85.9c**	61.3c	10.4c	57.0c	18.7c
Underlying earnings per share	**101.1c**	85.8c[3]	36.1c	75.7c	61.4c
Dividends per share[4]	**18c**	12.0c	–	22.0c	17.0c
Net asset value per share	**1,453.3c**	1,456.4c	1,409.3c	1,358.3c	1,319.3c
Net tangible asset value per share	**1,249.0c**	1,277.0c	1,249.0c	1,192.5c	1,167.7c
Return on assets[5]	**0.4%**	0.3%	0.1%	0.3%	0.3%
Ratios					
Statutory return on ordinary shareholders' equity	**6.0%**	4.2%	0.8%	4.2%	1.4%
Statutory return on ordinary shareholders' tangible equity	**6.8%**	4.8%	0.9%	4.8%	1.6%
Underlying return on ordinary shareholders' equity	**6.9%**	5.9%[3]	2.6%	5.6%	4.6%
Underlying return on ordinary shareholders' tangible equity	**8.0%**	6.8%[3]	3.0%	6.4%	5.1%
Statutory cost to income ratio (excluding UK bank levy)	**66.3%**	73.6%	68.1%	68.7%	76.6%
Statutory cost to income ratio (including UK bank levy)	**66.9%**	74.3%	70.4%	70.9%	78.8%
Underlying cost to income ratio (excluding UK bank levy)	**65.5%**	69.8%	66.4%	65.9%	67.7%
Underlying cost to income ratio (including UK bank levy)	**66.2%**	70.5%	68.7%	68.2%	69.9%
Capital ratios:					
CET1[6]	**14.0%**	14.1%	14.4%	13.8%	14.2%
Total capital[6]	**21.7%**	21.3%	21.2%	21.2%	21.6%

1 Excludes amounts held at fair value through profit or loss

2 Shareholders' funds, non-controlling interests and subordinated loan capital

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

4 Dividend paid during the year per share

5 Represents profit attributable to shareholders divided by the total assets of the Group

6 Unaudited

Analysis of underlying performance by key market

The following tables provide information for key markets in which the Group operates. The numbers are prepared on a management view. Refer to Note 2 for details.

	2022									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	3,715	1,143	1,155	475	1,915	1,227	214	629	1,023	1,029
Operating expenses	(2,022)	(731)	(841)	(335)	(1,081)	(763)	(183)	(368)	(742)	(602)
Operating profit before impairment losses and taxation	1,693	412	314	140	834	464	31	261	281	427
Credit impairment	(579)	(55)	(200)	(15)	84	(31)	4	81	35	13
Other impairment[3]	(38)	(1)	(3)	(1)	(2)	(1)	–	–	35	–
Profit from associates and joint ventures	–	–	179	–	–	–	–	–	–	–
Underlying profit before taxation	1,076	356	290	124	916	432	35	342	351	440
Total assets employed	171,086	68,903	39,508	21,919	97,914	30,412	5,237	19,624	187,832	67,019
Of which: loans and advances to customers[1]	85,359	49,264	15,652	11,283	59,872	15,025	2,403	7,913	39,356	19,951
Total liabilities employed	165,499	58,992	33,124	20,216	104,320	23,210	4,257	16,256	140,160	64,825
Of which: customer accounts[1]	138,713	43,620	24,347	18,509	79,409	15,199	2,924	12,710	104,482	28,424

	2021									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia[2] $million	UAE $million	UK $million	US $million
Operating income	3,440	1,102	1,087	493	1,608	1,282	213	546	895	818
Operating expenses	(2,008)	(772)	(765)	(362)	(1,054)	(744)	(180)	(362)	(721)	(533)
Operating profit before impairment losses and taxation	1,432	330	322	131	554	538	33	184	174	285
Credit impairment	(251)	(14)	(49)	(4)	88	(23)	(3)	58	58	27
Other impairment[3]	–	2	–	–	(1)	1	–	–	96	–
Profit from associates and joint ventures	–	–	175	–	–	–	–	–	–	–
Underlying profit before taxation	1,181	318	448	127	641	516	30	242	328	312
Total assets employed	177,460	67,311	37,908	23,349	94,881	28,416	4,837	19,224	193,807	68,148
Of which: loans and advances to customers[1]	89,063	45,323	18,014	12,363	56,454	14,991	2,257	8,937	52,878	19,375
Total liabilities employed	166,727	58,406	35,637	21,790	93,884	20,509	3,769	13,922	149,064	70,648
Of which: customer accounts[1]	141,256	47,867	27,618	20,281	75,154	14,730	2,622	11,466	105,490	37,407

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

2 Indonesia performance has been presented including Nexus for current year and prior year

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

Analysis of operating income by product and segment

The following tables provide a breakdown of the Group's underlying operating income by product and client segment.

	2022				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Transaction Banking	3,801	124	–	–	3,925
Trade & Working capital	1,315	56	–	–	1,371
Cash Management	2,486	68	–	–	2,554
Financial Markets	5,728	–	–	–	5,728
Macro Trading	2,962	–	–	–	2,962
Credit Markets	1,696	–	–	–	1,696
Credit Trading	506	–	–	–	506
Financing Solutions & Issuance	1,190	–	–	–	1,190
Structured Finance	408	–	–	–	408
Financing & Securities Services	620	–	–	–	620
DVA	42	–	–	–	42
Lending & Portfolio Management	525	37	–	–	562
Wealth Management	1	1,801	–	–	1,802
Retail Products	1	4,054	13	–	4,068
CCPL and other unsecured lending	–	1,194	22	–	1,216
Deposits	1	2,052	(9)	–	2,044
Mortgage & Auto	–	635	–	–	635
Other Retail Products	–	173	–	–	173
Treasury	–	–	5	343	348
Other	(11)	–	11	(178)	(178)
Total underlying operating income	**10,045**	**6,016**	**29**	**165**	**16,255**

	2021 (Restated)[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Transaction Banking	2,793	93	–	–	2,886
Trade & Working capital	1,390	57	–	–	1,447
Cash Management	1,403	36	–	–	1,439
Financial Markets	4,899	–	–	–	4,899
Macro Trading	2,216	–	–	–	2,216
Credit Markets	1,790	–	–	–	1,790
Credit Trading	437	–	–	–	437
Financing Solutions & Issuance	1,353	–	–	–	1,353
Structured Finance	491	–	–	–	491
Financing & Securities Services	387	–	–	–	387
DVA	15	–	–	–	15
Lending & Portfolio Management	725	34	–	–	759
Wealth Management	1	2,224	–	–	2,225
Retail Products	1	3,360	(3)	–	3,358
CCPL and other unsecured lending	–	1,271	1	–	1,272
Deposits	1	863	(4)	–	860
Mortgage & Auto	–	1,036	–	–	1,036
Other Retail Products	–	190	–	–	190
Treasury	–	–	–	698	698
Other	(12)	24	4	(128)	(112)
Total underlying operating income	8,407	5,735	1	570	14,713

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

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

Insured and uninsured deposits

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

	2022		2021	
	Bank deposits $million	Customer accounts $million	Bank deposits $million	Customer accounts $million
Insured deposits	**28**	**60,008**	90	62,095
Current accounts	**8**	**16,373**	10	19,182
Savings deposits	**–**	**26,973**	–	30,866
Time deposits	**20**	**16,599**	80	11,825
Other deposits	**–**	**63**	–	222
Uninsured deposits	**36,795**	**460,221**	38,357	480,360
Current accounts	**22,425**	**144,931**	25,599	160,519
Savings deposits	**–**	**90,937**	–	116,466
Time deposits	**6,870**	**176,090**	5,223	142,756
Other deposits	**7,500**	**48,263**	7,535	60,619
Total	**36,823**	**520,229**	38,447	542,455

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 customer deposits are Hong Kong, Korea and Singapore, which provide insurance for deposits up to HKD 500,000, KRW 50,000,000 and SGD 75,000, respectively, in each case based on the total relationship value.

UK and non-UK deposits

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.

	2022		2021	
	Bank deposits $million	Customer accounts $million	Bank deposits $million	Customer accounts $million
UK deposits	**4,163**	**38,557**	3,078	31,686
Current accounts	**903**	**8,955**	1,711	11,210
Savings deposits	**–**	**420**	–	306
Time deposits	**1,004**	**6,760**	112	7,666
Other deposits	**2,256**	**22,422**	1,255	12,504
Non-UK deposits	**32,660**	**481,672**	35,369	510,769
Current accounts	**21,530**	**152,349**	23,898	168,491
Savings deposits	**–**	**117,490**	–	147,026
Time deposits	**5,886**	**185,929**	5,191	146,915
Other deposits	**5,244**	**25,904**	6,280	48,337
Total	**36,823**	**520,229**	38,447	542,455

Contractual maturity of Loans, Investment securities and Deposits

	2022						
	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	**60,132**	**208,691**	**42,269**	**47,193**	**–**	**35,240**	**508,125**
Between one and five years	**3,630**	**52,563**	**482**	**63,523**	**–**	**1,576**	**10,281**
Between five and ten years	**411**	**18,067**	**–**	**20,078**	**–**	**7**	**694**
Between ten years and fifteen years	**92**	**13,305**	**–**	**12,921**	**–**	**–**	**598**
More than fifteen years and undated	**184**	**65,104**	**–**	**15,720**	**4,037**	**–**	**531**
Total	**64,449**	**357,730**	**42,751**	**159,435**	**4,037**	**36,823**	**520,229**
Total amortised cost and FVOCI exposures:	**39,519**	**310,647**					
Fixed interest rate exposures	**36,218**	**170,609**					
Floating interest rate exposures	**3,301**	**140,038**					

	2021						
	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	63,741	215,065	21,493	42,653	–	38,121	533,319
Between one and five years	2,921	57,690	532	79,081	–	322	7,009
Between five and ten years	143	16,744	–	24,214	–	3	861
Between ten years and fifteen years	1	14,493	–	7,436	–	–	687
More than fifteen years and undated	151	65,711	–	16,716	6,598	1	579
Total	66,957	369,703	22,025	170,100	6,598	38,447	542,455
Total amortised cost and FVOCI exposures:	44,383	298,468					
Fixed interest rate exposures	40,618	155,948					
Floating interest rate exposures	3,765	142,520					

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

	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	**2,208**	**1.58**	**5,437**	**1.41**	**6,317**	**1.32**	**4,498**	**3.47**	**18,460**	**1.90**
– UK	**–**	**–**	**85**	**1.98**	**60**	**0.50**	**47**	**0.90**	**192**	**1.26**
– Other	**3,599**	**2.71**	**9,659**	**1.98**	**3,541**	**2.24**	**44**	**4.00**	**16,843**	**2.19**
Other debt securities	**4,752**	**4.53**	**2,869**	**5.07**	**1,454**	**4.09**	**15,144**	**3.55**	**24,219**	**3.96**
As at 31 December 2022	**10,559**	**3.29**	**18,050**	**2.30**	**11,372**	**1.96**	**19,733**	**3.53**	**59,714**	**2.82**

	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	270	1.72	5,609	1.33	6,476	1.28	3,418	3.00	15,772	1.68
– UK	–	–	49	2.67	114	0.81	52	0.91	215	1.26
– Other	1,813	1.17	6,366	1.32	1,485	1.56	–	–	9,665	1.33
Other debt securities	2,033	5.64	1,877	4.51	1,696	3.08	10,067	0.95	15,673	2.28
As at 31 December 2021	4,116	3.41	13,901	1.76	9,771	1.63	13,537	1.47	41,325	1.82

The maturity distributions are presented in the above table on the basis of 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 volume and price variances

Average balance sheets and yields

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

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

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

The following tables set out the average balances and yields for the Group's assets and liabilities for the periods ended 31 December 2022 and 31 December 2021 under the revised definition of net interest margin. For the purpose of these tables, average balances have been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. The Group does not believe that the information presented in these tables would be significantly different had such balances been determined on a daily basis.

Average assets

	2022				
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	19,700	54,503	765	1.40	1.03
Gross loans and advances to banks	29,576	42,953	853	1.99	1.18
Gross loans and advances to customers	61,480	306,880	10,168	3.31	2.76
Impairment provisions against loans and advances to banks and customers	–	(5,867)	–	–	–
Investment securities – Treasury and Other Eligible Bills	5,564	25,924	630	2.43	2.00
Investment securities – Debt Securities	23,618	140,977	2,836	2.01	1.72
Investment securities – Equity Shares	4,152	–	–	–	–
Property, plant and equipment and intangible assets	8,821	–	–	–	–
Prepayments, accrued income and other assets	142,599	–	–	–	–
Investment associates and joint ventures	2,152	–	–	–	–
Total average assets	**297,662**	**565,370**	**15,252**	**2.70**	**1.77**

	2021				
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	23,612	55,991	92	0.16	0.12
Gross loans and advances to banks	22,335	45,953	490	1.07	0.72
Gross loans and advances to customers	56,582	307,552	7,574	2.46	2.08
Impairment provisions against loans and advances to banks and customers	–	(6,013)	–	–	–
Investment securities – Treasury and Other Eligible Bills	4,891	21,082	302	1.43	1.16
Investment securities – Debt Securities	22,778	134,843	1,788	1.33	1.13
Investment securities – Equity Shares	4,581	–	–	–	–
Property, plant and equipment and intangible assets	8,869	–	–	–	–
Prepayments, accrued income and other assets	111,564	–	–	–	–
Investment associates and joint ventures	2,330	–	–	–	–
Total average assets	257,542	559,408	10,246	1.83	1.25

Average liabilities

Average liabilities	2022 Average non-interest bearing balance $million	Average interest-bearing balance $million	Interest expense $million	Rate paid %	Rate paid total balance %
Deposits by banks	**17,039**	**27,241**	**433**	**1.59**	**0.98**
Customer accounts:					
Current accounts	**51,375**	**132,709**	**1,480**	**1.12**	**0.80**
Savings deposits	**–**	**131,571**	**832**	**0.63**	**0.63**
Time deposits	**11,586**	**152,118**	**3,021**	**1.99**	**1.85**
Other deposits	**52,962**	**5,094**	**110**	**2.16**	**0.19**
Debt securities in issue	**6,720**	**60,559**	**1,169**	**1.93**	**1.74**
Accruals, deferred income and other liabilities	**147,814**	**1,065**	**44**	**4.13**	**0.03**
Subordinated liabilities and other borrowed funds	**–**	**14,994**	**570**	**3.80**	**3.80**
Non-controlling interests	**312**	**–**	**–**	**–**	**–**
Shareholders' funds	**49,873**	**–**	**–**	**–**	**–**
	337,681	**525,351**	**7,659**	**1.46**	**0.89**
Adjustment for Financial Markets funding costs			**(463)**		
Financial guarantee fees on interest-earning assets			**80**		
Total average liabilities and shareholders' funds	**337,681**	**525,351**	**7,276**	**1.38**	**0.84**

Average liabilities	2021 Average non-interest bearing balance $million	Average interest-bearing balance $million	Interest expense $million	Rate paid %	Rate paid total balance %
Deposits by banks	18,486	27,402	136	0.50	0.30
Customer accounts:					
Current accounts	51,104	120,477	462	0.38	0.27
Savings deposits	–	141,714	386	0.27	0.27
Time deposits	9,590	141,652	1,306	0.92	0.86
Other deposits	45,068	7,715	42	0.54	0.08
Debt securities in issue	6,288	59,135	566	0.96	0.87
Accruals, deferred income and other liabilities	115,477	1,149	53	4.61	0.05
Subordinated liabilities and other borrowed funds	–	16,525	497	3.01	3.01
Non-controlling interests	343	–	–	–	–
Shareholders' funds	51,307	–	–	–	–
	297,663	515,769	3,448	0.67	0.42
Adjustment for Financial Markets funding costs			(97)		
Financial guarantee fees on interest-earning assets			99		
Total average liabilities and shareholders' funds	297,663	515,769	3,450	0.67	0.42

Net interest margin

	2022 $million	2021 $million
Interest income (statutory)	**15,252**	10,246
Average interest-earning assets	**565,370**	559,408
Gross yield (%)	**2.70**	1.83
Interest expense (statutory)	**7,659**	3,448
Adjustment for Financial Markets funding costs	**(463)**	(97)
Financial guarantee fees on interest-earing assets	**80**	99
Adjusted interest expense used to fund financial instruments held at fair value	**7,276**	3,450
Average interest-bearing liabilities	**525,351**	515,769
Rate paid (%)	**1.38**	0.67
Net yield (%)	**1.32**	1.16
Net interest income adjusted for Financial Markets funding costs and Financial guarantee fees on interest-earing assets	**7,976**	6,796
Net interest margin (%)	**1.41**	1.21

Volume and price variances

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

	2022 versus 2021		
	(Decrease)/increase in interest due to:		Net increase/ (decrease) in interest $million
	Volume $million	Rate $million	
Interest-earning assets			
Cash and unrestricted balances at central banks	(21)	694	673
Loans and advances to banks	(60)	423	363
Loans and advances to customers	(17)	2,611	2,594
Investment securities	228	1,148	1,376
Total interest-earning assets	130	4,876	5,006
Interest-bearing liabilities			
Subordinated liabilities and other borrowed funds	(58)	131	73
Deposits by banks	(3)	300	297
Customer accounts:			
Current accounts and savings deposits	18	1,428	1,446
Time and other deposits	157	1,635	1,792
Debt securities in issue	27	576	603
Total interest-bearing liabilities	141	4,070	4,211

	2021 versus 2020		
	(Decrease)/increase in interest due to:		Net increase/ (decrease) in interest $million
	Volume $million	Rate $million	
Interest-earning assets			
Cash and unrestricted balances at central banks	21	(42)	(21)
Loans and advances to banks	(87)	(224)	(311)
Loans and advances to customers	418	(1,402)	(984)
Investment securities	158	(888)	(730)
Total interest-earning assets	510	(2,556)	(2,046)
Interest-bearing liabilities			
Subordinated liabilities and other borrowed funds	11	(151)	(140)
Deposits by banks	1	(102)	(101)
Customer accounts:			
Current accounts and savings deposits	123	(420)	(297)
Time and other deposits	(50)	(1,134)	(1,184)
Debt securities in issue	65	(335)	(270)
Total interest-bearing liabilities	150	(2,142)	(1,992)

Supplementary people information

Global[1]	2022	2021	2020	% change
Full-time equivalent (FTE)	**83,195**	81,904	83,601	1.6
Headcount (year end)	**83,266**	81,957	83,657	1.6
Employed workers (permanent)	**82,319**	80,605	82,084	2.1
of which female	**37,259**	36,644	37,245	1.7
Fixed-term workers (temporary)	**947**	1,352	1,573	(30.0)
of which female	**429**	637	768	(32.7)
Non-employed workers (NEW)	**13,962**	13,845	11,632	0.8
Non-outsourced NEW[2]	**5,873**	6,130	5,765	(4.2)
Outsourced NEW[3]	**8,089**	7,715	5,867	4.8
Headcount (12-month average)	**82,987**	82,736	84,740	0.3
Male				
FTE	**44,709**	44,033	45,198	1.5
Headcount	**44,734**	44,045	45,210	1.6
Full-time	**44,683**	44,002	45,172	1.5
Part-time	**51**	43	38	18.6
Female				
FTE	**37,642**	37,240	37,969	1.1
Headcount	**37,688**	37,281	38,013	1.1
Full-time	**37,551**	37,138	37,860	1.1
Part-time	**137**	143	153	(4.2)
Undisclosed[4]				
FTE	**844**	631	434	33.7
Headcount	**844**	631	434	33.8
Full-time	**843**	630	433	33.8
Part-time	**1**	1	1	–
Nationalities	**131**	132	131	(0.8)

Position type	2022	2021	2020	% change
Executive and non-executive director	**14**	13	13	7.7
of which female	**6**	4	4	50.0
Management team and their direct reports[5]	**131**	116	129	12.9
of which female	**43**	33	41	30.3
Senior leadership[6]	**4,422**	4,227	4,196	4.6
of which female	**1,420**	1,299	1,236	9.3
Rest of employees	**78,844**	77,730	79,461	1.4
of which female	**36,268**	35,982	36,777	0.8

Employment type[7]	2022	2021	2020	% change
Business FTE	**30,589**	30,921	35,071	(1.1)
Business headcount	**30,619**	30,940	35,093	(1.0)
Business female headcount	**15,794**	15,997	18,079	(1.3)
Support services FTE	**52,607**	50,983	48,530	3.2
Support services headcount	**52,647**	51,017	48,564	3.2
Female support services headcount	**21,894**	21,284	19,934	2.9

Region	2022	2021	2020	% change
Asia FTE	**69,329**	67,840	68,357	2.2
Asia headcount	**69,364**	67,870	68,385	2.2
Asia female headcount	**32,033**	31,470	31,610	1.8
Asia employed workers headcount	**68,585**	66,968	67,449	2.4
Asia fixed-term workers headcount	**779**	902	936	(13.6)
Asia full-time headcount	**69,257**	67,774	68,300	2.2
Asia part-time headcount	**107**	96	85	11.5
AME FTE	**8,905**	9,372	10,694	(5.0)
AME headcount	**8,921**	9,373	10,695	(4.8)
AME female headcount	**3,918**	4,100	4,652	(4.4)
AME employed workers headcount	**8,813**	8,999	10,139	(2.1)
AME fixed-term workers headcount	**108**	374	556	(71.1)
AME full-time headcount	**8,917**	9,369	10,691	(4.8)
AME part-time headcount	**4**	4	4	–
EA FTE	**4,962**	4,691	4,550	5.8
EA headcount	**4,981**	4,714	4,577	5.7
EA female headcount	**1,737**	1,711	1,751	1.5
EA employed workers headcount	**4,921**	4,638	4,496	6.1
EA fixed-term workers headcount	**60**	76	81	(21.1)
EA full-time headcount	**4,903**	4,627	4,474	6.0
EA part-time headcount	**78**	87	103	(10.3)

Age	2022	2021	2020	% change
< 30 years FTE	**13,826**	14,063	15,979	(1.7)
< 30 years headcount	**13,836**	14,069	15,984	(1.7)
< 30 years female headcount	**7,397**	7,623	8,409	(3.0)
30–50 years FTE	**61,651**	60,891	60,881	1.2
30–50 years headcount	**61,691**	60,919	60,912	1.3
30–50 years female headcount	**26,870**	26,583	26,641	1.1
> 50 years FTE	**7,718**	6,949	6,741	11.1
> 50 years headcount	**7,739**	6,969	6,761	11.0
> 50 years female headcount	**3,421**	3,075	2,963	11.3

Talent management[8]	2022	2021	2020	% change
Global voluntary turnover – FTE	**12,645**	10,214	6,001	23.8
Global turnover – FTE	**14,388**	13,160	8,088	9.3
Global voluntary turnover rate (%)	**15.5%**	12.6%	7.2%	22.9
Global turnover rate (%)	**17.6%**	16.2%	9.7%	8.6
Male turnover FTE	**8,021**	7,332	4,386	9.4
Male (%)	**18.2%**	16.7%	9.8%	9.0
Female turnover FTE	**6,230**	5,736	3,673	8.6
Female (%)	**16.8%**	15.6%	9.7%	8.0
Asia turnover FTE	**12,501**	11,004	6,588	13.6
Asia (%)	**18.4%**	16.4%	9.7%	12.1
AME turnover FTE	**1,046**	1,454	1,046	(28.1)
AME (%)	**11.7%**	15.4%	9.8%	(23.9)
EA turnover FTE	**841**	703	454	19.6
EA (%)	**17.7%**	15.5%	10.2%	14.6
< 30 years turnover FTE	**4,137**	3,712	2,561	11.5
< 30 years (%)	**30.5%**	26.1%	15.0%	17.2
30–50 years turnover FTE	**9,303**	8,144	4,765	14.2
30–50 years (%)	**15.2%**	13.5%	8.0%	12.7
> 50 years turnover FTE	**947**	1,304	762	(27.4)
> 50 years (%)	**13.1%**	19.3%	12.1%	(31.8)
Average tenure (years) – male	**7.1**	7.2	7.1	(1.4)
Average tenure (years) – female	**7.6**	7.7	7.6	(1.3)
Global new hires – FTE	**17,432**	12,660	8,639	37.7
Global new hire rate (%)	**21.0%**	15.3%	10.2%	37.3
Male new hire FTE	**9,683**	6,758	4,963	43.3
Male (%)	**21.7%**	15.2%	10.9%	43.2
Female new hire FTE	**7,384**	5,580	3,423	32.3
Female (%)	**19.6%**	14.9%	8.9%	32.2
Asia new hire FTE	**15,441**	11,387	7,591	35.6
Asia (%)	**22.4%**	16.7%	11.0%	33.9
AME new hire FTE	**934**	431	366	116.7
AME (%)	**10.2%**	4.3%	3.3%	135.8
EA new hire FTE	**1,056**	842	682	25.5
EA (%)	**21.9%**	18.2%	15.1%	20.5
< 30 years new hire FTE	**7,673**	5,857	4,020	31.0
< 30 years (%)	**54.7%**	39.6%	22.6%	38.2
30–50 years new hire FTE	**9,357**	6,514	4,433	43.7
30–50 years (%)	**15.2%**	10.7%	7.3%	42.3
> 50 years new hire FTE	**401**	290	186	38.7
> 50 years (%)	**5.4%**	4.2%	2.9%	30.4
Roles filled internally (%)	**37.3%**	40.8%	39.6%	(8.6)
of which filled by females (%)	**41.0%**	42.8%	41.1%	(4.1)
Absenteeism rate[9] (%)	**1.4%**	1.6%	1.3%	(12.9)

Learning[10]	**2022**	2021	2020	% change
Employees receiving training (%)	**99.5%**	99.4%	99.5%	0.1
Employees receiving training for personal development (%)	**91.6%**	91.7%	91.5%	(0.1)
Female (%)	**90.0%**	91.2%	89.9%	(1.3)
Senior leadership (%)[6]	**94.9%**	96.2%	94.5%	(1.4)
Average number of training hours per employee	**36.6**	37.6	31.8	(2.6)
Female	**35.2**	36.9	30.3	(4.6)
Male	**37.7**	38.0	32.0	(0.8)
Employed workers	**36.8**	37.6	31.9	(2.2)
Fixed-term workers	**21.9**	34.0	27.3	(35.8)
Average cost of training per employee ($)[11]	**743**	708	567	5.0

Work-related Health & Safety	**2022**	2021	2020	% change
Fatalities[12]	**1**	0	1	–
Fatalities (rate per million hours worked)	**0.01**	0	0.01	–
Major injuries[12,13,14,15]	**21**	24	23	(12.5)
Major injuries (rate per million hours worked[16])	**0.11**	0.13	0.12	(15.2)
Recordable work-related injuries[17]	**83**	79	84	5.1
Recordable work-related injuries (rate per million hours worked[16])	**0.44**	0.43	0.45	2.8
Work-related ill-health (fatalities)	**0**	0	0	–

1 Excludes 453 employees (headcount) from Digital Ventures entities (Autumn, Cardspal, TASConnect, Zodia, Solv, Appro). Excludes 331 Person of Interest (headcount) following a recategorisation of worker types from 2022, i.e. independent non-executive directors, advisers, external auditors and regulators. Percentage change refers to the percentage change from 2021 to 2022

2 Non-outsourced NEWs are resources engaged on a time and materials basis where task selection and supervision is the responsibility of the Bank, such as agency workers. References to total number of colleagues in this report include employees plus non-outsourced NEWs

3 Outsourced NEWs are arrangements with a third-party vendor where the delivery is based on a specific service or outcome at an agreed price, irrespective of the number of resources required to perform the service. These resources are not considered as the Group's headcount

4 The disclosure of gender information is not mandatory in some markets

5 Management Team (MT) and colleagues who report to them, excluding administrative or executive support roles (personal assistant, business planning managers). Includes Group Head of Internal Audit

6 Senior leadership is defined as Managing Directors and Bands 4 (including Management Team)

7 As part of the ongoing execution of its refreshed strategy, the Group has reorganised its reporting structure with the creation of a third client segment, Ventures, in 2022. Prior periods have been restated for a meaningful comparison

8 Turnover metrics are based on permanent employed workers only. New hire metrics are based on external new hires. Turnover and new hire metrics for the undisclosed gender population is not shown due to small population size. In 2022, we have updated turnover and new hire metrics based on average 12-month FTE and prior periods have been refreshed accordingly

9 Represents health and disability related absence, including quarantine and vaccination leave in respect of COVID-19. Excludes Korea

10 Learning metrics exclude non-employed workers (NEWs). Training for personal development is defined as all training excluding mandatory or role specific training

11 Average cost of training per employee includes cost of learning management system

12 Includes commuting

13 Per UK HSE definition

14 Most common types of major injury are fractures (21%)

15 2022 includes 1 contractor/visitor. 2021 includes 4 contractors/visitors. 2020 includes 1 contractor/visitor

16 2022 hours worked = 188,758,285 hours worked. 2021 hours worked = 184,997,097. 2020 hours worked = 185,313,634

17 2022 includes 18 contractors/visitors. 2021 includes 23 contractors/visitors. 2020 includes 14 contractors/visitors

Supplementary sustainability information

Pillar 1: Business

Employees trained in environmental and social risk management

	FY'22	FY'21	FY'20
Employees trained[1]	**4,944**	1,280	1,604

1 Employees targeted for training are those in client-facing roles and relevant support teams. For 2022, this figure also includes our ESRM e-learning

Environmental and social risk management

	FY'22	FY'21	FY'20
Number of transactions reviewed	**550**	547	402
Number of clients reviewed	**1,170**	786	688
Client exits due to non-compliance with Position Statements	**14**		4

Equator Principles

	Project finance mandates			Project-related corporate loans			Project-related refinance[4]			Project advisory mandates[6]
	Cat A[1]	Cat B[2]	Cat C[3]	Cat A	Cat B	Cat C	Cat A	Cat B	Cat C	
Total 2020	4.0	8.0	–	2.0	1.0	–	–	–	–	–
Total 2021	8.0	12.0	3.0	1.0	6.0	–	–	1.0	–	–
Total 2022	**6.0**	**7.0**	**1.0**	**2.0**	**3.0**	**4.0**	**–**	**–**	**–**	**–**

2022						
Sector	**A**	**B**	**C**	**A**	**B**	**C**
General Manufacturing						**1.0**
Infrastructure	**2.0**	**3.0**	**1.0**	**2.0**	**3.0**	**3.0**
Oil and Gas	**1.0**	**1.0**				
Power	**3.0**	**3.0**				
Region						
Americas	**1.0**	**2.0**	**1.0**			
Asia Pacific	**4.0**	**2.0**		**1.0**	**1.0**	**2.0**
Europe, Middle East & Africa	**1.0**	**3.0**		**1.0**	**2.0**	**2.0**
Designation[5]						
Designated	**1.0**	**4.0**	**1.0**			**1.0**
Non-designated	**5.0**	**3.0**		**2.0**	**3.0**	**3.0**
Independent Review						
Yes	**6.0**	**7.0**	**1.0**	**2.0**	**3.0**	**1.0**
No						**3.0**

1 Cat A or Category A are projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented

2 Cat B or Category B are projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures

3 Cat C or Category C are projects with minimal or no adverse environmental and social risks and/or impacts

4 In line with Equator Principles 4, Standard Chartered now reports those transactions that trigger project-related refinance

5 Designation is split into designated and non-designated countries. Designated countries are deemed by the Equator Principles to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. Non-designated countries are countries that are not found on the list of designated countries. The list of countries can be found at www.equator-principles.com

6 Standard Chartered did not participate in any project advisory mandates that triggered the applicability of the Equator Principles in 2022

Pillar 2: Operations

Environment

	Units	Footnote	2022 Measured	2022 Scaled Up	2021 Measured	2021 Scaled Up	2020 Measured	2020 Scaled Up	2021–2022 % change
Reporting coverage of data									
Offices reporting	No. of offices		**875**	**–**	838	–	756	–	4
Net internal area of occupied property	m^2		**930,327**	**946,234**	976,520	998,571	933,132	1,050,414	(5)
Green lease clause inclusion	%	1	**85**	**–**	85	–	85	–	–
Occupied net internal area where data is collected	%		**98**	**–**	98	–	89	–	–
Headcount	No. of employees	2	**83,266**		80,318	81,957	74,316	83,657	2
Annual operating income from 1 October to 30 September	$ million		**–**	**15,863**	–	–	–	15,233	–
GHG emissions									
Scope 1:									
Scope 1 emissions (combustion of fuels)	tCO_2e		**2,027**	**2,071**	2,834	2,902	3,589	3,988	(29)
Scope 2:									
Scope 2 emissions (purchased electricity – location based)	tCO_2e		**46,345**	**47,363**	80,835	82,761	102,477	113,870	(43)
Scope 2 emissions (purchased electricity – market based)	tCO_2e	3	**41,492**	**42,403**	73,016	74,906	–	–	(43)
Scope 1 & 2[4]:									
Scope 1 & 2 emissions (location based)	tCO_2e		**48,372**	**49,434**	83,669	85,662	106,066	117,858	(42)
Scope 1 & 2 emissions (UK and offshore area only)	tCO_2e		**–**	**–**	–	–	–	–	–
Scope 3:									
Category 1: Purchased goods (Other)	tCO_2e	5, 6	**–**	**380,732**	–	330,224	–	–	–
Purchased goods (global data centres)	tCO_2e	7	**–**	**706**	–	43,132	–	29,562	(98)
Category 2: Capital goods	tCO_2e	5, 6	**–**	**34,496**	–	47,217	–	–	–
Category 3: Fuel-and-energy-related activities	tCO_2e	8	**–**	**–**	–	–	–	–	–
Category 4: Upstream transportation and distribution	tCO_2e	6	**–**	**20,300**	–	20,949	–	–	–
Category 5: Waste generated in operations	tCO_2e	9, 10	**–**	**498**	–	–	–	–	–
Category 6: Business travel (air travel)	tCO_2e	11	**–**	**39,107**	3,410	3,654	31,617	33,930	970
Business travel (miscellaneous other than flights)	tCO_2e	5, 6	**–**	**2,654**	–	4,994	–	–	–
Category 7: Employee commuting	tCO_2e	10, 12	**–**	**61,917**	–	–	–	–	–
Category 8: Upstream leased assets	tCO_2e	13	**–**	**–**	–	–	–	–	–
Category 9: Downstream transportation and distribution	tCO_2e	14	**–**	**–**	–	–	–	–	–
Category 10: Processing of sold products	tCO_2e	15	**–**	**–**	–	–	–	–	–
Category 11: Use of sold products	tCO_2e	15	**–**	**–**	–	–	–	–	–
Category 12: End of life treatment of sold products	tCO_2e	15	**–**	**–**	–	–	–	–	–
Category 13: Downstream leased assets (corporate real estate)	tCO_2e	10, 16	**–**	**8,594**	–	–	–	–	–
Downstream leased assets (leased aircraft)	tCO_2e	10, 17	**–**	**1,671,867**	–	–	–	–	–
Category 14: Franchises	tCO_2e	18	**–**	**–**	–	–	–	–	–
Category 15: Investments	tCO_2e	19	**–**	**58,500,000**	–	45,200,000	–	–	29
Total scope 3	tCO_2e			**60,720,871**		45,650,190		63,492	
Total scope 1, 2 and 3	tCO_2e			**60,770,305**		45,735,852		181,350	

Pillar 2: Operations continued

Environment continued

	Units	Footnote	2022 Measured	2022 Scaled Up	2021 Measured	2021 Scaled Up	2020 Measured	2020 Scaled Up	2021–2022 % change
GHG emissions – Intensity: By $m operating income									
Scope 1 & 2 emissions/ $m operating income	tCO_2e		**–**	**3**	–	6	–	8	(47)
Scope 1, 2 & 3 emissions/ $m operating income	tCO_2e		**–**	**12**	–	36	–	35	(66)
Environmental resource efficiency									
Energy		20							
Indirect non-renewable energy consumption	GWh/year		**140**	**142**	139	142	164	184	(0)
Indirect renewable energy consumption	GWh/year		**23**	**24**	27	28	13	14	(13)
Direct non-renewable energy consumption	GWh/year		**10**	**10**	12	12	15	17	(16)
Direct renewable energy consumption	GWh/year		**1**	**1**	1	1	1	1	29
Energy consumption	GWh/year	21	**174**	**177**	179	183	192	216	(3)
Energy consumption (UK and offshore area only)	GWh/year		**6**	**6**	5	5	–	–	24
Energy consumption/ Headcount	kWH/ headcount/ year		**2,094**	**2,129**	2,229	2,233	2,260	2,544	(5)
Water		22							
Water consumption	ML/year		**265**	**385**	256	384	363	483	0
% water consumption in regions of high or extremely high water stress	%	23	**0**	**–**	30	30	–	–	(100)
Water consumption/ Headcount	m^3/ Headcount/ year		**3**	**5**	3	5	4	6	(2)
Waste		24							
Waste	ktonnes/year		**1**	**2**	2	4	4	5	(54)
Waste/Headcount	kg/ Headcount/ year		**17**	**19**	28	43	43	65	(55)
Waste reused or recycled	%		**35**	**–**	32	–	23	–	–

Footnotes

1 Percentage of green lease clause inclusion in all new and renewed leases within the reporting year

2 Refers to the Group's headcount as at 31 December 2022

3 Market-based data was first reported in 2021 and is unavailable for previous years. All aggregate and intensity emissions figures use location based data as their foundation

4 We use an independent third-party assurance provider to verify our greenhouse gas (GHG) emissions. In 2022, our measured Scope 1 and Scope 2 emissions, as well as waste and water consumption, were assured by Global Documentation Ltd, ensuring the accuracy and credibility of our reporting. All energy consumed in the UK is from verified renewable sources and therefore this is zero

5 Emissions reporting for purchased goods (other), capital goods and miscellaneous travel other than flights for the period 2020 and 2021 was finalised during 2022 and reported in our CDP submission

6 Calculation of category 1: Purchased Goods, category 2: Capital Goods, category 4: Upstream Transportation and Distribution and Category 6: Miscellaneous travel is based on lagged data from the period 1 Jan 2021 to 31 December 2021. Estimated supplier emissions for 2022 expected to be available in Q2 2023

7 The decrease in emissions from data centers was due to the offset of REC's (Renewable Energy Certificate) against the total energy consumption. REC's are a type of Energy Attribute Certificate that represents the environmental attributes of the generation of a one-megawatt hour (MWh) of energy produced by renewable sources ie the proportion of power sourced from a national grid that is produced using renewable energy sources

8 Not relevant. We have no fuel or energy related activities which are not already captured in Scope 1 or 2 submission. Standard Chartered are a financial institution and as such we do not mine, refine, transmit or distribute fuels. there are therefore no losses in said activities. We also do not generate power to sell to market. We only generate power from standby generators for our own consumption. Emissions from this activity is covered under Scope 1 emissions

9 Emissions from waste extrapolated for whole company from measured office data using both landfill and recycled emission factors from Commercial and Industrial Waste sourced from DEFRA

10 Emissions for Category 5: Waste generated in operations, Category 7: Employee Commuting and Category 13: Downstream Leased Assets was measured and reported for the first time in 2022

11 Measured Scope 3 flight emissions are drawn from reliable data collected from 35 countries, based on seating class and distance flown. This data is then scaled up to reflect the portion of the portfolio we do not gather measurements from. As we operate largely outside of the UK, all flights domestic or international with flight distance of less than 785km, labeled by the Department for Business, Energy and Industrial Strategy (DBEIS) as domestic flights, have been classified as short haul. All flights with distance flown ranging from 785 to 3,700km, labeled by DBEIS as short haul have been classified as medium haul. All flights with a distance flown in excess of 3,700km are classified as long haul

12 Commuting and working from home emissions extrapolated for the whole company from a sample survey responses for a selection of sites and countries, which examined distance/mode of transport and heating/cooling at home. The Calculation is based on the Homeworking Emissions Whitepaper, EcoAct 2020

13 Not relevant. Scope 3 emissions from upstream leased assets are not relevant as they are included in Scope 1 and 2 emissions. The Group leases approximately 70% of its portfolio, either whole building or part from Landlords

14 Not relevant. As a financial institution, the Group does not transport or distribute products on a material scale. Most of our products are electronically distributed using technology hosted in third-party data centers, disclosed under Scope 3 Category 1

15 Not relevant. As a provider of financial services, our products are predominantly intangible. Therefore this is not a material source of emissions for our business

16 Emissions derived from real estate downstream leased assets ie those assets owned but not occupied by SCB. Measured and applied with energy use intensity value to create a consumption in kWhs per annum and then multiplied by country emission factor

17 This is the downstream leased assets in the groups aviation portfolio. Scope 1 and 2 emissions have been included

18 Not relevant. The Group does not operate any franchises

19 These are financed emissions of our CCIB lending portfolio. Our financed emissions in 2022 are 58.5 MTCO2e, up from 45.2 MTCO2e in 2021. This was following the inclusion of 3 additional transport sectors into the financed emissions calculation. For further details refer to the Measurement and progress of our financed emissions : sectoral deep dives for further details. Our analysis currently covers 61% of the financed emissions of the CCIB portfolio with further sectors to be added to the analysis in future

20 We measured data from 98% of our properties to calculate our energy use across our properties. This is then scaled up to reflect the portion of the portfolio we do not gather measurements from warehouses, empty land, car parks, unoccupied sites for business continuity purposes, residential properties, space occupied by automated teller machines, vaults and space sub-let to tenants are excluded from this extrapolation. Figures for renewable, non-renewable and total energy in GWh are rounded to one decimal place – therefore some discrepancies in rounded sum totals may arise. Total consumption figures have been verified as accurate from source data. This also applies to previous periods which are therefore restated to the same level of detail. Further detail on the types of energy included within these calculations can be found at sc.com/environmentcriteria

21 This value represents the total energy of heating, cooling and electricity consumption globally. Total energy use is normalised to reflect periods of vacancy in certain sites during the reporting period

22 We measured data from 69% of our properties to calculate our water use across our properties. This is then scaled up to reflect the portion of the portfolio we do not gather measurements from

23 Areas of high and extremely high water stress determined according to WRI Aqueduct tool. As accessed on 27 Jan 2023, these countries are South Africa, Saudi Arabia, Bharain, Oman, Qatar, UAE, Pakistan, India, Thailand, China, Egypt and Türkiye. This is a new reporting addition for 2022

24 We measured data from 92% of our properties to calculate our waste across our properties. This is then scaled up to reflect the portion of the portfolio we do not gather measurements from

Additional notes on environment data

The emissions within our inventory correspond to a reporting period of 1 October 2021 to 30 September 2022. This is to allow sufficient time for independent assurance to be gained prior to the publication of results. Accordingly, the operating income used in this inventory corresponds to the same period rather than the calendar year used in financial reporting. This is consistent with international carbon reporting practice.

We use an independent third-party assurance provider to verify our greenhouse gas (GHG) emissions. Our Scope 1 and 2 emissions are independently assured by Global Documentation, in accordance with ISO 14064.

+ Read our environment reporting criteria at **sc.com/environmentcriteria**

+ Read our independent assurance report at **sc.com/environmentalassurance**

Pillar 2: Operations continued

Supply chain spend

	% of total third-party spend %[1,2]	Number of first tier supplier organisations (with spend in 2022) #[1,2]	Number of local suppliers (by payment market) #[1,2]	Number of global[4] suppliers (by payment market) #[1,2]
Top 10 sourcing locations by % overall spend				
Singapore	37	1,465	971	494
United Kingdom	14	818	512	306
India	11	2,229	2,038	191
Hong Kong	9	769	475	294
China[3]	5	894	779	115
Korea	3	597	568	29
USA	3	266	144	122
United Arab Emirates	2	392	225	167
Malaysia	2	568	427	141
Taiwan	2	492	410	82
Regional spend				
Asia	74	9,059	7,312	1,747
Europe and Americas	18	1,639	997	642
Africa and Middle East	8	3,543	2,610	933
Regional spend				
Technology	44	1,544	1,310	234
Professional Services	18	2,125	1,914	211
Property	15	2,629	2,565	64
Marketing	11	1,858	1,764	94
Human Resources	7	1,417	1,299	118
Banking Operations	3	357	335	22
Travel	2	459	426	33
Office Supplies	1	828	795	33
Others	1	520	511	9

1 Please note that suppliers are counted by generic name (e.g. all DHL legal entities are counted as one DHL)

2 The same supplier may be used in more than one market

3 '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'

4 Suppliers with payments in more than one market

Pillar 3: Communities

Charitable Giving

Total ($million)	FY'22	FY'21	FY'20
Cash contributions	24	28	72
Employee time (non-cash item)	18	11	12
Gifts In Kind (non-cash item)[1]	0	3	1
Management costs	5	5	4
Total (direct investment by the Group)	46	47	89
Leverage[2]	5	2	7
Total (incl. leverage)	51	49	96
Percentage of prior year operating profit (PYOP) %	2	3	3

1 Gifts In Kind comprises all non-monetary donations

2 Leverage data relates to the proceeds from staff and other fundraising activity

2022 Sustainability Aspirations

Pillar 1: Business

	Target Date	Status	2022 Progress
Sustainable Finance			
Mobilise $300bn of Sustainable Finance[1]	Jan 2021 – Dec 2030	○	Mobilised $23.4 billion, bringing the total facilitated since 2021 to $48 billion.
Launch and grow green mortgages in key markets across our footprint	Jan 2022 – Dec 2023	○	Green Mortgages were successfully launched in Vietnam, Korea and Malaysia. Green Mortgages are now live in a total of six markets including Taiwan, Hong Kong and Singapore.
Climate			
Measure, manage and reduce emissions associated with our financing via the implementation of our net zero ambition	Jan 2022 – Dec 2022	○	Developed 2030 emissions baseline and targets for Aviation, Shipping and Automotive Manufacturers.
Only provide financial services to clients who are: By 2024, less than 80% dependent on thermal coal (based on % revenue); By 2025, less than 60% dependent on thermal coal (based on % revenue); By 2027, less than 40% dependent on thermal coal (based on % revenue); By 2030, less than 5% dependent on thermal coal (based on % revenue)	Jan 2020 – Jan 2030	○	Through our Environment & Social risk assessment process we have identified clients who are currently >80% dependent on thermal coal and are engaging with them to understand their transition plans where applicable. Progress will be closely monitored during 2023.
Achieve emissions reduction in our most carbon-intensive sectors of: 63% in Power (Scopes 1 and 2 intensity); 33% in Steel Producers (Scopes 1 and 2 intensity); 33% in Mining (ex Coal) (Scopes 1 and 2 intensity); 30% in Oil and Gas (Scopes 1, 2 and 3 intensity) and; 85% emissions reduction in coal mining (Scopes 1, 2 and 3 absolute)	Jan 2020 – Dec 2030	○	We remain on track for a 2030 delivery. See page 81 for progress made in 2022.
Measure and report mortgage emissions with a view to setting targets by 2023	Jan 2022 – Dec 2023	○	We completed emissions baseline measurements for Singapore, Hong Kong and Korea.
Commerce			
Bank 10,000 of our clients' international and domestic networks of suppliers and buyers through banking the ecosystem programmes	Jan 2020 – Dec 2024	○	Enrolled 4,440 suppliers and buyers bringing the total enrolled since Jan 2020 to 11,593.
Impact Finance			
Double Sustainable Investing Assets Under Management across a holistic proposition including Mutual Funds, Exchange Traded Funds (ETFs), Bonds, Equities, Structured Products, Discretionary Portfolio Mandates (DPMs) and Insurance Linked Plans (ILPs)	Jun 2021 – Dec 2025	△	Negative market valuation and developing regulation around classification of sustainable assets resulted in required adjustments on our Sustainable Investing Assets Under Management (AUM). Although this required an adjustment to our AUM, we welcome the developing regulation around classification to ensure more stringent standards.
Integrate ESG considerations in wealth management advisory activities	Jan 2021 – Dec 2025	○	We have started to embed ESG factors into stock selection as part of the advisory process. We include ESG training for our bankers and also seek to include ESG topics in some of our client events.

Pillar 2: Operations

	Target Date	Status	2022 Progress
People			
Increase gender representation to 35% women in senior roles	Sep 2016 – Dec 2025	○	In 2022, the proportion of women in senior leadership roles has increased to 32.1%. This is up by 1.4 percentage points from December 2021 (30.7%) and 7.1 percentage points since December 2016 (25%).
Increase our 'Culture of Inclusion' score to 84.5%	Jan 2020 – Dec 2024	○	In our annual MyVoice survey, 83.1% of employees reported positive sentiments around our culture of inclusion. We remain on track for our overall 2024 target.
Embed an integrated health and wellbeing strategy to support building and re-skilling a future-ready, diverse workforce	Jan 2020 – Dec 2022	⚠	Progress has been made in multiple areas to embed the strategy. This includes global offerings such as flexi-working, our mental health app, a physical wellbeing online platform, an employee assistance programme, wellbeing toolkits, learning programmes on resilience as well as a growing network of trained Mental Health First Aiders. In 2022, colleagues indicated through the MyVoice survey that they feel better supported on their wellbeing needs than in 2021. However, globally, the levels of stress felt by employees increased in survey from the previous year.
Create Diversity & Inclusion Supplier Plans for all our markets[2] to support 40% of our newly onboarded suppliers being diverse	Jan 2022 – Dec 2025	○	93% of our highest spend markets have Diversity & Inclusion plans. As at December 2022, on average 37% of our newly onboarded suppliers were diverse.
Grow our employee MyVoice score to the question "The way we operate day-to-day is aligned with our sustainability strategy" from 2021 baseline of 84% to 88%[3]	Jan 2022 – Dec 2024	○	Achieved a score of 84% in 2022. We are taking action to move towards our 2024 target of 88%.
Support at least 50% of all employees to complete our learning programme on Sustainability Support at least 70% of relevant employees to complete our Sustainable Finance training programme	Jan 2022 – Dec 2022	⚠	15% of all employees completed our learning programme on Sustainability. While this fell short of the 50% target we had set, we are pleased with the preliminary progress given the voluntary-nature of the training. The learning programme will continue to be promoted during 2023 to continue to build skills and knowledge across the bank. The target of 70% completion rate was met for the Sustainable Finance training. On average, 95% of relevant employees completed this training programme across the three certificates.
Environment			
Reduce annual Scope 1 & 2 greenhouse gas emissions to net zero by 2025	Jan 2019 – Dec 2025	○	Achieved 2022 target of 49,434 tonnes of CO_2 equivalent (tCO_2e), a reduction of over 40% on our 2021 Scope 1 & 2 emissions of 85,000 tCO_2e.
Source all energy from renewable sources	Jan 2020 – Dec 2025	○	All markets where clean energy can be purchased through Power Purchase Agreements (PPAs) and utility companies are complete. Remaining countries where we can buy Energy Attribute Certificates (EACs) are 75% complete. Remaining 25% to be completed by end 2025.
Achieve and maintain flight emissions 28% lower than our 2019 baseline of 94,000 tonnes	Jan 2021 – Dec 2023	○	Reported 39,107 tCO_2e and remain well ahead of our 28% flight emissions reduction target for 2023.
Reduce waste per colleague to 40kg per year	Jan 2020 – Dec 2025	✔	We reduced the overall waste generated by 37%, and by 39% on a per employee basis to 19.2kg, achieving our target three years ahead of schedule. This was primarily due to new ways of working which resulted in reduced employee presence in our buildings.
Recycle 90% of waste	Jan 2020 – Dec 2025	○	35% of waste was recycled in 2022. We remain on track with plans to introduce new vendors through partnerships in 2024.
Offset all residual emissions from our operations (Scope 1 and 2, Scope 3 flights, waste and data centres), doubling our average cost from $7.65 in 2021 to $15 per tonne in 2022	Jan 2022 – Dec 2022	✔	Achieved our 2022 target through our carbon credit purchases.

Pillar 2: Operations continued

	Target Date	Status	2022 Progress
Conduct and Compliance			
Tackle financial crimes by contributing to developing typologies and red flags for financial flows, training frontline staff to identify potential suspicious transactions and participating in public-private partnerships to share intelligence and good practices	Ongoing	On track	The Group contributed to the development of typologies and red flags to assess financial flows and to tackle financial crime. We also engaged with officials on the financial services regulatory environment, in particular on prudential, financial markets, conduct and financial crime frameworks. In 2022, we also launched the 'Understanding our Financial Crime Risks' course to train staff on the various impacts of financial crime.
Develop and deliver a targeted outreach programme, including through key international platforms, aimed at safely and transparently reducing barriers to capital mobilisation for sustainable development	Jan 2022 – Dec 2024	On track	Continued to successfully engage via international and regional platforms through 2022 to support our intention to scale up sustainable finance and reduce barriers to capital mobilisation. These platforms and engagements have promoted blended finance, sustainable infrastructure, carbon markets, transition finance, capacity building and sustainability-related disclosures as key mobilisation mechanisms.

Pillar 3: Communities

	Target Date	Status	2022 Progress
Communities			
Invest 0.75% of prior year operating profit (PYOP) in our communities	Ongoing	Achieved	Contributed $51.2 million to the community in 2022, which represents 1.5% of PYOP.
Raise $75m for Futuremakers by Standard Chartered	Jan 2019 – Dec 2023	Achieved	$14.7 million was contributed through fundraising and donations by the Group in 2022, taking the total to $78.7 million in the last four years.
Education: Reach one million girls and young women through Goal	Jan 2006 – Dec 2023	Not on track	We reached 93,268 girls and young women, which is below our year-end target of 115,000 girls. This brings the total reach from 2006 to 2022 to 827,297 girls and young women. In 2023 we will work to compensate for the lag in the past couple of years due to COVID-19 programme disruptions.
Employability: Reach 100,000 young people	Jan 2019 – Dec 2023	Achieved	105,014 young people participated in employability programmes. This brings the total to 218,144 young people reached from 2019 to 2022.
Increase participation for employee volunteering to 55%	Jan 2020 – Dec 2023	On track	Employee volunteering participation rate was 39% in 2022. 32,706 of our colleagues volunteered for a total of 49,528 days. We have exceeded our 2022, 33% participation target by 6 percentage points and have a plan in place to meet the 2023 55% participation target.

Concluded in the year
Achieved   Not achieved

Ongoing aspirations
On track   Not on track

1 Business banking SME and Microfinance lending is the provision of finance to Development Assistance Committee (DAC) lower and middle lower income countries as per the Organisation for Economic Co-operation and Development (OECD). The inclusion of business banking is linked to the "Access to Finance" sub theme within the Group's Green and Sustainable product framework incorporating Employment generation, and programmes designed to prevent and/or alleviate unemployment, including through the potential effect of SME financing and microfinance. With the inclusion of business banking, the Entrepreneur (Lending to SME's and Microfinance) aspirations would be double counted and these aspirations have therefore been retired

2 Refers to in-scope markets with Supply Chain Management (SCM) presence

3 The wording of the question asked from colleagues in the MyVoice survey has been amended to reflect the redefinition ofthe Group's Sustainability Vision. Therefore, the wording in this Sustainability Aspiration has been modified to reflect this change

Shareholder information

Dividend and interest payment dates

Ordinary shares	Final dividend
Results and dividend announced	16 February 2023
Ex-dividend date	23 (UK) 22 (HK) February 2023
Record date for dividend	24 February 2023
Last date to amend currency election instructions for cash dividend*	11 April 2023
Dividend payment date	11 May 2023

* In either US dollars, sterling, or Hong Kong dollars

Preference shares	1st half yearly dividend	2nd half yearly dividend
7⅜ per cent non-cumulative irredeemable preference shares of £1 each	1 April 2023	1 October 2023
8¼ per cent non-cumulative irredeemable preference shares of £1 each	1 April 2023	1 October 2023
6.409 per cent non-cumulative redeemable preference shares of $5 each	30 January and 30 April 2023	30 July and 30 October 2023
7.014 per cent non-cumulative redeemable preference shares of $5 each	30 January 2023	30 July 2023

Annual General Meeting

The Annual General Meeting (AGM) will be held on Wednesday 3 May 2023 at 11:00 UK time (18:00 Hong Kong time). Further details regarding the format, location and business to be transacted at the meeting will be disclosed within the 2023 Notice of AGM.

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

Interim results

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

Country-by-Country Reporting

In accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013, the Group will publish additional country-by-country information in respect of the year ended 31 December 2022, on or before 31 December 2023. We have also published our approach to tax and tax policy.

+ This information will be available on the Group's website at **sc.com**

Pillar 3 Reporting

In accordance with the Pillar 3 disclosure requirements, the Group will publish the Pillar 3 Disclosures in respectof the year ended 31 December 2022, on or before 28 February 2023.

+ This information will be available on the Group's website at **sc.com**

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account. It allows you to hold your Standard Chartered PLC shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare, you will still be invited to attend the Company's AGM and you will receive any dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay.

+ If you would like to receive more information, please visit our website at **sc.com/shareholders** or contact the shareholder helpline on **0370 702 0138**

Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. There is no implication for capital gains tax (no gain or loss) when you donate shares to charity, and UK taxpayers may be able to claim income tax relief on the value of their donation.

+ Further information can be obtained from the Company's registrars or from ShareGift on **020 7930 3737** or from **sharegift.org**

Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account.

+ Please register online at **investorcentre.co.uk** or contact our registrar for a dividend mandate form

Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the UK register, please contact our registrar at investorcentre.co.uk and click on the "ASK A QUESTION" link at the bottom of the page. Alternatively, please contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ or call the shareholder helpline number on 0370 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

+ You can check your shareholding at **computershare.com/hk/investors**

Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO). As a result of this exemption, shareholders no longer have an obligation under Part XV of the SFO (other than Divisions 5, 11 and 12 thereof) to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with The Stock Exchange of Hong Kong Limited any disclosure of interests made in the UK.

Taxation

No tax is currently withheld from payments of dividends by Standard Chartered PLC. Shareholders and prospective purchasers should consult an appropriate independent professional adviser regarding the tax consequences of an investment in shares in light of their particular circumstances, including the effect of any national, state or local laws.

Previous dividend payments (unadjusted for the impact of the 2015/2010/2008 rights issues)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124[1]	£17.394/$27.190
Final 2010	11 May 2011	46.65c/28.272513p/HK$3.623404/INR1.9975170[1]	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125[1]	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015[1]	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950[1]	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575[1]	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813[1]	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626[1]	£11.949/$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK$2.2340016000/INR1.671842560[1]	£12.151/$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK$4.43329/INR3.514059[1]	£9.797/$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK$1.115985456/INR0.86139372[1]	£8.5226/$13.34383
Final 2015	No dividend declared	N/A	N/A
Interim 2016	No dividend declared	N/A	N/A
Final 2016	No dividend declared	N/A	N/A
Interim 2017	No dividend declared	N/A	N/A
Final 2017	17 May 2018	11.00c/7.88046p/HK$0.86293/INR0.653643340[1]	£7.7600/$10.83451
Interim 2018	22 October 2018	6.00c/4.59747p/HK$0.46978/INR0.3696175[1]	£6.7104/$8.51952
Final 2018	16 May 2019	15.00c/11.569905p/HK$1.176260/INR0.957691650[1]	N/A
Interim 2019	21 October 2019	7.00c/5.676776p/HK$0.548723/INR0.425028600[1]	N/A
Final 2019	Dividend withdrawn	N/A	N/A
Interim 2020	No dividend declared	N/A	N/A
Final 2020	20 May 2021	9.00c/6.472413p/HK$0.698501	N/A
Interim 2021	22 October 2021	3.00c/2.204877p/HK$0.233592	N/A
Final 2021	12 May 2022	9.00c/6.894144p/HK$0.705772	N/A
Interim 2022	14 October 2022	4.00c/3.675912p/HK$0.313887	N/A

1 The INR dividend is per Indian Depository Receipt. In March 2020, the Group announced the termination of the IDR programme. The IDR programme was formally delisted from the BSE Limited (formerly the Bombay Stock Exchange) and National Stock Exchange of India Limited with effect from 22 July 2020

Chinese translation

If you would like a Chinese version of the 2022 Annual Report please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

二〇二二年年報之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后大道東183號合和中心17M樓。

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of this Annual Report, the English text shall prevail.

Electronic communications

If you hold your shares on the UK register and in future you would like to receive the Annual Report electronically rather than by post, please register online at: investorcentre.co.uk. Click on 'register' and follow the instructions. You will need to have your Shareholder or ShareCare reference number to hand. You can find this on your share certificate or ShareCare statement. Once you have registered and confirmed your email communication preference, you will receive future notifications via email enabling you to submit your proxy vote online. In addition, as a member of Investor Centre, you will be able to manage your shareholding online and submit dividend elections electronically and change your bank mandate or address information.

Important notices

Forward-looking statements

The information included in this document may contain 'forward-looking statements' based upon current expectations or beliefs as well as statements formulated with assumptions about future events. Forward-looking statements include, without limitation, projections, estimates, commitments, plans, approaches, ambitions and targets (including, without limitation, ESG commitments, ambitions and targets). Forward-looking statements often use words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'aim', 'continue' or other words of similar meaning. Forward-looking statements may also (or additionally) be identified by the fact that they do not relate only to historical or current facts.

By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Readers should not place reliance on, and are cautioned about relying on, any forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to): changes in global, political, economic, business, competitive and market forces or conditions, or in future exchange and interest rates; changes in environmental, geopolitical, social or physical risks; legal, regulatory and policy developments, including regulatory measures addressing climate change and broader sustainability-related issues; the development of standards and interpretations, including evolving requirements and practices in Environmental, Social and Governance reporting; the ability of the Group, together with governments and other stakeholders to measure, manage, and mitigate the impacts of climate change and broader sustainability-related issues effectively; risks arising out of health crises and pandemics; risks of cyber-attacks, data, information or security breaches or technology failures involving the Group; changes in tax rates, future business combinations or dispositions; and other factors specific to the Group, including those identified in this Annual Report and financial statements of the Group. Any forward-looking statements contained in this document are based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future.

No statement in this document is intended to be, nor should be interpreted as, a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Please refer to this document for a discussion of certain of the risks and factors that could adversely impact the Group's actual results, and its plans and objectives, to differ materially from those expressed or implied in any forward-looking statements.

Financial instruments

Nothing in this document shall constitute, in any jurisdiction, an offer or solicitation to sell or purchase any securities or other financial instruments, nor shall it constitute a recommendation or advice in respect of any securities or other financial instruments or any other matter.

Basis of Preparation and Caution Regarding Data Limitations

This section is specifically relevant to, amongst others, the sustainability and climate models, calculations and disclosures throughout this report.

The information contained in this document has been prepared on the following basis:

i. certain information in this document is unaudited;

ii. all information, positions and statements set out in this document are subject to change without notice;

iii. the information included in this document does not constitute any investment, accounting, legal, regulatory or tax advice or an invitation or recommendation to enter into any transaction;

iv. the information included in this document may have been prepared using models, methodologies and data which are subject to certain limitations. These limitations include: a lack of reliable data (due, amongst other things, to developing measurement technologies and analytical methodologies); a lack of standardisation of data (given, amongst other things, the lack of international coordination on data and methodology standards); and future uncertainty (due, amongst other things, to changing projections relating to technological development and global and regional laws, regulations and policies, and the inability to make use of strong historical data);

v. models, external data and methodologies used in information included in this document are or could be subject to adjustment which is beyond our control;

vi. any opinions and estimates should be regarded as indicative, preliminary and for illustrative purposes only. Expected and actual outcomes may differ from those set out in this document (as explained in the "Forward-looking statements" section);

vii. some of the related information appearing in this document may have been obtained from public and other sources and, while the Group believes such information to be reliable, it has not been independently verified by the Group and no representation or warranty is made by the Group as to its quality, completeness, accuracy, fitness for a particular purpose or non-infringement of such information;

viii. for the purposes of the information included in this document, a number of key judgements and assumptions have been made. It is possible that the assumptions drawn, and the judgement exercised may subsequently turn out to be inaccurate. The judgements and data presented in this document are not a substitute for judgements and analysis made independently by the reader;

ix. any opinions or views of third parties expressed in this document are those of the third parties identified, and not of the Group, its affiliates, directors, officers, employees or agents. By incorporating or referring to opinions and views of third parties, the Group is not, in any way, endorsing or supporting such opinions or views;

x. whilst the Group bears primary responsibility for the information included in this document, it does not accept responsibility for the external input provided by any third parties for the purposes of developing the information included in this document;

xi. the data contained in this document reflects available information and estimates at the relevant time;

xii. where the Group has used any methodology or tools developed by a third party, the application of the methodology or tools (or consequences of its application) shall not be interpreted as conflicting with any legal or contractual obligations and such legal or contractual obligations shall take precedence over the application of the methodology or tools;

xiii. where the Group has used any underlying data provided or sourced by a third party, the use of the data shall not be interpreted as conflicting with any legal or contractual obligations and such legal or contractual obligations shall take precedence over the use of the data;

xiv. this Important Notice is not limited in applicability to those sections of the document where limitations to data, metrics and methodologies are identified and where this Important Notice is referenced. This Important Notice applies to the whole document;

xv. further development of reporting, standards or other principles could impact the information included in this document or any metrics, data and targets included in this document (it being noted that Environmental, Social and Governance reporting and standards are subject to rapid change and development); and

xvi. while all reasonable care has been taken in preparing the information included in this document, neither the Group nor any of its affiliates, directors, officers, employees or agents make any representation or warranty as to its quality, accuracy or completeness, and they accept no responsibility or liability for the contents of this information, including any errors of fact, omission or opinion expressed.

You are advised to exercise your own independent judgement (with the advice of your professional advisers as necessary) with respect to the risks and consequences of any matter contained in this document.

Main awards and accolades in 2022

AmCham CSR Excellence Awards by American Chamber of Commerce in Thailand
- Standard Chartered Recognised – 12th Consecutive Year

Asian Banking and Finance Wholesale Banking Awards
- International Swift Initiative of the Year, Singapore
- International Data Initiative of the Year, Singapore

Asiamoney Best Bank Awards
- Best International Bank, Bangladesh
- Best ESG Bank, Hong Kong
- Best ESG Bank, Vietnam

The Asset Triple A Awards
- Best RMB Bank in 21 markets
- Best Bond Adviser, Vietnam
- Best Green Bond, Vietnam
- Best in Treasury and Working Capital, Taiwan

The Asset Triple A Treasury, Trade, Sustainable Supply Chain, and Risk Management Awards
- Best Transaction Bank, Malaysia
- Best Service Providers for Cash Management in Sri Lanka
- Best Service Providers for Trade Finance, Sri Lanka

The Asset Triple A Sustainable Investing Awards
- Best Sub-Custodian Bank, Philippines

The Asset Triple A Sustainable Capital Markets Country Awards
- Best Formosa Bond, Taiwan

The Asian Banker Excellence in Retail Financial Services Awards'
- Best Digital Banking Services, Hong Kong
- Best Wealth Management, Ghana

The Asian Banker: Transaction Finance Awards
- Best International Supply Chain Finance Bank, Asia Pacific
- Most Sustainable Transaction Bank, Asia Pacific

The Asian Banker: The Excellence in Retail Financial Services Awards
- Most Recommended Retail Bank, Taiwan

Asian Banking and Finance: Retail Banking Awards
- Employer Award of the Year, Hong Kong
- International Retail Bank of the Year, Hong Kong
- ESG Programme of the Year, Hong Kong

Aviation 100 Middle East, Africa & Islamic Deals of the Year Awards
- Bank of the Year, Middle East & Africa
- Lease Deal of the Year, Middle East & Africa

Bloomberg Businessweek Chinese Edition Financial Institution Awards
- Bank of the Year, Hong Kong
- ESG Sustainability Bank of the Year, Hong Kong
- Bank of the Year, Greater Bay Area
- FinTech Bank of the Year, Greater Bay Area
- ESG Sustainability Bank of the Year, Greater Bay Area

The Banker's Bank of the Year Awards
- Best Bank, Bangladesh

Corporate Treasurer Awards
- Best Transaction Bank, Hong Kong
- Best Trade Finance Bank, South Asia
- Best Cash Management Bank, Hong Kong

The Digital Banker: Digital CX Awards
- Best Transaction Bank for Digital CX, United Kingdom
- Best Islamic Bank, Malaysia
- Best Transaction Bank for Digital CX, Globally
- Best Wholesale/Transaction Bank for Digital CX, United Kingdom

Global Finance World's Best Islamic Financial Institutions
- World's Best Islamic Financial Institution, Bangladesh

The Digital Banker – Global Retail Banking Innovation Awards
- Winner – Outstanding Client Onboarding & Account Opening, India
- Highly Acclaimed – Best ESG initiative, India
- Highly Acclaimed – Excellence in Metaverse Investment, India

Euromoney Market Leaders Recognitions
- Corporate Banking Market Leader, Hong Kong
- SME Banking (Market Leader), Hong Kong
- ESG Market Leader, Hong Kong

EMEA Finance Achievement Awards
- Best Export Credit Agency Syndicated Loan and Best Structured Finance Deal

Financial Times Statista
- Named one of Europe's Climate Leaders

Forbes

- World's Best Banks in China

Global Retail Banking Innovation Awards

- Best Credit Card for BNPL, Singapore
- Best Equity Trading Platform for SmartStocks, Malaysia

Global Finance Sustainable Finance Awards

- Outstanding Leadership in Social Bonds, Western Europe
- Outstanding Sustainable Financing in Emerging Markets, Western Europe

Global Business Review

- Best Foreign Bank, Vietnam – Second Consecutive Year

Hong Kong Business High Flyers Awards

- Bank of the Year, Hong Kong

Human Rights Campaign Foundation's Corporate Equality Index

- Received a Perfect Score, United States – Fourth Consecutive Year

International Finance Awards

- Best CSR Bank, Bangladesh
- Best Digital Bank, Singapore

Korea Best Banker Awards

- The Financial Supervisory Service Governor's Award in the Best Social contribution Category

MEA Finance Awards 2022

- Best Overall Wealth Management Service, Middle East – Second Consecutive Year

Metro Media & Hong Kong Quality Assurance Agency

- Corporate Sustainability Award, Greater Bay Area

Private Banker International Awards

- Outstanding Private Bank for International Clients, United Kingdom

Retail Banker International: Asia Trailblazer Awards

- Best Retail Bank, Taiwan

Singapore Business Review Technology Excellence Awards

- Outstanding Artificial Intelligence on Artificial Intelligence capability, India
- Great Place to Work-Certified™

Taiwan Enterprise Sustainability Awards: Corporate Comprehensive Performance

- Foreign Companies Sustainability Model Award – Sixth Consecutive Year

Wealth Briefing MENA Awards

- Most Innovative Wealth Management Model, MENA – Third Consecutive Year

WealthBriefing European Awards

- CPBB Europe, Best UK International Clients Team, for the second year running
- Best UK Private Bank Talent Management & Diversity

Wealth Briefing Channel Islands Awards

- Best Private Bank for ESG Investing

World Economic Magazine

- Best Retail Bank Taiwan 2022 by World Economic Magazine

UN Women 2022 Philippines Women Empowerment Principles (WEPs) Awards

- 1st Runner Up, Gender-Inclusive Workplace Category

Vietnam Economic Times

- Leading Foreign Bank

Visa

- Excellence in Consumer Credit Card Business, Nepal
- Excellence in Vas Products, Nepal

Diversity & Inclusion and employer awards

Asiamoney

- Best Bank for Diversity & Inclusion, Taiwan

British Chamber of Commerce

- Diversity & Inclusion Champion of the Year, Singapore

British Diversity Awards

- Highly Commended – Supplier Diversity Programme of the Year, Europe and Americas

Financial Times

- Listed as a Diversity Leader, United Kingdom – Third Consecutive Year

Great Places to Work certified

- Poland – second consecutive year
- Sri Lanka – fourth consecutive year
- United States

HR Asia

- Best Companies to Work for in Asia, Vietnam

Newsweek

- Top 100 places to work, US

Retail Banker International: Asia Trailblazer Awards

- Best Advance in Diversity and Inclusion Initiatives, Taiwan
- Best Benefits, Wellness and Wellbeing Program, Taiwan

Top LinkedIn Companies

- Top Financial Institution, Singapore
- Ranked 2nd Overall, Singapore – Second Consecutive Year

WealthBriefing European Awards 2022

- Best UK International Clients Team, CPBB Europe – Second Consecutive Year
- Best Private Bank for Talent Management & Diversity, United Kingdom

Bloomberg Gender Equality Index

- Recognised – Seventh Consecutive Year

Forbes

- World's Best Employer

Glossary

Absolute financed emissions
A measurement of our attributed share of our clients' greenhouse gas emissions.

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 (as it forms part of UK domestic law) 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 will be 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.

Basic earnings per share (EPS)
Represents earnings divided by the basic weighted average number of shares.

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
A capital adequacy legislative package adopted by the PRA. CRD comprises the Capital Requirements Directive and the UK onshored Capital Requirements Regulation (CRR). The package implements the Basel III framework together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014. The EU CRR II and CRD V amending the existing package came into force in June 2019 with most changes starting to apply from 28 June 2021. Only those parts of the EU CRR II that applied on or before 31 December 2020, when the UK was a member of the EU, have been implemented. The PRA recently finalised the UK's version of the CRR II for implementation 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.

Diluted earnings per share (EPS)
Represents earnings divided by the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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.

ESG
Environmental, Social and Governance.

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 UK, the G-SIB buffer is implemented via the CRD as Global Systemically Important Institutions (G-SII) buffer requirement.

Green and Sustainable Product Framework
Sets out underlying eligible qualifying themes and activities that may be considered ESG .This has been developed with the support of external experts, has been informed by industry and supervisory principles and standards such as the Green Bond Principles and EU Taxonomy for sustainable activities.

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.

MREL or minimum requirement for own funds and eligible liabilities
A requirement under the Bank Recovery and Resolution Directive for EU resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks, implementing the FSB's Total Loss Absorbing Capacity (TLAC) standard. MREL is intended to ensure that there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensures the continuity of critical functions and avoids exposing taxpayers to loss.

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.

Net zero
The commitment to reaching net zero carbon emissions from our operations by 2025 and from our financing by 2050.

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 131.

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 per cent return on risk-weighted assets for the past 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 vary 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.

Revenue-based carbon intensity
A measurement of the quantity of greenhouse gases emitted by our clients per USD of their revenue.

Regulatory consolidation
The regulatory consolidation of Standard Chartered PLC differs from the statutory consolidation in that it includes Ascenta IV, Olea Global group, Seychelles International Mercantile Banking Corporation Limited., and all of the legal entities in the Currency Fair group on a proportionate consolidation basis. These entities are considered associates for statutory accounting purposes.

The regulatory consolidation further excludes the following entities, which are consolidated for statutory accounting purposes: Audax Financial Technology Pte. Ltd, Cardspal Pte. Ltd, Letsbloom Pte. Ltd, SCV Research and Development Pte. Ltd., Standard Chartered Assurance Limited, Standard Chartered Isle of Man Limited, Corrasi Covered Bonds LLP, Pegasus Dealmaking Pte. Ltd., Solv Sdn. Bhd., Standard Chartered Botswana Education Trust, Standard Chartered Bancassurance Intermediary Limited, Standard Chartered Bank Insurance Agency (Proprietary) Limited, Solvezy Technology Kenya Limited, Standard Chartered Trading (Shanghai) Limited, Tawi Fresh Kenya Limited.

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.

Scope 1 emissions

Arise from the consumption of energy from direct sources during the use of property occupied by the Group. On-site combustion of fuels such as diesel, liquefied petroleum gas and natural gas is recorded using meters or, where metering is not available, collated from fuel vendor invoices. Emissions from the combustion of fuel in Group-operated transportation devices, as well as fugitive emissions, are excluded as being immaterial.

Scope 2 emissions

Arise from the consumption of indirect sources of energy during the use of property occupied by the Group. Energy generated off-site in the form of purchased electricity, heat, steam or cooling is collected as kilowatt hours consumed using meters or, where metering is not available, collated from vendor invoices. For leased properties we include all indirect and direct sources of energy consumed by building services (amongst other activities) within the space occupied by the Group. This can include base building services under landlord control but over which we typically hold a reasonable degree of influence. All data centre facilities with conditioning systems and hardware remaining under the operational control of the Group are included in the reporting. This does not include energy used at outsourced data centre facilities which are captured under Scope 3.

Scope 3 emissions

Occur as a consequence of the Group's activities but arising from sources not controlled by the Group. Business air travel data is collected as person kilometres travelled by seating class by employees of the Group. Data are drawn from country operations that have processes in place to gather accurate employee air travel data from travel management companies. Flights are categorised as short, medium or long haul trips. Emissions from other potential Scope 3 sources such as electricity transmission and distribution line losses are not currently accounted for on the basis that they cannot be calculated with an acceptable level of reliability or consistency. The Group does however capture Scope 3 emissions from outsourced data centres managed by third parties.

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 10 August 2020 differs from Standard Chartered Bank Company in that it includes the full consolidation of nine subsidiaries, namely Standard Chartered Holdings (International) B.V., Standard Chartered MB Holdings B.V., Standard Chartered UK Holdings Limited, Standard Chartered Grindlays PTY Limited, SCMB Overseas Limited, Standard Chartered Capital Management (Jersey) LLC, Cerulean Investments L.P., SC Ventures Innovation Investment L.P. and SC Ventures G.P. Limited.

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.

Sustainability Aspirations
A series of targets and metrics by which we aim to promote social and economic development, and deliver sustainable outcomes in the areas in which we can make the most material contribution to the delivery of the UN Sustainable Development Goals.

Sustainable Finance assets
Assets from clients whose activities are aligned with the Green and Sustainable Product Framework and/or from transactions for which the use of proceeds will be utilised directly to contribute towards eligible themes and activities set out within the Green and Sustainable Product Framework.

Sustainable Finance revenue
Revenue from clients whose activities are aligned with the Green and Sustainable Product Framework and/or from transactions for which proceeds will be utilised directly to contribute towards eligible themes and activities set out within the Green and Sustainable Product Framework and/or from approved 'labelled' transactions such as any transaction referred to as "green", "social", "sustainable", "SDG (sustainable development goal) aligned", "ESG", "transition", "COVID-19 facility" or "COVID-19 response" which have been approved by the Sustainable Finance Governance Committee.

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'.

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Digital Annual Report

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Chinese translation

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LSE stock code: STAN.LN
HKSE stock code: 02888