Standard Chartered Bank

Reference Number ZC18

Directors' Report and Financial Statements

31 December 2023

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

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We are a leading international cross-border bank

Standard Chartered connects the world's most dynamic markets, serving the businesses that are the engines of global growth and supporting people to meet their ambitions. Every day, we help clients to manage and invest their finances safely and seamlessly, and grow their businesses and wealth with confidence.

Over our 170 year history, and across a unique geographical footprint that connects Asia, Africa and the Middle East to each other and the world, we've built a bank like no other, with diverse capabilities and partnerships that set us apart. Inspired by our brand promise, here for good.

The following are company designations as described in the document:
Standard Chartered Bank Group (Group) – being Standard Chartered Bank and its subsidiaries
Standard Chartered PLC Group (PLC Group) – being the ultimate parent and its subsidiaries
Standard Chartered Bank (Company) – being the standalone Bank legal entity
Standard Chartered PLC (PLC) – being the standalone legal entity of the ultimate parent

About this report

Sustainability reporting – We adopt an integrated approach to corporate reporting, embedding non-financial information throughout our Annual Report.

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 believe 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.

For more information on Standard Chartered please visit sc.com
linkedin.com/company/standard-chartered-bank
facebook.com/standardchartered

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 the context requires, within this document, 'China' refers to the People's Republic of China and, for the purposes of this document only, excludes Hong Kong Special Administrative Region (Hong Kong), Macau Special Administrative Region (Macau) and Taiwan. 'Korea' or 'South Korea' refers to the Republic of Korea. Greater China & North Asia (GCNA) includes Mainland China, Hong Kong, Japan, Korea, Macau and Taiwan; ASEAN & South Asia (ASA) includes Australia, Bangladesh, Brunei, Cambodia, India, Indonesia, Laos, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Thailand and Vietnam; and Africa & Middle East (AME) includes Bahrain, Botswana, Cote d'Ivoire, Egypt, Ghana, Iraq, Kenya, Mauritius, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, South Africa, Tanzania, the United Arab Emirates (UAE), Uganda, and Zambia and Europe & Americas (EA) includes Argentina, Brazil, Colombia, Falkland Islands, France, Germany, Israel, 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 Bank is incorporated in England and Wales with limited liability and is headquartered in London. The Group's head office provides guidance on governance and regulatory standards.

Key performance indicators

We measure ourselves against Group key performance indicators (KPIs) as detailed below.

FINANCIAL KPIs AND MEASURES[1,2]

Underlying basis

Return on tangible equity

12.9%

↑400bps

Read more on (page 21)

Operating income

$11,408m

↑14%

Read more on (page 21)

Profit before tax

$4,541m

↑29%

Read more on (page 21)

Reported basis

Return on tangible equity

12.5%

↑370bps

Read more on (page 29)

Operating income

$11,549m

↑13%

Read more on (page 28)

Profit before tax

$4,414m

↑27%

Read more on (page 28)

CAPITAL KPIs

Common Equity Tier 1 ratio

13.2%

↑50bps

Read more on (page 24)

NON-FINANCIAL KPIs

Diversity and inclusion: Women in senior roles[3]

29.2%

↑0.9ppt

1 Basis point (bps) and percentage movements are in relation to 31 December 2022, with brackets representing negative movements
2 Reconciliations from underlying to reported and definitions of alternative performance measures can be found on pages 25 to 29
3 Senior leadership is defined as Managing Directors and Band 4 roles (including Management Team)

Our business

Standard Chartered Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and by the Financial Conduct Authority (FCA). The PRA is the consolidated supervisor in respect of the Group (of which PLC is the ultimate parent).

Standard Chartered Bank is a material subsidiary of the PLC Group for the purposes of the Bank of England-led single point of entry preferred resolution strategy for the PLC Group. The Group is a core part of, and critical provider of essential services to the PLC Group and is fundamental to the delivery of the PLC Group's purpose, franchise and strategy.

Clients	• The Group remains the largest CCIB origination hub supporting a significant part of CCIB revenues and is key to the global network proposition • The Group is the relationship hub for the majority of key CCIB clients, particularly Organisation for Economic Co-operation and Development (OECD) clients • The Group holds the majority of the PLC Group's corporate and financial institutions deposits, a significant part of the PLC Group's USD funding base
Capabilities	• The Group holds key licenses and hosts infrastructure vital for the global franchise such as global USD & EUR clearing • The Group is the main Financial Markets (FM) booking centre supporting the majority of global FM revenues • The Group remains a main access point to high quality USD funding
Critical infrastructure	• The Group is the key liquidity management centre: holding the majority of the PLC Group's high-quality liquid assets for regulatory purposes • The Group provides functional support on a global basis • The Group operates global business services hubs for the benefit of the PLC Group including shared service centres and centres of excellence
Investors	• The Group's UK domicile underpins a unique investor proposition: emerging markets access from a UK regulated platform • A significant number of PLC Group's equity and debt investors are based in the Group's footprint
Recovery and resolution	• Standard Chartered Bank is the largest material subsidiary for the purposes of minimum requirement for own funds and eligible liabilities (MREL) and total loss-absorbing capital (TLAC) • The Group is critical to the delivery of capital and liquidity generating management actions in PLC Group's recovery planning • The Group houses various critical services and critical functions in resolution and resolution management

The Group's Credit Ratings

The Group remains a highly rated institution (in both absolute and relative terms) with the following long and short-term issuer ratings all with a stable outlook.

	S&P	Moody's	Fitch
Long Term	A+	A1	A+
Short Term	A-1	P-1	F1
Outlook	Stable	Stable	Stable

Who we are and what we do

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

Corporate, Commercial & Institutional Banking

Corporate, Commercial and Institutional Banking supports clients with their transaction banking, financial markets, corporate finance and borrowing needs across our markets. We provide solutions to our clients in some of the world's fastest-growing economies and most active trade corridors.

Operating income

$7,972m
Underlying basis

$8,032m
Reported basis

Consumer, Private & Business Banking

Consumer, Private and Business Banking serves individuals and small businesses, with a focus on affluent and emerging affluent in many of the world's fastest growing cities.

Operating income

$3,456m
Underlying basis

$3,501m
Reported basis

Ventures

Ventures promotes innovation, invests in disruptive financial technology and explores alternative business models.

Operating income

$137m
Underlying basis

$137m
Reported basis

Central and other items

Operating income

$(157)m
Underlying basis

$(121)m
Reported basis

Total operating income

Operating income

$11,408m
Underlying basis

$11,549m
Reported basis

Our regions

Asia
Our largest markets by income are Singapore and India.

Operating income

$5,331m
Underlying basis

$5,316m
Reported basis

Africa & the Middle East
We have a presence in 18 markets of which the most sizeable by income are UAE, Pakistan, Kenya, Nigeria, South Africa and Ghana

Operating income

$2,764m
Underlying basis

$2,894m
Reported basis

Europe & 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.

Operating income

$1,682m
Underlying basis

$1,696m
Reported basis

Central & other items (region)

Operating income

$1,631m
Underlying basis

$1,643m
Reported basis

Total operating income
Operating income

$11,408m
Underlying basis

$11,549m
Reported basis

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 to fight financial crime.

Corporate Affairs, Brand and Marketing
Manages the Group's marketing communications and engagement with stakeholders to promote and protect 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 Court and Management team protect the assets, reputation and sustainability of the Group.

Human Resources
Maximises the value of our 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 and digital solutions. Also manages all client operations, seeking to provide an optimal client service and experience across the board.

Valued behaviours

Our valued behaviours are the guiding principles for how we work together, and the way we do business, every day.

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 and prosperity. Our unique geographic 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 more than 170 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 50 markets.

Asia
We have a long-standing and deep franchise in some of the world's fastest-growing economies. The two markets contributing the highest income are **Singapore** and **India**.

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

Africa & the Middle East
We have a deep-rooted heritage in Africa & Middle East and have been present in the region for more than 170 years. The **United Arab Emirates, Pakistan, Kenya, Nigeria, South Africa, and Ghana** are our largest markets by income.

Bahrain
Botswana
Cote d'Ivoire
Egypt
Ghana
Iraq
Kenya
Mauritius
Nigeria
Oman
Pakistan
Qatar
Saudi Arabia
South Africa
Tanzania
UAE
Uganda
Zambia

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

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

Market environment

Macroeconomic factors affecting the global landscape

Trends in 2023

- Global GDP growth continued to slow in 2023, likely to 3.1 per cent, from 3.5 per cent in 2022, as central banks continue to tighten policy and the boost from post pandemic reopening of economies faded.
- Asia was the best-performing region, recording growth of 5.1 per cent, on strong momentum in India and favourable base effects in China. Sub-Saharan Africa likely saw growth of 3 per cent in 2023, nearly unchanged from 2022, supported by domestic reform momentum in key economies.
- Among the majors, despite a banking-sector crisis in the first half of the year, the United States likely recorded annual growth of 2.5 per cent on the back of resilient domestic demand, while growth likely slowed sharply in the UK to 0.1 per cent.
- The euro-area economy likely grew by 0.5 per cent in 2023 following 3.4 per cent growth in 2022, supported by household demand and a positive contribution from exports in H1.
- In most majors, labour markets remained strong, with low unemployment rates that helped support consumer confidence.
- Major central banks like the Federal Reserve and European Central Bank (ECB) continued to tighten monetary policy in the first three quarters of 2023 with a view to bringing inflation back to target levels. Fiscal policy remained accommodative as governments tried to shield consumers and businesses from still elevated prices.

Outlook for 2024

- Global growth is likely to stay below-trend at 2.9 per cent in 2024 as high interest rates drag on consumers as well as investment spending.
- Asia will likely be the fastest-growing region and will continue to drive global growth, expanding by 4.9 per cent. Among the majors, the United States is expected to experience below-trend growth of 1.8 per cent in 2024, the UK will grow just 0.1%, while the euro area is likely to see an overall modest expansion of 0.6 per cent.
- Easing inflation is likely to allow major central banks to start cutting rates from Q2 2024, with a focus on supporting softening economic activity.
- Unfavourable 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 a sharper than expected slowdown in major economies, sustained inflationary pressures, a sluggish housing market in China, and another flare-up of geopolitical tensions.

Medium-term and long-term view

High interest rate environment

- Trade fragmentation and heightened geopolitical risks and related supply disruptions together with still resilient labour markets have the potential to see inflation elevated over the medium-term.
- Concerns about stagflation are likely to see central banks adopting a cautious approach to monetary easing, with the risk that rates stay elevated for an extended period of time.
- 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.
- There may be adverse environmental, agricultural, and economic consequences of a severe El Niño weather cycle. South Asia and Sub-Saharan Africa economies are most at risk from the impact on agricultural production; and although El Niño has varying impacts on GDP growth, it is inflationary for most economies.
- Growing trade fragmentation could undermine the resilience of globalisation, driving up consumer prices, and slowing the pace of economic convergence for emerging markets.

Broader global trends

- The world economy could see a permanent loss of economic output or 'scarring' due to the recession following 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, including generative artificial intelligence (AI).
- Relatively younger populations, and the adoption of digital technology, will allow emerging markets to become increasingly important to global growth.
- In order to meet net zero targets, energy-related spending will have to increase significantly; headwinds include insufficient funds across emerging markets, labour shortages and supply chain constraints.

Regional outlooks

Actual and projected growth by country in 2023 and 2024

		2024	2023
Asia	China	**4.8 per cent**	5.2 per cent
	Hong Kong	**2.9 per cent**	3.2 per cent
	India	**6.3 per cent**	6.8 per cent
	Indonesia	**5.2 per cent**	5.1 per cent
	Singapore	**2.6 per cent**	1.0 per cent
Africa & Middle East	Nigeria	**3.5 per cent**	2.7 per cent
	UAE	**4.0 per cent**	2.7 per cent
Europe & Americas	UK	**0.1 per cent**	0.1 per cent
	US	**1.8 per cent**	2.5 per cent

Trends and outlook for our three regions

Asia

- China's economic activity remains below potential, leaving room for further recovery. We forecast 2024 growth at 4.8 per cent. The post-COVID recovery has been disappointing, due to continuing contraction of the property sector, negative contribution from foreign trade, and a lack of confidence on the part of consumers and private businesses. While GDP growth picked up to 5.2 per cent in 2023 on the reopening boost, policy support and a favourable base, economic activity is currently 2-3ppt below trend according to our estimate. We expect the government to set a growth target of around 5 per cent in 2024, the same as in 2023, to narrow the negative output gap and prevent deflation expectation from getting entrenched.
- While housing market adjustment will likely continue, we expect it to exert less of a drag on growth next year. The authorities have turned more supportive of the sector since the July Politburo meeting, relaxing purchase restrictions, lowering mortgage rates, accelerating renovation of urban villages, and pledging to meet reasonable financing need from eligible property developers. Consumption is likely to remain the key driver of the economy, with consumers showing renewed willingness to draw on their excess savings. The easing bias of macro policies is likely to remain to consolidate the recovery. We expect the PBoC to increasingly rely on expansion of its balance sheet to inject ample liquidity, keeping the credit condition relatively easy. The official budget deficit may exceed the implicit ceiling of 3 per cent of GDP, with the central government more willing to share the debt burden. However, the upside is likely to be capped by private sector's hesitation to expand investment.
- Hong Kong's outlook remains challenging. We expect growth to slow to 2.9 per cent in 2024 from 3.2 per cent in 2023, a reflection of still cautious household and business sentiment. The positive factors, including a continued normalisation in tourist arrivals and a persistently tight labour market, may not be sufficient to offset a weak property market and elevated US interest rates that keep weighing on investment appetite.

- In India, we expect FY25 (year beginning April 2024) GDP growth to likely moderate to 6.3 per cent vs 6.8 per cent for FY24 amid slower global growth, higher interest rates and slowing consumer demand. However the growth dynamics are likely to stay strong. Rising real wages are likely to support rural demand and we expect private capex recovery post national elections in April/May 2024; the current ruling party is widely expected to return to power. Meanwhile, inflation pressures are expected to ease slightly to 5 per cent in FY25 vs 5.4 per cent in FY24. Hence we see a shallow rate cut cycle of 50 bps starting June 2024 amid easing global rates. Ample foreign exchange (FX) reserves, yet another year of balance of payment surplus led by index inclusion related inflows remain a strong buffer for the economy and are likely to limit FX market volatility. The key risks to our view can emanate from higher oil prices and or tighter global financial conditions.
- While global demand may remain soft in 2024, we expect the external drag on externally-oriented economies in Association of South East Asian Nations (ASEAN), including Singapore, Vietnam, Malaysia and Thailand, to be more moderate due to favourable base effects. In addition, a bottoming of the global electronics cycle may help these economies, though we do not expect a significant recovery given weak external demand and uncertainty. Domestic activity may see consumption and investment sentiment partly affected by higher interest rates and still-high inflation earlier in the year. But potential rate cuts and easing inflation in H2 and likely stable labour markets should provide support. Election spending in Indonesia may also provide a boost to consumption earlier in the year. Tourism recovery may continue to bolster growth in 2024 but the support may be fading. Inflation is expected to moderate in 2024 on favourable base effects and tighter monetary policies but upside risks arise from potentially higher food and energy prices, especially with the latest developments in the Middle East.
- Monetary policy in the region may remain tight for longer given upside risks to inflation and this poses a downside risk to economic growth but some easing is expected in H2 which will help support growth sentiment. On balance, growth may remain somewhat subdued and similar to 2023, but lower inflation and rate cuts in H2 may help offset a weaker H1.

Africa and the Middle East

- For Sub-Saharan Africa, external factors remain a key headwind. Constrained or more expensive access to external financing is a challenge, especially given a concentration of external debt maturities in the years ahead. Scaled-up multilateral support for emerging and frontier economies is likely to be a partial mitigant. Whether the US can avoid a hard landing will be key to risk appetite.
  FX liquidity remains an issue, although encouragingly FX reforms are now underway in key markets. Higher oil prices may increase pressures. Common Framework debt restructuring progress in Zambia and Ghana remains key to economic prospects, as they look to build resilience to further shocks.
- In Nigeria, with a new cabinet and central bank leadership in place, we expect fuel subsidy and FX reforms to be completed in 2024. New investment in LNG production and a scaling up of domestic refining capacity should add to economic resilience. In South Africa, while load shedding has improved, port and rail bottlenecks may hold back growth. In Kenya, increased concessional financing and a partial refinancing of the 2024 Eurobond have eased external liquidity concerns but fiscal consolidation will be key to stabilising high debt levels.
- Higher for longer rates, higher commodity prices and elevated regional tensions highlight the divergence between MENAP oil exporting and oil importing economies. The Gulf Cooperation Council (GCC) is likely to continue using oil windfalls to reverse the deterioration in government balance sheets stemming from the late-2014 and 2020 oil price shocks. The UAE, Oman and Qatar have committed to de-leveraging alongside the rebuilding of external buffers. In Saudi Arabia, drawdowns at the Central Bank continue to support growing Public Investment Fund assets; robust domestic investment and execution of giga-projects aim to expand potential in the non-oil economy. Headline growth in Saudi Arabia may be modest, given extension of oil output cuts. However, GCC non-oil growth remains robust against external headwinds, aided by relatively lower levels of domestic inflation.

Europe & Americas

- The US economy has been resilient in the face of sustained monetary policy tightening. But as credit growth slows, housing affordability weakens and delinquencies rise as higher rates feed through to the real economy and we expect a slowdown in growth over the course of 2024. In the euro area, we expect growth to be elusive until rate cuts start in Q2, before picking up modestly in H2.
- Headline inflation has fallen sharply for both the US and Euro area, but core inflation still remains off target. Central banks will remain alert to any signs of renewed upside risks to inflation, stemming from ongoing tight labour markets and geopolitical tensions.
- The Fed and ECB have likely completed their rate hiking cycles. Lower inflation leaves room for cuts from both central banks beginning in Q2; we expect the Fed to deliver 100bps and the ECB to deliver 125bps by end-2024.
- There is likely to be less of a tailwind to growth in Europe from fiscal policy as new fiscal rules and higher interest rates force consolidation of budget deficit, and programmes introduced during the 2022-2023 energy crisis come to an end. The US economy has benefitted from fiscal support for infrastructure investment, but this impulse is likely to fade in 2024.
- In Latin America, weakening domestic demand and a downtrend in inflation should support further monetary easing by the region's central banks most of which have already started rate cuts. Lower interest rates are likely to support better recovery in H2-2024, although sluggish external demand and tight global financial conditions could be headwinds.

Business model

We help corporates and financial institutions 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 large corporates and financial institutions across the world's most dynamic markets, helping unlock growth opportunities and create sustainable value

Consumer, Private and Business Banking (CPBB)
We support small and medium-sized enterprises and individuals, from Mass Retail clients to Affluent including high-net-worth individuals, both digitally and in person.

Ventures
We promote innovation, invest in disruptive financial technology and explore alternative business models. Ventures includes our market leading digital bank in Singapore.

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 export 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, fee income on financing solutions, 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, impairments and taxes

Return on tangible equity
- Profit after tax 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 the world's biggest issues – Accelerating Zero, Lifting Participation and Resetting Globalisation (see pages 15 to 16 for more), challenge us to use our unique position articulated below.

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

Distinct proposition
Our understanding of the 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.

The sources of value we rely on

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

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.

How we're enhancing our resources
- Upskilling and reskilling our people continues to be a priority –colleagues are undertaking learning to build future-ready skills, including in sustainable finance, data and analytics, digital, cyber security, and leadership.
- We continue to strengthen a work environment that supports inclusion, innovation, and high performance, with an ongoing focus on wellbeing. This includes further embedding flexible working across our markets, providing enhanced benefits, and building the capabilities of our people leaders.

International network

Our network is our unique competitive advantage and connects companies, institutions and individuals to, and in, some of the world's fastest-growing and most dynamic regions.

How we're enhancing our resources
- Across our international network, we are investing in capabilities such as digital channels and client experiences to access new high-growth segments, grow our share of wallet with existing clients and create new business model opportunities.
- We are strengthening our Transaction Banking, Financial Markets, Sustainable Finance solutions in CCIB and Wealth Management offerings in CPBB to meet the needs of our cross-border clients across our network.

Local expertise

We are deeply rooted in our markets with a strong understanding of key economic drivers, offering us insights that help our clients achieve their ambitions.

How we're enhancing our resources
- We continue to enhance our product, advisory and digital capabilities to serve our individual clients. In 2023, our PLC Group launched more than 20 new digital wealth capabilities, made our Signature Chief Investment Office (CIO) funds available in 12 markets and launched new digital loan partnerships.
- In Business Banking, we continued to support the growth of small and medium-sized-enterprises by making digital loan origination available in more markets and expanding the SC Women's International Network, our offering for women entrepreneurs.

Brand recognition

We are a leading international banking group with 170 years of history. In many of our markets we are a household name.

How we're enhancing our resources
- In 2023 we continued to invest in our brand through our 'Possibilities are Everywhere' global advertising campaign, highlighting our distinctive brand promise to be here for good and showcasing how we help people, companies and communities grow and prosper across our international network.
- We have been successful in leveraging brand and insights to support business growth. Media sentiment towards the PLC Group continued to exceed the average for the banking sector and ranked top three in most of our key markets over 2023.

Financial strength

With $539 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

How we're enhancing our resources

- Our capital position remains strong, with our Common Equity Tier 1 (CET1) ratio of 13.2 per cent above the Group target of 12 per cent.

Technology

Our strong digital foundations and leading technological capabilities continue to enable a data-driven digital bank that delivers world class client service.

How we're enhancing our resources

- We are maintaining momentum on simplification and harmonisation of our technology estate, integrating platforms using the cloud where appropriate, and investing in our engineering capabilities and best-in-class tools to provide secure and resilient technology.
- We are accelerating automation to optimise our technology stack and enhancing the end-to-end delivery of requirements to deployment via a new, single platform that enables our colleagues to collaborate on technology projects in a consistent and efficient manner.
- We have continued delivering value to our clients by improving speed to market, as enabled by more efficient and scalable technology development and delivery processes.

The value we create

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

Clients

We deliver banking solutions for our clients across our network, both digitally and in person. We help individuals grow their wealth while connecting corporates and financial institutions to opportunities across our network.

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.

Society

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

Suppliers

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

Regulators and governments

We play our part in supporting the effective functioning of the financial system and the broader economy by proactively engaging with public authorities and by paying our taxes.

Investors

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

Our strategy
To become a leader in global finance

Over the past year, we have executed well against our strategy, with a considerable uplift in our Return on ordinary shareholders' Tangible Equity (RoTE) delivered.

We will continue to focus on:

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

While the macroeconomic and industry environments continue to evolve, we believe the strategy remains fit for the Bank.

Our strategic priorities and enablers will continue to be supported by our three Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation (please find more details of our Stands on page 15 to 16).

Strategic priorities

Network business

Through our unique network, we enable global trade and investment through financing, payments, asset origination and risk management, with an increasing focus on Sustainable Finance.

Our on-the-ground presence and capabilities in our markets give us an advantage in advice and deal execution for corporates and financial institutions by:

- Helping our clients seize opportunities in shifting supply chains, tapping into existing and emerging trade and investment corridors such as intra-Asia, and supporting our European and American clients' access to emerging markets assets
- Continuously improving client experience with market-leading digital platforms that allow seamless onboarding, client servicing and application programming interface (API) connectivity
- Developing differentiated propositions in high-returning, high-growth sectors such as Technology, Media & Telecom (TMT), Healthcare, Cleantech and Electric Vehicles

Affluent client business

We offer comprehensive solutions, personalised advice, and exceptional client experiences to help our Affluent clients manage and grow their wealth, at home and abroad.

As a leading international wealth manager, we are strengthening our competitive advantage by:

- Unlocking the value of our network, leveraging our wealth hubs in Singapore, Hong Kong, UAE, and Jersey to deliver a seamless global proposition and client experience by enhancing our digital, wealth and advisory capabilities
- Maximising synergies across our client portfolios and the bank by nurturing clients up the Affluent client continuum via our deep local expertise and differentiated propositions, and by partnering with CCIB to offer corporate solutions like real estate and acquisition financing to ultra-high-net-worth clients
- Delivering expert advice and digital-first wealth solutions via an open architecture approach, supported by investments in innovation and scalable platforms.

Mass retail business

Mass Retail is strategically important to our client continuum. It demonstrates our deep local expertise, commitment to and relevance in the markets where we operate.

Besides providing a continuous stream of clients who become more affluent over time, Mass Retail underscores our commitment to lifting participation in the communities we serve.

Our focus is on:

- Continuing the pivot towards a digital-first model to become more personalised, relevant and real-time
- Sharpening our onboarding and engagement capabilities through digital sales and marketing, advanced analytics capabilities and straight-through self-service
- Launching and developing new business models with leading global and regional partners to leverage synergies in distribution, digital capabilities, and risk management to serve customers at scale

Sustainability
We aim to support the sustainable economic and social development of our markets, helping people to thrive long-term.

In line with our Stands, we are committed to accelerating the transition to net zero, lifting participation in the economy and resetting globalisation. Our focus includes:

- Continuing to scale our sustainable and transition finance business by integrating sustainability as a core component of our value proposition and enhancing our suite of Sustainable Finance products and solutions across CCIB and CPBB
- Progressing on our pathway to achieve net zero financed emissions by 2050, including setting interim 2030 targets for additional high-emitting sectors and enhancing our existing Climate Risk governance and management processes
- Contributing our skills, experience and networks to global partnerships and initiatives that enhance standards and further develop the global sustainability ecosystem
- Seeking to partner with our clients and communities to mobilise social capital and drive economic inclusion and entrepreneurship through our Futuremakers global initiative

Critical enablers

People and culture
We invest in our people by building future-ready skills, providing a differentiated employee experience, and strengthening our inclusive and innovative culture. We do this by:

- Embedding our refreshed approach to performance, reward and recognition that puts greater focus on outperformance through collaboration and innovation
- Increasing re-skilling and upskilling opportunities towards future roles and work, aligned with the business strategy and workforce's aspirations
- Strengthening leadership capability through modernised development programmes and measurement platforms
- Focusing on wellbeing to enhance resilience, productivity and performance as well as offering progressive, purpose-led benefits
- Further embedding flexible working across our footprint

Ways of working
We drive client-centricity with a focus on speed to value for our clients. We are improving our operating rhythm and organisational agility while empowering our people to continuously improve the way we work. We continue to progress on:

- Simplifying and transforming the way we invest, operate and execute
- Harnessing operational efficiencies to help us continue the drive of commerce and prosperity in our markets
- Enhancing the way we deliver and manage change across the Bank, anchored around simplifying our processes end-to-end

Innovation
We embed innovation through digitising our core, leveraging partnerships to drive scale and extended reach, and building new business models through ventures. We continue to focus on:

- Modernising and strengthening our technology estate and data management
- Exploring and experimenting to enhance client experience, develop new platforms and improve operational resilience
- Leveraging partnerships to access new clients and strengthen our capabilities
- Building, launching and scaling innovative ventures while driving ventures' collaboration with the broader Bank and its clients

Our Stands

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

The world must reach net zero carbon emissions by 2050 to limit the worst effects of climate change. This will require efforts across stakeholder groups to accelerate the transition to a low-carbon, climate-resilient economy. Policymakers, corporates and financial institutions must play a substantial part in this to ensure that finance is an enabler of change. The need for a just transition that addresses environmental challenges, while ensuring inclusive economic and social development in the footprint markets where we operate, is a priority for the Group.

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 to grow their businesses. We want to increase access to financial services and make them available at low cost. We strive to expand the reach and scale of accessible banking and to connect clients and our wider communities to the skills and educational opportunities that promote and sustain access to finance and economic opportunity.

Resetting Globalisation

Globalisation has lifted millions out of poverty but left many behind. We advocate for a new model of globalisation based on transparency to build trust, renew confidence and promote dialogue and innovation. We connect the capital, expertise and ideas needed to drive new standards and create innovative solutions for sustainable growth. We work across our markets to shape a new understanding of growth, one that is based on inclusivity, sustainability and our ambition to support people and communities for the long term.

Client segment reviews

Corporate, Commercial & Institutional Banking

Profit before taxation

$3,987m — Underlying basis

$3,886m — Reported basis

Segment overview

Corporate, Commercial & Institutional Banking supports local and large corporations, governments, banks and investors with their transaction banking, financial markets and borrowing needs. We provide solutions to clients in some of the world's fastest-growing economies and most active trade corridors.

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, enabling them to move capital, manage risk and invest to create wealth. Our clients represent a large and important part of the economies we serve. Corporate, Commercial and Institutional Banking is at the heart of the Group's shared Purpose to drive commerce and prosperity through our unique diversity.

We are also committed to promote sustainable finance in our markets and channeling capital to 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.

Performance highlights

- Underlying operating profit before taxation of $3,987 million up 19 per cent, primarily driven by higher income partly offset by higher expenses.
- Underlying operating income of $7,972 million was up 15 per cent primarily due to higher Transaction Banking income (primarily cash) on account of higher interest margins, partly offset by lower Financial Markets performance on the back of reduced market volatility.
- Credit impairment is a net writeback, due to significant releases in Stage 3 within the AME region.

Consumer, Private & Business Banking

Profit before taxation

$1,335m — Underlying basis

$1,304m — Reported basis

Segment overview

Consumer, Private and Business Banking serves individuals and small businesses, with a focus on affluent and emerging affluent in many of the world's fastest-growing cities. We provide digital banking services with a human touch to our clients, with services spanning across deposits, payments, financing products and Wealth Management. We also support our clients with their business banking needs. 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 businesses 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 & 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 client experience and improve productivity by driving end-to-end digitalisation and process simplification.

Performance highlights

- Underlying profit before taxation of $1,335 million up 43 per cent driven by higher income.
- Underlying operating income of $3,456 million was up 22 per cent, driven by strong performance in Retail deposits on the back of improved interest margins and recovery in Wealth Management income, partly offset by Mortgages.
- Expenses were up 6 per cent year-on-year due to higher staff costs.
- Credit impairment increased $110m due to higher charge-offs in unsecured lending portfolios in India, Malaysia and Singapore.

Ventures

Profit before taxation

$(253)m — Underlying basis

$(257)m — Reported basis

Segment overview

Ventures is comprised of Trust Bank, which is Singapore's first cloud-native bank launched in September 2022 and aims to become the fourth largest retail bank in Singapore by the end of 2024. To achieve this, it will scale through its partner ecosyst em and deepen its customer relationships with the mass and mass affluent customer segments.

Performance highlights

- Underlying loss before tax of $253 million was driven by continued investment in our digital bank, Trust, in Singapore

Regional reviews

Asia

Profit before taxation

$2,416m — Underlying basis

$2,351m — Reported basis

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 generated 47 per cent of the Group's income benefitting from our extensive network of markets. Of these, Singapore and India contributed the highest income, underpinned by a diversified franchise and deeply rooted presence.

The region is highly interconnected, with China's economy at its core. 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 region is benefiting from rising trade flows, continued strong investment, and a rising middle class which is driving consumption growth and improving digital connectivity.

Performance highlights

- Underlying operating profit before tax of $2,416 million was up 20 per cent due to higher income.
- Underlying operating income of $5,331 million up 16 per cent, due to higher Transaction Banking and Retail Products income benefiting from interest rate rises, partially offset by lower Financial Markets income.
- Credit impairment up $124million, due to higher charge offs in unsecured lending portfolio within CPBB.
- Total assets and liabilities up 6 per cent and 10 per cent respectively since 31 December 2022.

Africa & Middle East

Profit before taxation

$1,243m	$1,267m
Underlying basis	Reported basis

Region overview

We have a deep-rooted heritage in Africa & Middle East (AME) and are present in 18 markets, of which the UAE, Nigeria, Pakistan, Kenya, 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.

Performance highlights

- Underlying operating profit before tax of $1,243 million was up 62 per cent driven by higher income and lower credit impairments, partly offset by higher cost
- Underlying operating income of $2,764 million was up 14 per cent mainly due to growth in Transaction Banking and Retail Deposits, partly offset by lower Financial Markets income.
- Total assets was largely flat from 31 December 2022 due to de-risking in markets with elevated macro-economic risk.

Europe & Americas

Profit before taxation

$15m	$(3)m
Underlying basis	Reported basis

Region overview

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

The region generates significant income for the Group's Corporate, Commercial & Institutional Banking business.

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 significant amount of the region's income originating from Financial Markets and Transaction Banking products.

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

Performance highlights

- Underlying operating profit before taxation of $15million reduced 99 per cent driven by lower income, primarily on account of increased cost of hedges within Treasury, as well as higher expenses
- Underlying operating income of $1,682 million was down 35 per cent largely due to drag from structural and short-term hedges and lower Financial Markets income, moderated by higher Cash income from improved interest margins
- Expenses increased 14 per cent due to higher staff cost
- Total assets and liabilities reduced 5 per cent and 15 percent from 31 December 2022, driven by Financial Markets

Financial review

Summary of financial performance

	2023 $million	2022[1] $million	Change %
Underlying Net Interest income[3]	**5,637**	4,703	20
Underlying Non NII[3]	**5,771**	5,314	9
Underlying operating income	**11,408**	10,017	14
Other underlying expenses	**(6,758)**	(6,331)	(7)
UK bank levy	**(111)**	(102)	(9)
Underlying operating expenses	**(6,869)**	(6,433)	(7)
Underlying operating profit before impairment and taxation	**4,539**	3,584	27
Credit impairment	**46**	25	84
Other impairment	**(40)**	(85)	53
Loss from associates and joint ventures	**(4)**	(13)	69
Underlying profit before taxation	**4,541**	3,511	29
Restructuring	**(117)**	(80)	(46)
Goodwill and Other impairment	**–**	(10)	100
DVA	**27**	33	(18)
Other Items	**(37)**	20	nm[5]
Reported profit before taxation	**4,414**	3,474	27
Taxation	**(1,177)**	(1,122)	(5)
Profit for the year	**3,237**	2,352	38
Underlying return on tangible equity (%)[2]	**12.9**	8.9	400
Common Equity Tier 1 (%)[2,4]	**13.2**	12.7	50

1 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance
2 Change is the basis points (bps) difference between the two periods rather than the percentage change
3 To be consistent with how we compute Net Interest Margin (NIM), and to align with the way we manage our business, we have changed our definition of Underlying Net Interest Income (NII) and Underlying Non NII. The adjustments made to NIM, including interest expense relating to funding our trading book, will now be shown against Underlying Non NII rather than Underlying NII. Prior periods have been restated. There is no impact on total income
4 The 2022 comparatives have been restated to correctly reflect credit risk mitigation
5 Not meaningful

Reported financial performance summary

	2023 $million	2022 $million	Change %
Net Interest income	**4,607**	4,451	4
Non NII	**6,942**	5,783	20
Reported operating income	**11,549**	10,234	13
Reported operating expenses	**(7,147)**	(6,662)	(7)
Reported operating profit before impairment and taxation	**4,402**	3,572	23
Credit impairment	**58**	22	164
Goodwill and other impairment	**(42)**	(107)	61
Loss from associates and joint ventures	**(4)**	(13)	69
Reported profit before taxation	**4,414**	3,474	27
Taxation	**(1,177)**	(1,122)	(5)
Profit for the year	**3,237**	2,352	38
Reported return on tangible equity (%)[1]	**12.5**	8.8	370

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

The commentaries below are on an underlying basis unless otherwise stated

Operating income increased 14 per cent and was driven by growth in both net interest income and non net interest income, on the back of higher net interest margins and a one off gain from a subsidiary disposal.

Net interest income increased 20 per cent, driven by higher net interest margins, partially offset by short-term and structural hedge losses. Net interest margin averaged 160 basis points and is 23 basis points higher year-on-year benefiting from rising interest rates.

Non NII increased 9 per cent, due to gain on disposal of a subsidiary, partly offset by lower Financial Markets income.

Operating expenses excluding the UK bank levy are up 7 per cent primarily reflecting the impact of a high-inflation environment, including salary increases, headcount growth, additional investment in transformational digital capabilities and post-covid normalisation of cost lines. The cost-to-income ratio (excluding the UK bank levy) decreased 4 percentage points to 59 per cent, with positive jaws of 7 per cent.

Credit impairment is a net credit of $46 million driven by significant releases in Stage 3 from corporate clients, partly offset by higher charges within the unsecured lending portfolio

Other impairment is a net charge of $40m and primarily relates to software.

The Group's **underlying profit before taxation** no longer includes movement in the debit valuation adjustment (DVA), the markets and businesses it is exiting in Africa and Middle East (AME) and the Aviation Finance business and now reports these within restructuring and other items. Restructuring is a loss of $117 million primarily reflecting reflects the impact of actions to transform the organisation to improve productivity, primarily redundancy related charges and the AME market exits, while loss of $37 million in other items is in relation to a sale of a portfolio of Aviation loans.

Taxation of $1,177 million for the year represents an effective tax rate of 27 per cent against prior year effective tax rate of 32%, primarily due to a change in the mix of profits across jurisdictions and disposals and restructuring of our businesses

Underlying Return on tangible equity increased by 400 basis points to 12.9 per cent driven by higher profits on account of strong income growth and lower impairments

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

	2023 $million	2022[1] $million	Change %
Corporate, Commercial & Institutional Banking[1]	**3,987**	3,339	19
Consumer, Private & Business Banking[1]	**1,335**	931	43
Ventures	**(253)**	(277)	(12)
Central & other items (segment)	**(528)**	(482)	2
Underlying profit before taxation	**4,541**	3,511	29
Asia	**2,416**	2,017	20
Africa & Middle East	**1,243**	766	62
Europe & Americas	**15**	1,213	(99)
Central & other items (region)	**867**	(485)	279
Underlying profit before taxation	**4,541**	3,511	29

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

Adjusted net interest income and margin

	2023 $million	2022 $million	Change[1] %
Adjusted net interest income[2]	**5,694**	4,695	21
Average interest-earning assets	**356,450**	343,947	4
Average interest-bearing liabilities	**322,422**	316,964	2
Gross yield (%)[3]	**5.16**	2.84	232
Rate paid (%)[3]	**3.93**	1.60	233
Net interest margin (%)[3,4]	**1.60**	1.37	23

1 Variance is better/(worse) other than assets and liabilities which is increase/(decrease)
2 Adjusted net interest income is reported net interest income less funding costs for the trading book and financial guarantee fees on interest earning asset
3 Change in the basis points (bps) difference between two periods rather than the percentage change
4 Net interest margin is calculated as Adjusted net interest income divided by average interest-earning assets, annualised

Adjusted net interest income increased 21 per cent driven by higher net interest margin which increased 23 basis point year-on-year, benefitting from an increase in interest rates across many of our markets.

Average interest-earning assets increased 4 per cent driven by higher Treasury Markets assets, partially offset by lower lending assets on the back of optimisation initiatives. Gross yields increased 232 basis points compared to the average in same period of 2022, reflecting the impact of increase of key interest rates.

Average interest-bearing liabilities increased 2 per cent driven by growth in customer accounts, with rate paid on liabilities increasing by 233 basis points year-on-year reflecting impact of interest rate rises.

Credit quality

Balance Sheet

	2023 $million	2022 $million	Change[1] %
Gross loans and advances to customers[2]	**159,552**	162,158	(2)
Of which stage 1	**146,718**	148,213	(1)
Of which stage 2	**7,657**	7,743	(1)
Of which stage 3	**5,177**	6,202	(17)
Expected credit loss provisions	**(3,409)**	(4,032)	(15)
Of which stage 1	**(198)**	(268)	(26)
Of which stage 2	**(193)**	(187)	3
Of which stage 3	**(3,018)**	(3,577)	(16)
Net loans and advances to customers	**156,143**	158,126	(1)
Of which stage 1	**146,520**	147,945	(1)
Of which stage 2	**7,464**	7,556	(1)
Of which stage 3	**2,159**	2,625	(18)
Cover ratio of stage 3 before/after collateral (%)[3]	**58 / 73**	58 / 74	0 / (1)
Credit grade 12 accounts ($million)	**2,117**	1,282	65
Early alerts ($million)	**3,791**	3,143	21
Investment grade corporate exposures (%)[3]	**75**	79	(4)

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 $13,827 million at 31 December 2023 (2022: $15,586 million)
3 Change is the percentage points difference between the two points rather than the percentage change

Asset quality remained resilient, reflected in lower year-on-year credit impairment charges. The Group continues to actively manage the credit portfolio whilst remaining alert to a volatile and challenging external environment including increased geopolitical tensions which has led to idiosyncratic stress in a select number of markets and industry sectors.

Credit impairment was a net release of $46 million, reflecting the impact of significant releases in stage 3 within CCIB , partly offset by higher charge-offs in unsecured lending portfolio.

Gross stage 3 loans and advances to customers of $5.2 billion were 17 per cent lower year-on-year as repayments, client upgrades and write-offs more than offset new inflows

Credit grade 12 balances have increased by 65 per cent to $2.1 billion substantially from a change in composition of an existing sovereign exposure.

Restructuring, goodwill impairment and other items

	2023 $million				2022[1] $million			
	Restructuring	Goodwill and Other Impairment	DVA	Other items[2]	Restructuring	Goodwill and Other impairment	DVA	Other items
Operating income	151	–	27	(37)	164	–	33	20
Operating expenses	(278)	–	–	–	(229)	–	–	–
Credit impairment	12	–	–	–	(3)	–	–	–
Other impairment	(2)	–	–	–	(12)	(10)	–	–
(Loss)/profit before taxation	(117)	–	27	(37)	(80)	(10)	33	20

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

2 Other items includes loss of $37 million in relation to the sale of a portfolio of Aviation loans

The Group's reported 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.

Effective 1st January 2023, the Group no longer includes the seven exit markets or the two CPBB business exits in the AME region and the Aviation Finance business within the Group's underlying operating profit before taxation but will report them within restructuring. The sale of one of the exit markets, Jordan was completed in August 2023 and the $8 million gain is included in operating income in restructuring. The remaining exits in the AME region are expected to complete in 2024.

The Group is also reclassifying movements in the debit valuation adjustment (DVA) out of its underlying operating profit before taxation and into other items.

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

Restructuring charges of $117 million reflects the impact of actions to transform the organisation to improve productivity, primarily redundancy related charges.

DVA was a positive $27 million movement driven by the widening of the Group's asset swap spreads on derivative liability exposures.

Balance sheet and liquidity

	2023 $million	2022 $million
Assets		
Loans and advances to banks	**22,803**	27,383
Loans and advances to customers	**156,143**	158,126
Other assets	**359,633**	365,225
Total assets	**538,579**	550,734
Liabilities		
Deposits by banks	**23,616**	24,150
Customer accounts	**237,902**	243,075
Other liabilities	**243,117**	249,366
Total liabilities	**504,635**	516,591
Equity	**33,944**	34,143
Total equity and liabilities	**538,579**	550,734
Advances-to-deposits ratio (%)[1]	**50.5%**	50.4%

Standard Chartered Bank is not regulated for Liquidity Coverage Ratio (LCR), however, the bank and material subsidiaries in the consolidation have standalone LCR ratios above 100 per cent.

1 The Group now excludes $20,710 million held with central banks (2022: $20,798 million) that have been confirmed as repayable at the point of stress. Advances exclude repurchase agreements and other similar secured lending of $13,827 million and include loans and advances to customers held at fair value through profit or loss of $3,188 million. Deposits include customer accounts held at fair value through profit or loss of $9,166 million

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

Loans and advances to customers decreased 1 per cent since December 2022 to $156 billion driven mainly by risk-weighted asset optimisation actions undertaken by CCIB.

Customer accounts of $238 billion decreased by 2 per cent since December 2022 driven by lower financial markets volume, partly offset by higher cash volumes in transaction banking and increase in retail term deposits

The advances-to-deposits ratio was broadly flat.

Capital base and ratios

	2023 $million	2022 $million[1]
CET1 capital	**21,794**	21,746
Additional Tier 1 capital (AT1)	**5,453**	5,403
Tier 1 capital	**27,247**	27,149
Tier 2 capital	**11,607**	12,439
Total capital	**38,854**	39,588
CET1 capital ratio (%)	**13.2%**	12.7%
Total capital ratio (%)	**23.5%**	23.1%
Leverage ratio (%)	**5.0%**	4.8%

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

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

Standard Chartered Bank continues to operate through its branches and a number of subsidiaries, all of which remain well capitalised in line with their applicable Court-approved Risk Appetites which takes into account local regulations, Pillar 1 and 2 requirements and regulatory and management buffers as applicable.

The Group's CET1 capital ratio remained strong at 13.2 per cent at FY2023 with leverage at 5.0 per cent. The Group maintains high levels of loss absorbing capacity. Compared to 31 December 2022, the Group's CET1 ratio increased by approximately 50 bps to 13.2 per cent. RWAs decreased by $6.1 billion to $165.6 billion. CET1 capital remained largely flat at $21.8 billion as profits of $3.2 billion and movement in other comprehensive income of $0.4 billion were offset by distributions of $3.0 billion, a foreign currency translation impact of $0.5 billion and an increase in intangible assets of $0.1 billion.

Underlying versus reported reconciliations

Underlying versus reported reconciliations

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

Operating income by client segment

	2023				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & Other Items (Segment) $million	Total $million
Underlying operating income	7,972	3,456	137	(157)	11,408
Restructuring	70	45	–	36	151
DVA	27	–	–	–	27
Other items[2]	(37)	–	–	–	(37)
Reported operating income	8,032	3,501	137	(121)	11,549

	2022[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & Other Items (Segment) $million	Total $million
Underlying operating income	6,917	2,828	3	269	10,017
Restructuring	93	47	–	24	164
DVA	33	–	–	–	33
Other items	–	–	–	20	20
Reported operating income	7,043	2,875	3	313	10,234

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

2 Other items includes loss of $37 million in relation to the sale of a portfolio of Aviation loans

Operating income by region

	2023				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & Other Items (Region) $million	Total $million
Underlying operating income	5,331	2,764	1,682	1,631	11,408
Restructuring	5	122	12	12	151
DVA	(6)	26	7	–	27
Other items[2]	(14)	(18)	(5)	–	(37)
Reported operating income	5,316	2,894	1,696	1,643	11,549

	2022[1]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & Other Items (Region) $million	Total $million
Underlying operating income	4,614	2,431	2,579	393	10,017
Restructuring	27	145	(7)	(1)	164
DVA	11	8	14	–	33
Other items	–	–	–	20	20
Reported operating income	4,652	2,584	2,586	412	10,234

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

2 Other items includes loss of $37 million in relation to the sale of a portfolio of Aviation loans

Profit before taxation (PBT)

	2023					
	Underlying $million	Restructuring $million	DVA $million	Net gain on businesses disposed off[1] $million	Goodwill and Other impairment $million	Reported $million
Operating income	11,408	151	27	(37)	–	11,549
Operating expenses	(6,869)	(278)	–	–	–	(7,147)
Operating profit/(loss) before impairment losses and taxation	4,539	(127)	27	(37)	–	4,402
Credit impairment	46	12	–	–	–	58
Other impairment	(40)	(2)	–	–	–	(42)
Loss from associates and joint ventures	(4)	–	–	–	–	(4)
Profit/(loss) before taxation	4,541	(117)	27	(37)	–	4,414

	2022[2]					
	Underlying $million	Restructuring $million	DVA $million	Net gain on businesses disposed off $million	Goodwill and Other impairment $million	Reported $million
Operating income	10,017	164	33	20	–	10,234
Operating expenses	(6,433)	(229)	–	–	–	(6,662)
Operating profit/(loss) before impairment losses and taxation	3,584	(65)	33	20	–	3,572
Credit impairment	25	(3)	–	–	–	22
Other impairment	(85)	(12)	–	–	(10)	(107)
Loss from associates and joint ventures	(13)	–	–	–	–	(13)
Profit/(loss) before taxation	3,511	(80)	33	20	(10)	3,474

1 Net gain on businesses disposed of for sale includes loss of $37 million in relation to the sale of a portfolio of Aviation loans
2 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance

Profit before taxation (PBT) by client segment

	2023				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & Other Items (Segment) $million	Total $million
Operating income	7,972	3,456	137	(157)	11,408
External	6,026	2,124	138	3,120	11,408
Inter-segment	1,946	1,332	(1)	(3,277)	–
Operating expenses	(4,103)	(1,989)	(329)	(448)	(6,869)
Operating profit/(loss) before impairment losses and taxation	3,869	1,467	(192)	(605)	4,539
Credit impairment	153	(128)	(13)	34	46
Other impairment release/(charge)	(35)	(4)	(24)	23	(40)
(Loss)/profit from associates and joint ventures	–	–	(24)	20	(4)
Underlying profit/(loss) before taxation	3,987	1,335	(253)	(528)	4,541
Restructuring	(91)	(31)	(4)	9	(117)
Goodwill and other impairment	–	–	–	–	–
DVA	27	–	–	–	27
Other Items[1]	(37)	–	–	–	(37)
Reported profit/(loss) before taxation	3,886	1,304	(257)	(519)	4,414

	2022[2]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & Other Items (Segment) $million	Total $million
Operating income	6,917	2,828	3	269	10,017
External	6,321	2,274	3	1,419	10,017
Inter-segment	596	554	–	(1,150)	–
Operating expenses	(3,755)	(1,873)	(242)	(563)	(6,433)
Operating profit/(loss) before impairment losses and taxation	3,162	955	(239)	(294)	3,584
Credit impairment	186	(18)	(2)	(141)	25
Other impairment	(9)	(6)	(20)	(50)	(85)
(Loss)/profit from associates and joint ventures	–	–	(16)	3	(13)
Underlying profit/(loss) before taxation	3,339	931	(277)	(482)	3,511
Restructuring	(26)	(31)	(1)	(22)	(80)
Goodwill and other impairment	–	–	–	(10)	(10)
DVA	33	–	–	–	33
Other Items	–	–	–	20	20
Reported profit/(loss) before taxation	3,346	900	(278)	(494)	3,474

1 Other Items includes loss of $37 million in relation to the sale of a portfolio of Aviation loans

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

Profit before taxation (PBT) by region

	2023				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & Other Items (Region) $million	Total $million
Operating income	5,331	2,764	1,682	1,631	11,408
Operating expenses	(2,812)	(1,597)	(1,659)	(801)	(6,869)
Operating profit before impairment losses and taxation	2,519	1,167	23	830	4,539
Credit impairment	(64)	91	28	(9)	46
Other impairment	(39)	(15)	(12)	26	(40)
(Loss)/profit from associates and joint ventures	–	–	(24)	20	(4)
Underlying profit before taxation	2,416	1,243	15	867	4,541
Restructuring	(45)	16	(20)	(68)	(117)
Goodwill and other impairment	–	–	–	–	–
DVA	(6)	26	7	–	27
Other Items[1]	(14)	(18)	(5)	–	(37)
Reported profit/(loss) before taxation	2,351	1,267	(3)	799	4,414

	2022[2]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & Other Items (Region) $million	Total $million
Operating income	4,614	2,431	2,579	393	10,017
Operating expenses	(2,653)	(1,552)	(1,456)	(772)	(6,433)
Operating profit/(loss) before impairment losses and taxation	1,961	879	1,123	(379)	3,584
Credit impairment	60	(115)	88	(8)	25
Other impairment	(4)	2	2	(85)	(85)
Loss from associates and joint ventures	–	–	–	(13)	(13)
Underlying profit/(loss) before taxation	2,017	766	1,213	(485)	3,511
Restructuring	(4)	25	(35)	(66)	(80)
Goodwill and other impairment	–	–	–	(10)	(10)
DVA	11	8	14	–	33
Other items	–	–	–	20	20
Reported profit/(loss) before taxation	2,024	799	1,192	(541)	3,474

1 Other items includes loss of $37 million in relation to the sale of a portfolio of Aviation loans
2 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance

Return on tangible equity (RoTE)

	2023 $million	2022[1] $million
Average parent company Shareholders' Equity[2]	**27,889**	28,858
Less Average preference share capital and share premium	**(1,031)**	(1,500)
Less Average intangible assets	**(4,042)**	(3,847)
Average Ordinary Shareholders' Tangible Equity	**22,816**	23,511
Profit for the period attributable to equity holders	**3,237**	2,352
Non-controlling interests	**(29)**	18
Dividend payable on preference shares and AT1 classified as equity	**(363)**	(311)
Profit for the year attributable to ordinary shareholders	**2,845**	2,059
Items normalised:		
Restructuring	**127**	47
Goodwill and other Impairment	**–**	10
Net gains on sale of Businesses	**–**	(20)
Tax on normalised items	**(21)**	–
Underlying profit for the year attributable to ordinary shareholders	**2,951**	2,096
Underlying return on tangible equity	**12.9%**	8.9%
Reported return on tangible equity	**12.5%**	8.8%

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

2 Excludes other equity instruments including AT1s

	FY'23 %	FY'22 %
Underlying RoTE	**12.9**	8.9
Restructuring		
Of which: Income	**0.5**	0.7
Of which: Expenses	**(1.2)**	(1.0)
Of which: Credit impairment	**0.1**	(0.0)
Of which: Other impairment	**(0.0)**	(0.1)
DVA	**0.1**	0.1
Net gains on disposal of available for sale instruments	**–**	0.1
Tax on normalised items	**0.1**	–
Reported RoTE	**12.5**	8.8

Net charge-off ratio

	2023			2022		
	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[1] $million	Net Charge-off Ratio[1] %
Stage 1	**32**	**169,013**	**(0.02)%**	68	165,791	(0.04)%
Stage 2	**(132)**	**7,154**	**1.85%**	(7)	8,811	0.08%
Stage 3	**45**	**2,358**	**(1.91)%**	57	2,444	(2.33)%
Total exposure	**(55)**	**178,525**	**0.03%**	118	177,046	(0.07)%

1 Prior year has been restated

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
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.
Average interest earning balance	Daily average of the interest earning assets and interest bearing liabilities balances excluding the daily average cash collateral balances in other assets and other liabilities that are related to the Financial Markets trading book.
Constant currency basis	A performance measure on a constant currency basis (ccy) is presented such that comparative periods are adjusted for the current year's functional currency rate. The following balances are presented on a constant currency basis when described as such: • Operating income • Operating expenses • Profit before tax • RWAs or Risk-weighted assets
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	Reported 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	Net credit impairment charge or release to average outstanding net exposures
NIM or Net interest margin	Reported net interest income adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business and financial guarantee fees on interest earning assets, divided by average interest-earning assets excluding financial assets measured at fair value through profit or loss.
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 on average assets less rate paid on average liabilities.
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	Reported 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.
RoE or Return on equity	The ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders' equity for the reporting period.
RoTE or Return on ordinary shareholders' tangible equity	The ratio of the current year's profit available for distribution to ordinary shareholders, to the average tangible equity, being ordinary shareholders' equity less the average intangible assets for the reporting period. Where a target RoTE is stated, this is based on profit and equity expectations for future periods.
TSR or Total shareholder return	The total return of the Group's equity (share price growth and dividends) to investors.
Underlying net interest income	Reported net interest income normalised to an underlying basis adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business and financial guarantee fees on interest earning assets.
Underlying Non NII	Reported Non NII normalised to an underlying basis adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business and financial guarantee fees on interest earning assets. In prior periods Underlying Non NII was described as underlying other income.

Measure	Definition
Underlying/ Normalised	A performance measure is described as underlying/normalised if the reported 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. Restructuring includes impacts to profit or loss from businesses that have been disclosed as no longer part of the Group's ongoing business, redundancy costs, costs of closure or relocation of business locations, impairments of assets and other costs which are not related to the Group's ongoing business. Restructuring in this context is not the same as a restructuring provision as defined in IAS 37 A reconciliation between underlying/normalised and reported 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 • Cost-to-income ratio • Jaws • RoTE or Return on tangible equity
Underlying ROTE	The ratio of the current year's profit for distribution to ordinary shareholders plus fair value on OCI equity movement relating to Ventures segment to the weighted average ordinary shareholders' equity for the reporting period

Risk review

An update on our risk management approach

Our Risk Management Framework (RMF) outlines how we manage risk enterprise wide. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification. The RMF also sets out the roles and responsibilities and minimum governance requirements for the management of Principal Risks.

In revisions made in the RMF in 2023, effective 1 January 2024, the concepts of Integrated Risk Types (IRTs) and IRT Owner roles were discontinued. Oversight on existing IRTs, i.e. Climate Risk, Digital Asset and Third Party Risk, is achieved through the Risk Type Frameworks (RTFs) and dedicated policies. The Subject Matter Experts (SME) as the policy owner for these risks provide overall governance and ensure a holistic view of how risks are monitored and managed across the Principal Risk Types (PRTs).

Principal Risk Types

PRTs are risks inherent in our strategy and business model. These are formally defined in our RMF, which provides a structure for monitoring and controlling these risks through the Court-approved Risk Appetite Statement. We will not compromise compliance with our Risk Appetite in order to pursue revenue growth or higher returns.

The table below provides an overview of Risk Appetite statement for the PRTs:

Risk Types	Risk Appetite Statements
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 and activities to ensure that market and counterparty credit risk losses do not cause material damage to the Group's franchise.
Treasury Risk	Individual regulated entities within 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 their franchise. In addition, they should ensure that their 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 the conduct of business matters, do not cause material damage to the Group's or PLC Group's franchise.
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to Financial Crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.
Compliance Risk	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.
Information and Cyber Security Risk	The Group aims to mitigate and control ICS risks to ensure that incidents do not cause the Bank material harm, business disruption, financial loss or reputational damage – recognising that whilst incidents are unwanted, they cannot be entirely avoided.
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 with the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct in striving to do no significant environmental and social harm.
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; whilst accepting some model uncertainty.

Topical and Emerging Risks (TERs)

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

As part of our continuous risk identification process, we have updated the Group's TERs from those disclosed in the 2022 Annual Report and 2023 Half-Year Report; these remain applicable, with nuances in their evolution noted where pertinent. Below is a summary of the TERs, 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. There are some horizon risks that, although not highly likely at present, could evolve into a threat in the future and we are therefore monitoring them. These include future pandemics and the world's preparedness for them, and other potential cross-border conflicts. Our mitigation approach for these risks may not eliminate them but demonstrates the Group's awareness and attempt to reduce or manage the risks. As certain risks develop and materialise over time, management will take appropriate steps to mitigate them based on their materiality on the Group.

Macroeconomic and geopolitical considerations

There is interconnectedness between risks due to the importance of US Dollar financing conditions for global markets, the global or concentrated nature of key supply chains for energy, food, semi-conductors and rare metals, and the direct influence of geopolitics on geoeconomics.

The Group is exposed to these risks directly through investments, infrastructure and staff, and also indirectly through its clients. Whilst the main impacts are financial, other ramifications may exist such as reputational, compliance or operational considerations.

Expanding array of global tensions and new geopolitical order

Global power dynamics have shifted, with different political and economic alliances beginning to create a multipolar power system. This has been accelerated by the war in Ukraine and conflicts in the Middle East. Whilst the Group has limited direct exposure to Russia, Ukraine or Israel, it may be impacted by second order effects on its clients and markets for agricultural commodities, oil or gas.

The positioning of 'middle powers' is complex and evolving, and could tip the geopolitical scales. The negotiating power of exporters of energy and other natural resources has expanded and can shape global markets, as they can use global divisions to raise their own profile. One such example is the envisaged expansion of BRICS to seek a counterweight to Western power axes.

US-China tensions remain, with protectionist measures imposed by both sides. Tariffs, embargos, sanctions, new taxes such as that on carbon, and restrictions on technology exports and investments, are being used to achieve goals beyond just economic. Further economic or political actions could escalate distrust and accelerate the decoupling of trade links, leading to increasingly inefficient production and inflation pressures.

Despite attempts to become more pragmatic, a number of potential flashpoints remain. A push by China to increase RMB trade and establish RMB as a secondary global reserve currency presents new business opportunities but also potential disruption to the balance of power.

With many elections due across the world in the next twelve months, there is uncertainty over the political direction of domestic and foreign policy. There is a risk of short-term political expediency taking precedence over long-term strategic decision making. The malicious use of AI-enabled disinformation could also cause disruption and undermine trust in the political process.

There is an ongoing threat of terrorism, with unpredictability exacerbated by the wider range of ideologies at play. Cyber warfare by state related actors could also be used to disrupt infrastructure or institutions in rival countries.

A more complex and less integrated global political and economic landscape has the potential to challenge cross border business models, but also provides new business opportunities.

Persistent high inflation and interest rates
Although rate cuts have been signaled by the Federal Reserve, global rates could remain elevated for longer. Structurally higher spending and continued supply disruptions increase the probability of inflation remaining sticky. During 2023, the International Monetary Fund (IMF) and World Trade Organisation lowered their initial forecasts for trade growth and increased that of inflation in 2024, suggesting that several economies will walk a fine line between recession and stagflation.

Concern for the credit environment spans both commercial and retail lending, with price inflation and the cliff effects of energy, mortgage and debt re-pricing ultimately leading to higher defaults. This is visible in bond markets with yields widening markedly and prone to high volatility.

Drives to de-risk supply chains combined with no obvious resolution to ongoing conflicts continue to disrupt supply chains. This complicates efforts to combat inflation as supply constrained markets dent the effectiveness of monetary policy.

Some sectors are particularly sensitive to high rates, notably commercial real estate, non-bank financial institutions (NBFI) and leveraged finance due to their reliance on the availability of cheap financing. Bank failures in Q1 2023 highlighted challenges in managing liquidity, credit, refinancing and market risks. They also raised questions of competence and confidence in the finance industry.

Economic slowdown in China
Whilst China's exit from COVID restrictions has had an overall positive impact, it has failed to deliver a sustained boost to the global economy as the country contends with strain in several sectors such as real estate. There has also been a change in the corporate operating environment, with reduced clarity on the economic outlook.

Given China's importance to global trade a slowdown would have wider implications across the supply chain, especially for its trading partners, as well as to countries which rely on it for investment, such as those in Africa. However, opportunities arise from the diversification of intra-Asia trade and other global trade routes, and growth acceleration in South Asia, especially India.

Sovereign risk
Credit fundamentals have been eroding across both emerging and advanced economies due to persistently high interest rates, food and energy prices. Emerging markets will also be affected by weakness in local currencies versus the US Dollar and the resultant cost of refinancing existing debt, or availability of hard currency liquidity. Issues and challenges have already been observed across several of the Group's footprint markets, including the recent default of Ghana, political instability in Pakistan, high inflation in Turkey, economic turmoil in Sri Lanka, and coups in Africa.

For some countries there is a heightened risk of failure to manage social demands, which might culminate in increased political vulnerability. Furthermore, food security exacerbated by the influences of armed conflict and climate change, and energy security challenges have the potential to drive social unrest.

Debt moratoria and refinancing initiatives are complicated by larger number of financiers, with much financing done on a bilateral basis outside of the Paris Club. Whilst the Global Sovereign Debt Roundtable has made some progress on coordinating approaches between the Paris Club and other lenders their interests do not always match. This can lead to delays in negotiations on debt resolutions for developing nations.

Supply chain issues and material shortages
Demand and supply imbalances in global supply chains are increasingly becoming structural in nature and affect a wide range of commodities including food, energy, minerals and raw materials, plus targeted restrictions on certain industry sectors.

There is growing political awareness around the need for key component and resource security at national level. Countries are enacting rules to "de-risk" by reducing reliance on rivals or concentrated suppliers (for example semiconductors) and look to either re-industrialise or make use of near-shoring and friend-shoring production.

The growing need for minerals and rare earth metals to power green energy technologies could increase the geopolitical standing of the main refiners, such as China, Indonesia and some African nations. However, there are also environmental and social costs to rapidly increasing extraction. A desire to avoid dependence may slow down the move by some nations towards the transition.

How these risks are mitigated/next steps

- We remain vigilant in monitoring risk and assessing impacts from geopolitical and macroeconomic risks to portfolio concentrations.
- We conduct thematic stress tests and portfolio reviews at the Group, country, and business level, with regular reviews on vulnerable sectors, and undertake any necessary mitigating actions.
- We maintain a diversified portfolio across products and geographies, with specific risk appetite metrics to monitor concentrations.
- Increased scrutiny is applied when onboarding clients and in ensuring compliance with sanctions.
- Collateral and credit insurance are used to manage concentrations.
- We track the participation of our footprint countries in the G20's Common Framework Agreement and Debt Service Suspension Initiative for Debt Treatments and the associated exposure.
- Our NBFI exposure is closely monitored in terms of both limits, products and counterparties.

Regulatory considerations

Changing regulatory environment

Given notable bank failures in 2023 (and the response of resolution authorities to those failures), the regulatory framework for banks remains subject to continued change in addition to the implementation of Basel 3.1 in various jurisdictions. Additionally, the differing pace and scale of regulatory adoption between jurisdictions, along with increasing extraterritorial reach and prescriptiveness, can make it challenging for multinational groups to manage their business. Implementation timelines are a focus.

The scale of upcoming regulatory change in 2024 and 2025 is significant with major regime changes in capital and operational resilience due to take effect.

How these risks are mitigated/next steps

- We actively monitor regulatory developments, including those related to sustainable finance and ESG, and respond to consultations either bilaterally or through well-established industry bodies.

ESG considerations

ESG stakeholder expectations

Organisations across the corporate and financial sectors are setting ambitious sustainability goals and net zero targets with many embedding them in their business models. This has prompted increased attention from various stakeholders in ensuring that net zero targets are being met with credible action plans. Stakeholder scrutiny around greenwashing risk relating to ESG focused financial products, as well as companies' commitments, transpires in the various regulatory developments and early enforcement actions taken by several key regulators.

Fragmentation in the pace and scale of adoption of ESG regulations around the world remains, particularly around taxonomies and disclosure requirements, which may lead to unintended consequences including misallocation of capital, increased implementation costs and litigation risks.

The Group's net zero aspirations may be impacted by governments or corporates scaling back their sustainability targets, especially as economic conditions remain challenging, and budgets are constrained. There have been examples in developed nations, such as the UK revisiting its electric vehicle transition timeline. A slower transition from key clients may also weigh reputational pressure on the Group's roadmap.

Higher frequencies of extreme weather-related events such as wildfires, floods and famines may lead to physical climate risk and the cost of managing it becoming a heavier burden on global economies. This will be particularly impactful to developing markets. Alongside climate change, biodiversity loss, pollution, and depletion of key resources, such as water, pose incremental risks to food and health systems, energy security and contribute to the disruption of supply chains.

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

How these risks are mitigated/next steps

- We update our environmental and social standards for providing financial services to clients every two years, with a new version scheduled for 2024.
- We focus on embedding our values through our Position Statements for sensitive sectors and a list of prohibited activities.
- We integrate the management of greenwashing risks into our Reputational and Sustainability Risk Framework and policies.
- Green, Sustainable and Transition Finance labels for products reflect the standards set out in our sustainable product framework which are regularly reviewed. We obtain external verification on the Sustainable Finance asset pool.
- We assess our clients and suppliers against various international human rights 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 and enhance modelling capabilities to understand the financial risks and opportunities from climate change.
- Work is underway to embed Climate Risk considerations across all relevant PRTs. This includes client-level Climate Risk assessments, including setting adequate mitigants or controls as part of decision making and portfolio management activities.

Technological considerations

Data and digital

The Group's digital footprint will expand as more services and products are digitised and made more accessible. Scale in operations and interactions with digital systems will further reduce the tolerance for errors and outages. The risk of data breaches is amplified by highly organised actors, with threats such as 'Ransomware as a Service' and affordable, sophisticated AI systems helping to facilitate attacks on organisations and individuals.

Data regulation continues to be fluid and fragmented. Geopolitical tensions have accelerated the implementation of data sovereignty laws, including data localisation requirements and cross-border access restrictions. These regulations often have an extraterritorial reach which could increase operating costs significantly, and also impact cross-border business models. Stakeholder expectations on data management have also increased, particularly relating to quality, integrity, record keeping, privacy, sovereignty, the ethical use of data and application of AI.

The sophistication and adoption of AI solutions are growing exponentially and will increase exposure to existing risks such as model, fraud, financial crime, compliance and Information and Cyber Security (ICS) risks. In response, regulation is accelerating, particularly around the ethical application of AI in decision-making, necessitating robust governance measures. The Group needs to ensure that it develops sufficient in-house subject matter expertise.

New business structures, channels and competition

Failure to harness new technologies and new business models would place banks at a competitive disadvantage. The continued exploration of partnerships, alliances, digital assets, generative AI and nascent technologies, such as quantum computing, provides both opportunities and unique challenges. This is increasingly important as digital assets and distributed ledger technology become progressively prevalent and interconnected with the financial ecosystem. Supply chains are becoming more complex, interconnected and digital. Highly extended enterprises expand opportunities available for malicious actors, with risk cascading further down supply chains beyond just direct and third party risks.

These innovations require specialist in-house expertise, new operating models and adapting risk frameworks to perform robust risk assessment and management of new threats. There is also growing regulatory attention in many of these areas. Balancing resilience and agility is essential given the global nature of new technologies alongside the maintenance of existing systems. It is imperative to establish clear ownership, frameworks, and oversight of the use of emerging technologies.

How these risks are mitigated/next steps

- We monitor emerging trends, opportunities and developments in technology as well as emerging business models that may have implications for the banking sector.
- We invest in our capabilities, to better prepare and protect ourselves against possible disruption and new risks.
- We track the evolving regulatory landscape affecting key areas such as data management, digital assets and AI, including country-specific requirements, and actively collaborate with regulators to support important initiatives.
- We have established enhanced governance for novel areas through the Digital Asset Risk Committee and Responsible AI Council, which considers emerging regulatory guidance.
- We manage data risks through our Compliance Risk Type Framework and information security risks through our ICS Risk Type Framework.
- We have developed a Group Data Strategy, to strengthen ownership of related data risks.
- We maintain a dedicated Data Compliance Policy with globally applicable standards. These standards undergo regular review to ensure alignment with evolving regulations and industry best practice.
- We maintain programmes to enhance our data risk management capabilities and controls, including compliance with BCBS239 requirements on effective risk data aggregation, with progress tracked at executive level risk governance committees.
- The Group has implemented a 'defence-in-depth' ICS control environment strategy to protect, detect and respond to known and emerging ICS threats.
- New risks arising from partnerships, alliances, digital assets and generative technologies are identified through the New Initiatives Risk Assessment and Third Party Risk Management Policy and Standards.

Demographic considerations

Talent pools of the future

The expectations of the workforce, especially skilled workers, continue to evolve. The COVID pandemic accelerated changes on how people work, connect and collaborate, with expectations on hybrid 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 talents. 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 Generation Z who make up an increasing proportion of the global talent pool, and as digital natives possess the attributes and skills we seek to pursue our strategy.

To sustainably attract, grow and retain talent, we must continue to invest in and further strengthen our Employee Value Proposition (EVP) and here for good our brand promise, through both firm-wide interventions as well as targeted action.

Demographic trends

Divergent demographic trends across developed and emerging markets create contrasting challenges. Developed markets' state budgets could be strained by ageing and shrinking populations, whilst political stances reduce the ability to fill skills gaps through immigration. Conversely emerging markets are experiencing fast-growing, younger workforces. Whilst it is an opportunity to develop talent, population growth will put pressure on key resources such as food, water, education and health, as well as government budgets.

Population displacement, whether as a result of climate events, lack of key resources, political issues or war, may increase the fragility of societal structures in vulnerable centres. Large scale movement could cause social unrest, as well as propagate disease transmission and accelerate the spread of future pandemics.

How these risks are mitigated/next steps

- Our culture and EVP work aims to address the emerging expectations of the diverse talent we seek. The Brand and Culture Dashboard monitors our diversity and inclusion, colleagues' perceptions of our EVP, and whether we are living our Valued Behaviours. Management teams discuss many of these metrics (including employee survey responses) to identify actions.
- We are undertaking a multi-year journey of developing future-skills amongst our colleagues by focusing on continuous learning, to balance appropriately between 'building' and 'inducting' skills into the Group.
- Our internal Talent Marketplace provides colleagues with opportunities to learn through experience by signing up for cross-functional (or even cross-geography) projects.
- Our flexible working programme is currently live. We continue to enhance support and resources to People Leaders and colleagues to help balance productivity, collaboration and wellbeing.
- Our Stands continue to be operationalised through our strategy, and help address the talent pool's increased expectations of us being purpose-led.

Stakeholders and responsibilities

As an international bank operating in 50 markets, stakeholder engagement is crucial in ensuring we understand local, regional and global perspectives and trends that inform how we do business.

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 38 to 40
- How we engage employees and respond to their interests. See pages 43 to 45
- How we respond to stakeholder interests through sustainable and responsible business. See pages 46 to 47

Detailed information about how the Court engages directly with stakeholders and shareholders can be found in the Director's report on pages 51 to 56.

An example of the Court's Principal decision is included in this section. This section also forms our key non-financial disclosures in relation to sections 414CA and 414CB of the Companies Act. Our non-financial information statement can be found at the end of this section.

Principal Court decisions – market entries and exits

In 2023 the Court approved the sale of our aviation finance leasing business with this transaction completing in November 2023. In making this decision the Court considered the potential challenges and the resulting impact on stakeholders, having particular regard to the clients and employees of the aviation business.

Following on from the announcement in 2022 of the intention to exit onshore operations in seven markets in AME and exit its CPBB business in a further two markets, the Court approved a series of four transactions covering the sales of (i) our Jordan branch (completed in August 2023), (ii) our Zimbabwe business, (iii) a CPBB portfolio in Côte d'Ivoire and (iv) our businesses in Angola, Cameroon, Gambia and Sierra Leone, and a CPBB portfolio in Tanzania. The focus will now be solely on the CCIB business in Côte d'Ivoire and Tanzania.

These strategic exits were undertaken in order to focus resources within the AME region to those areas where we have the greatest scale and growth potential, for the benefit of our shareholders, employees and customers. In assessing each of the sale transactions, the Court considered the potential challenges and the resulting impact on the key stakeholders, particularly the employees, as well as our local and wider regulatory relationships. The Court continues to receive regular progress updates on these transactions.

Engaging stakeholders

Listening 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 2023, we made improvements to some of our feedback processes, so relationship managers could address client needs 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 PLC Group's Sustainability Forum, and to the PLC Board's Culture and Sustainability Committee (CSC) which oversees the PLC Group's approach to its main relationships with stakeholders.

We communicate progress regularly with 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 of pages 15 to 16.

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

Across the bank, we have processes and controls to mitigate greenwashing risks, and to support transparency we publish the details of what constitutes our sustainable products and investments universe externally.

We work closely with third-party Environmental, Social and Governance (ESG) data providers to support the development of product ideas, and due diligence is conducted by our in-house team on our high conviction suite of sustainable funds.

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.

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.

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.

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.

Throughout 2023, we 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.

Consumer, Private and Business Banking
In Consumer, Private and Business Banking (CPBB), 2023 saw significant improvements in digital wealth with the delivery of new capabilities across our markets. This includes client DIY Wealth Lending for Funds in the UAE and MyInsure in India where relationship managers can leverage a digital tool to perform comprehensive insurance needs analysis and portfolio reviews for clients.

Our focus on partnerships continues to show results with the growth of our existing partnerships business in Vietnam, Indonesia, and Singapore, and we have expanded the partnership business to Malaysia. In 2023, the Bank launched partnerships with SeaMoney in Indonesia, and Atome in Singapore and Malaysia.

Additionally, we made significant progress in our advisory business with the launch of SC Wealth Select in several markets. SC Wealth Select aims to bring a portfolio approach to client conversations and is supported by our digital advisory tool MyWealth Advisor. Across CPBB, a number of colleagues have completed the SC Wealth Select e-learning training while some frontline colleagues have completed or are undertaking the Standard Chartered INSEAD Wealth Academy Advisory programme.

Importantly, we leverage our cross-border scale by using the same technology and open architecture product platform in different markets to offer competitive products and solutions globally. Examples of this include our series of Signature CIO Funds and Wealth Saver, an innovative savings product.

Corporate, Commercial and Institutional Banking
In 2023, 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.

Refining our processes through continuous improvement has enabled us to achieve benefits in revenue and cost savings by creating capacity and reducing client waiting times. We are transforming our bank-wide processes by taking a client-focused, data-driven digital bank approach that will enable us to serve the needs of our clients better and faster and reduce the amount of friction and complexity in our network.

We have set in place processes and guidelines specific to our client businesses for us to better understand and promptly address issues.

We implemented self-serve digital tools and capabilities such as chatbot, our mobile banking app, application programming interface (API) connectivity and data analytics. These have reduced operational costs and enhanced the overall client experience. Agile ways of working accelerated our decision-making processes and change delivery to create great experiences and make it easier for our clients to bank with us.

We continue to engage in partnerships that help us offer enhanced services to customers. Collaborations with Linklogis and Taulia, which is part of SAP, aid clients with supply chain financing through blockchain and dynamic discounting; our work with the Partior platform allows us to deliver the speed, efficiency and visibility of domestic settlement systems to cross-border payments and settlements networks to absolve significant wholesale cross border payment frictions and deliver instant, 24/7 settlement of digital assets on the blockchain.

Our work with digital trade transaction portal Trade Track-It integrates DHL's tracking system and Lloyd's List Intelligence vessel tracking system through API, to offer clients end-to-end visibility of their trade transaction status globally.

Across both CCIB and CPBB, throughout 2024, 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 2023, 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. Our PLC Group Public and Regulatory Affairs team supports most engagements while Conduct, Financial Crime & Compliance, Risk, Legal and Finance identify and analyse 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.

Their interests
- Strong capital base and liquidity position
- Robust standards for conduct and financial crime
- Healthy economies, trade flows and competitive markets
- Sustainable Finance and net zero transition
- Digital innovation in financial services
- Operational resilience
- Customer protection
- Financial stability

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 PLC Group's 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.

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.

We continued to expand our use of virtual meetings during the year, coupled with a growing number of face-to-face interactions. Our PLC Group hosted two capital markets days, focusing on our Asia region and the Sustainability opportunity in May and November respectively.

Key investor feedback, recommendations and requests are considered by our PLC Board, whose members keep abreast of current topics of interest. Our PLC Group'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 PLC Board questions. Similarly, our PLC Group Chairman, alongside some members of the PLC 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.

We continue to respond to growing interest from a wide range of stakeholders on ESG matters, including investors. Our PLC Group sought shareholder endorsement for our net zero roadmap at the PLC Group's 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 2024, 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 United Nations (UN) Sustainable Development Goals
- Progress on ESG matters, including advancing our net zero roadmap

Suppliers

How we create value

We are dedicated to engaging with suppliers who offer value-adding goods and services across our network, and we work closely with them to support global environmental and social standards. Our suppliers are expected to be ethical, respect human rights, diversity and inclusion, and the environment to support our colleagues, clients, and communities.

How we serve and engage

We must effectively manage, monitor, and mitigate risks in our supply chain. We do this through our Third-Party Risk Management Policy. This, in conjunction with the Principal Risk Type Policies and Standards, set out the Group's minimum control requirements for the identification, mitigation and management of risks arising from the use of suppliers.

Our PLC Group's Supplier Charter sets out our principles in relation to ethics, human rights, diversity and inclusion, and environmental performance. All newly onboarded suppliers are expected to agree with these principles. We seek to reinforce this through the terms of our standard contract templates, where possible, and we further encourage alignment by sending an annual letter to all active suppliers. This includes guidance regarding our stance on ethics and conduct, sustainability aspirations, payment processes and other relevant principles such as Anti-Bribery and Corruption. The Charter covers all geographies and categories of suppliers, and our PLC Group plan to refresh the Charter in 2024.

Supporting our suppliers to achieve net zero

Our supply chain is critical to achieving the Group's sustainability aspirations, and we continue to make good progress. We encourage our suppliers to set science-based emissions reduction targets and by 2028 our PLC Group plans to direct 70 per cent of total PLC Group's expenditure to suppliers who have set or committed to setting science-based emission reduction targets. In 2023, our PLC Group held group sessions with our suppliers to support them reduce their emissions, discuss progress and next steps.

Supporting a diverse and inclusive supply chain
We recognise the value of supply chain diversity to our business and society. In 2023, our PLC Group continued to integrate supplier diversity into our business strategy and make efforts to include diverse suppliers in sourcing activities and improve spending levels with diverse suppliers as appropriate. To do this we have continued to collaborate with non-governmental organisations (NGOs), business incubators and others to help build and develop our diverse and talented supplier pool. In 2023, our PLC Group joined member-buyer events, local procurement networking activities and best practice sharing events with partners like WEConnect International – a global network supporting women-owned businesses to connect with larger companies.

We have continued to build capacity with our own colleagues through online training on supplier diversity and inclusion. Highlighting our commitment, our PLC Group has been awarded the Chartered Institute of Procurement and Supply Asia Excellence in Procurement Award for outstanding Diversity and Inclusion practices in procurement teams and Best Initiative to Build a Diverse Supplier Base.

Their interests
- Open, transparent and consistent tendering process
- Accurate and on-time payments
- Willingness to adopt supplier-driven innovations
- Obtain guidance on implementation of sustainability matters

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, 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 ensure that our approach to doing business is understood. This includes working with NGOs that approach us about a specific client, transaction or policy.

In 2023, climate change, our net zero roadmap, human rights and nature continued to underpin many of our conversations. Our PLC Group primarily received NGO feedback via our public inbox and responded to queries in line with our standards. For complex issues such as climate change, our PLC Group held bilateral virtual meetings with NGOs to exchange perspectives in greater depth.

In 2023, together with the Standard Chartered Foundation, our PLC Group continued to engage with NGOs, charities and other organisations to empower the next generation to learn, earn and grow through Futuremakers by Standard Chartered, our PLC Group's global community initiative to tackle inequality by promoting greater economic inclusion.

To close the gender gap and promote access to finance, our PLC Group piloted financing facilities to support women-led microbusinesses with green and social ambitions. At the UN Climate Change Conference, COP 28, our PLC Group held a Futuremakers Youth Panel in Dubai, and online in Nairobi to generate insights on scaling tech solutions for a green and inclusive economy. In 2024, we will conduct a study on our social return on investment to assess the impact of Futuremakers.

By offering three days paid volunteering leave, we instilled a strong culture of volunteering. In 2024, we will increase our skills-based activities leveraging our colleagues' skills to deepen our impact.

Their interests
- Climate change and decarbonisation
- Nature
- Human rights
- Financial inclusion
- Economic empowerment
- Gender equity
- Community impact

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 advances in technology, we are developing a workforce that is future-ready and are co-creating with our employees to build 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. 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. We proactively assess and manage people-related risks, such as, capacity, capability and culture, as part of our PLC Group Risk Management Framework.

Our People Strategy, which was approved by the PLC Board, stays relevant and future-focused, with external events having accelerated many of the future of work trends which inform 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 continue to be 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 diverse set of markets and for a spectrum of 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, colleague sentiment is captured 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 addition to leveraging inputs from employee surveys, the Court and Management also engage with and listen to the views of colleagues through interactive sessions.

In 2023, our annual My Voice survey was conducted in May and June. Key measures of employee satisfaction have continued to improve year on year, with a 12.1 point increase in our employee Net Promoter Score (NPS) (which measures whether employees would recommend working for us) as well as a 5 percentage point increase in our employee engagement index. 87 per cent say that the bank meets or exceeds their expectations. It is also encouraging to see that 97 per cent of employees feel committed to doing what is required to help the bank succeed and 91 per cent feel proud about working for the bank. The consistent increase in scores indicate that we are continuing to improve as a place to work.

Externally our PLC Group Glassdoor rating (out of five) has increased from 3.7 in 2019 to 3.9 in 2023, and 77 per cent would recommend working with us to friends. We also continue to be recognised as an employer of choice and details of our accolades can be found on **sc.com/awards**

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.

Strengthening our culture of high-performance

As the bank transforms to achieve our strategic ambitions, we continue to embed our refreshed approach to managing, recognising and rewarding performance. We are strengthening a culture of ambition, action and accountability by increasing the frequency of performance and development conversations and emphasising the importance of two-way feedback. We are placing greater focus on recognising outperformance that is driven by collaboration and innovation and are encouraging more aspiration during goal-setting and flexibility in reward decisions (supported by the removal of formulaic performance decisions starting 2022).

Behavioural changes are visible. Colleagues across PLC Group are telling us that they are having more regular performance check-ins with their leaders and exchanging more feedback. We know that recognition is also an important enabler of high performance, and we have launched a digital platform in January 2024 to encourage democratised, peer-to-peer recognition for all colleagues.

The wellbeing of our colleagues is critical to sustainable high-performance, and supporting their health, safety, and resilience continues to be a key priority. In 2023, levels of high work-related stress felt by employees continued to drop. Employees felt more supported with their mental, physical, social and financial wellbeing needs, and their satisfaction with work-personal life balance continued to increase. Globally, colleagues are provided access to wide-ranging support and tools to manage their wellbeing, including several progressive benefits, a mental health app, an employee assistance programme, wellbeing toolkits and network of trained Mental Health First Aiders. We continue to tackle the drivers of work-related stress, which includes inserting wellbeing skills-building into learning interventions.

We have been embedding the flexible working model that we initiated in 2021, combining flexibility in working patterns and locations, to enhance both the productivity and experience of our workforce. Our model consciously balances client needs and business priorities with individual choice, allowing us to be inclusive of the diverse needs of our workforce. Colleagues continue to adopt ways of working that balance the benefits of remote working with face-to-face interactions. Toolkits and guidance are being provided to people leaders and individuals to help navigate flexible working. These include support on organising team and individual work to enhance productivity and wellbeing; on leading in key moments such as onboarding new team members, returning from parental leave and during performance conversations; and on strengthening connections in flexible work environments. We also continue to re-imagine our physical workspaces with the relevant infrastructure and technology to provide hubs for teamwork, collaboration and learning. As a result of these ongoing interventions, employees who are working flexibly express greater satisfaction with overall employee experience and work-life balance in comparison to employees working fully remotely or fully in the office. Also, over 85 per cent colleagues expressed in the 2023 My Voice survey that flexible working has had a positive impact on their ability to get work done and to collaborate as well as their sense of belonging and social connection with others.

> Read more about our approach to flexible working at **sc.com/flexibleworking**

Building leadership capabilities

Exceptional performance needs exceptional leadership, and it is encouraging to see manager NPS continues to increase to 36 points in 2023 (up 7.6 points year-on-year). Engaging, developing, and measuring our people leaders continues to be a critical enabler of our performance and culture. Our Leadership Agreement sets out clear expectations from our leaders to Aspire, Inspire and Execute. It also forms the foundation of a modernised leadership development curriculum through which we are helping our people leaders build new skills and habits across different leadership stages – including skills on coaching, performance management in business-specific contexts, leading for transformation and leading through ambiguity.

In addition to face-to-face leadership programmes during the year for our People Leaders, leadership skill building is also made accessible to all colleagues to build the capability deeper into the organisation such as through our 60-day Leadership Health journey of regular micro-learning activities, monthly Leadership Insights newsletter, leadership sessions during our annual Global Learning Week and the Leadership Academy on diSCover.

People leaders continue to receive feedback through our 'always on' feedback tool available to all colleagues as well as through the structured 360-degree feedback tool that is available to mid-to-senior people leaders. Leaders are also provided a consolidated view of the environment they are creating for their teams, and feedback on their leadership skills, as part of their Leadership Dashboard. The dashboard has been designed to bring transparency to performance and development conversations, and to highlight the value we place on leadership.

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

Developing skills of future strategic value and enabling careers

To keep pace with technological innovation, evolving customer expectations and the changing world of work, we are adopting a 'skills-led' approach - accelerating the development of future skills amongst our workforce and bringing in greater agility to how skills are deployed to areas of opportunity. We are helping employees 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. This includes helping them strengthen a combination of human and technical skills, as well as building a culture of continuous learning that empowers them to grow and follow their aspirations.

Learning in classrooms is balanced with learning through our online learning platform diSCover, which is also accessible via a mobile app. Colleagues are using our Future Skills to build skills around Data & Analytics, Digital, Cyber, Client Advisory, Sustainable Finance and Leadership, amongst others. Employees are also building and practicing new skills on the job by signing up for projects (often cross-functional and cross-location) through our AI-enabled internal Talent Marketplace platform. By combining such project opportunities with purposeful internal talent moves we continue to enhance the career experience of colleagues. The Marketplace also acts as a platform to connect employees to mentors across PLC Group.

The 2023 My Voice scores indicate that our efforts are in the right direction, as employee satisfaction with development and growth opportunities increased compared to previous years, and also highlight that this is an area we must continue to focus on.

We continue to expand targeted learning journeys to upskill colleagues towards critical 'future' roles where our strategic workforce planning analysis has predicted an increasing need for talent, including universal banker, data translator, cloud security engineer, product owner/ scrum master and cyber security analyst roles. At the same time, we have been strengthening and scaling the proposition to support colleagues in building systemic skills, in areas such as sustainability, innovation, data, digital and leadership which an increasing population of the workforce is anticipated to need to keep pace with the changes happening in the sector.

We are also embedding a focus on skills across our talent management processes. Our refreshed approach to identifying the future potential of our workforce focuses on their ability against a range of skills, along with their aspiration to put these skills into action by taking on complex responsibilities (thus, in turn moving away from the traditional emphasis on past performance being a primary indicator of future potential). Through this approach we are placing strong emphasis on learning agility to identify the talent that we want to accelerate as well as deploy in areas of highest impact for clients and the business.

Creating an inclusive workplace
We believe that inclusion is what enables our diverse talent to truly deliver impact and drive business success. Through our annual My Voice survey and supplemented by qualitative feedback gathered, we aim to better understand the lived experiences of our colleagues, and then act to make targeted and meaningful changes to further drive inclusion and enhance their experience.

Our progress in this space is reflected in the 83.7 per cent of employees who shared positive sentiments around our culture of inclusion in the 2023 survey. This has been enabled by continued efforts towards 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. Further, the 'Respect at Work' e-learning programme that helps understand what constitutes harassment, bullying, discrimination and victimisation, is now mandatory for all employees.

Leadership commitment is core to our approach on Diversity and Inclusion (D&I). Our Global D&I Council is chaired by our CEO, CCIB and Europe & Americas and comprises of enterprise-wide leaders representing various business, functions and geographies from across the PLC Group. The Council is responsible for our overall PLC Group D&I strategy, direction setting, and overseeing the implementation of sustainable and measurable improvements.

We aim to further strengthen our inclusive culture, where all our people feel that their identity is understood and recognised for its uniqueness and anyone with the capability to excel can do so. Employees are provided, where legally permissible, with the ability to share their identity data through our internal employee portal. We are focused on initiatives that encourage and increase self-declaration, so that we can further improve colleague experience by introducing policies and interventions that are representative of the needs of our diverse workforce

Our continued partnership with Purple Tuesday is one of the many initiatives through which we are creating a work environment where colleagues are encouraged bring their whole selves to work. The partnership is helping increase the visibility of role models and careers for those with disabilities. It is also helping to drive an ongoing conversation, to build awareness and break down myths and stereotypes when engaging with clients and colleagues with disabilities. The SC Out Pride Leadership Summit this year saw Employee Resource Group leads, allies and advocates come together to define our approach for further building a respectful, supportive, and safe work environment for our LGBT+ colleagues. We also recognise six key D&I dates[1] 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 overall agenda in our communities.

Our gender diversity continues to grow with more women leaders moving up to senior roles. Women currently represent 54 per cent of the Court, and representation of women in senior leadership roles increased to 29.2 per cent at the end of 2023. We are committed to continuous improvement in this area and aspire to have 35 per cent representation of women at a senior level across PLC Group by 2025.

We remain focused on building a workforce that is truly representative of our client base and footprint. We continue to develop strategic partnerships and experiment with programmes to widen our talent pools (such as the Spring Insights Programme in 2023 that provided a multi-day immersive experience to Black, African American, Hispanic and Latinx students in New York and London to learn about our CCIB business, and access internship opportunities). In 2023, as a result of our listening exercises and data insights, we also established a Black and African Talent Steering Committee and Working Group, and appointed PLC Group Management Team and Global D&I Council sponsors to advocate for leadership action in focus areas identified, such as career progression and the international mobility experience. As we work towards achieving our 2025 UK and US ethnicity senior leadership aspirations, we are also focused on nurturing local talent in markets across Asia, Africa and the Middle East.

> Read more about our approach towards strengthening diversity and inclusion at **sc.com/diversityfairpayreport**

1 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

Driving a sustainable future

We are committed to the sustainable economic and social development , helping people in our footprint markets to thrive long-term. With a long-standing presence in parts of the world where sustainable finance can have a significant impact, we facilitate the movement of capital to where it is needed most. We apply our expertise to create financial solutions that help to address challenges and support sustainable growth.

The work we do to accelerate the transition to net zero, lift participation in the economy and reset globalisation is fundamental to our business. These three areas of focus are known as our Stands and inform our overall strategy, including our approach to sustainability, our advocacy efforts on behalf of our markets and engagement with our employees and society.

Our approach to sustainability

Embedding sustainability across our business is a strategic priority for the PLC Group. To accelerate our Sustainability agenda, the PLC Group's inaugural Chief Sustainability Officer (CSO) was appointed in 2022. Since then, our dedicated CSO organisation – which houses our Sustainable Finance, Strategic Initiatives, Sustainability Strategy, Net Zero Delivery, and Environmental and Social (E&S) Risk Management teams – acts as a centre of excellence and a catalyst for the execution of the PLC Group-wide sustainability strategy, including the achievement of our net zero roadmap.

We focus on delivering both our long-term sustainability goals – our **Sustainability Aspirations** – as well as our short-term targets and immediate priorities – our **Sustainability Strategic Pillars**.

Approach to sustainability	**Sustainability Aspirations:** our long-term goals	Aspiration 1: Mobilise $300 billion of Sustainable Finance by 2030
		Aspiration 2: Operationalise our interim 2023 financed emissions targets to meet our 2050 net zero ambition
		Aspiration 3: Enhance and deepen the sustainability ecosystem
		Aspiration 4: Drive social impact with our clients and communities
	Sustainability Strategic Pillars: our short-term targets and immediate priorities	Pillar 1: Scale Sustainable Finance income
		Pillar 2: Further embed sustainability across the organisation
		Pillar 3: Deliver on the annual milestones within our net zero roadmap
		Pillar 4: Leverage our innovation hubs

Measuring what matters most - understanding our materiality

Materiality is considered to be the threshold of significance for reporting sustainability-related risks and opportunities for users of financial statements: investors and wider stakeholders. We consider guidance provided by the IFRS Foundation, which focuses on meeting the sustainability data and information needs of our investors. Determining materiality for sustainability-related risks and opportunities should consider both quantitative and qualitative aspects related to sustainable social and economic development.

Our approach to sustainability reporting will continue to evolve subject to regulatory and voluntary standards across our listing locations and footprint markets. Our disclosures are guided by international standards, frameworks and principles to the extent relevant to our business. We publish an ESG Reporting Index against the disclosures captured in the Global Reporting Initiative (GRI) Universal and select Topic Standards, relevant metrics from sector-specific SASB Standards and the World Economic Forum (WEF) Stakeholder Capitalism Metrics framework.

Sustainability Aspirations: our long-term goals

Since 2016, the PLC Group's approach to sustainability has been underpinned by a suite of Sustainability Aspirations. During 2023, we refreshed and consolidated our Sustainability Aspirations into four overarching long-term goals, each supported by key performance indicators.

Aspiration 1: Mobilise $300 billion of Sustainable Finance

Across our markets, many clients are at the early phase of evaluating the risks and opportunities associated with their transition to a low carbon economy. We leverage a full suite of sustainable finance solutions – including loans, bonds, trade finance and carbon trading - to support their transition.

These are underpinned by our sustainable finance frameworks that outline how we apply the 'green', 'sustainable' or 'transition' labels across products and transactions. We also work with corporate, retail and wealth clients to mobilise diverse sources of capital in support of social outcomes.

Aspiration 2: Operationalise our interim 2023 financed emissions targets to meet our 2050 net zero ambition
We aim to reach net zero in our financed emissions by 2050 and in our operations by 2025. To date, the PLC Group has set and disclosed science-based interim 2030 financed emissions targets for eleven high-emitting sectors, in line with guidance from the Net-Zero Banking Alliance (NZBA). We are working across our businesses and functions, and alongside our clients to deliver these targets, notwithstanding the challenges presented by a material portion of our markets not having a commitment to achieve net zero by 2050.

Aspiration 3: Enhance and deepen the sustainability ecosystem
We are utilising our expertise and networks to actively contribute to global partnerships and initiatives that enhance the sustainability ecosystem. These range from those which support the mobilisation and scaling of Sustainable Finance, to furthering the development of the voluntary carbon markets and fostering innovative solutions in the arena of conservation finance, through to supporting the advancement of social topics underpinning the UN Sustainable Development Goals (SDGs).

Aspiration 4: Drive social impact with our clients and communities
We seek to partner with our clients and communities to mobilise social capital and drive economic inclusion as well as entrepreneurship through our Futuremakers initiative. Our Employee Volunteering programme encourages employees to volunteer and organise activities, such as fundraising, that align to the PLC Group's community strategy or respond to local issues.

Strategic Pillars: our short-term targets and immediate priorities

Our four Sustainability Strategic Pillars represent our near-term strategic focus. Each member of the PLC Group Management Team (MT) is responsible for strategically driving climate and sustainability considerations within their geography, business segment or function in line with the PLC Group's net zero roadmap. Selected sustainability-related targets, including those with a climate-related dimension, are incorporated into the annual PLC Group Scorecard which informs variable remuneration for all colleagues under the Target Total Variable Compensation plan, including the MT.

Pillar 1: Scale Sustainable Finance income
We are building a scalable Sustainable Finance (SF) franchise, supporting our clients on their transition journeys by developing customised solutions that speak to their needs and ambitions.

Pillar 2: Further embed sustainability across the organisation
The CSO organisation's aim is to act as a catalyst for change and a centre of excellence to partners across the PLC Group. It fosters collaboration internally to embed sustainability across our business operations and functions, and externally with clients and other stakeholders who are aligned with our mission to drive change. This is achieved by:

- People – Rolling out an expanding curriculum of sustainability and climate-related training across the PLC Group.
- Processes – Integrating our 2030 sectoral net zero targets into our credit risk appetite and capital allocation processes allowing us to track, monitor and continually assess progress against our targets.
- Technology – Investing to build a robust single-source data architecture to facilitate engagement with our clients, including automated or semi-automated tools that will support decision-making and analysis of the expected impact of a transaction on the PLC Group's financed emissions.

Pillar 3: Deliver on the annual milestones within our net zero roadmap
We aim to reach net zero GHG emissions in our financed emissions by 2050 and in our own operations by 2025. Since 2018 we have been working on aligning our direct and indirect emissions to the Paris Agreement's goal of well below two degrees Celsius of global warming by the end of the century.

Pillar 4: Leverage our innovation hubs
Announced in 2023, the four thematic innovation hubs – Adaptation Finance, Blended Finance, Carbon Markets and Nature Positive Solutions – focus on emerging sectors of sustainability aligned to areas where the PLC Group has a core competency and are particularly suited to our clients in our footprint markets. By being deliberate in demonstrating leadership to advance the ecosystem in these emerging thematic areas, the PLC Group's Sustainable Finance franchise will be well positioned to take advantage of the significant and differentiated revenue potential that will result from maturation of these hubs in the future. Each hub is transversal, run by senior leaders in the CSO organisation and aims to identify opportunities for future returns outside of our core range of traditional products and services.

Education and Training

Our focus in 2023 was to reinforce the tiered learning curriculum through refinement of the on-demand foundation program and establishing a practitioner-level learning program for colleagues in leadership and key front-line roles.

Course	Description
Sustainability Foundation Programme	We encourage all employees across our global footprint to increase 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. Since launching our "Understanding Sustainability" online learning in April 2022, more than 15,067 (18 per cent) of colleagues voluntarily completed this learning programme up to October 2023. It was refreshed as part of the Sustainability Foundation Programme and reflects the first level in our tiered learning curriculum, through which we aim to tailor content to different needs from foundational to practitioner.
Climate-related financial and non-financial risk training	The PLC Group has provided bespoke classroom training for colleagues across CCIB, CPBB, Risk and Audit teams. This covered a broad range of topics, from how physical and transition risks may manifest, to specialised topics around how climate stress tests are conducted and how we embed Climate Risk into first and second-line credit risk processes. We also partnered with Imperial College London on a seven-hour detailed online training programme that focused on the latest developments within academia, industry, and the regulatory landscape. Starting in Q4 2023, a targeted practitioner-level training programme was rolled out in phases to Relationship Managers, Global Credit Markets bankers, Credit and Climate Analysts and Credit Officers. This programme focuses on all climate and net zero-related learning requirements. The PLC Board also received training on climate scenarios, including a focus on regulatory expectations, key features of industry-level climate scenarios, in-house base and tail risk scenarios and key second-order impacts from climate change.
Sustainable Finance (SF) and Environmental and Social Risk Management (ESRM) training	In 2023, the practitioner-level learning of the tiered Sustainable Finance curriculum was launched. This level aims to build detailed knowledge of concepts related to sustainability and how these are embedded throughout our processes and financing. The Sustainable Finance Practitioner Certificate is a 15-week programme jointly developed in partnership with Imperial College Business School. It is our practitioner-level learning targeted at our Global Account Managers and select Relationship Managers across CCIB and CPBB. This program helps develop the core knowledge required to support our clients on their sustainability journey covering topics such as net zero, climate risk, adaptation finance, biodiversity, energy transition, products and solutions, and blended finance. Additionally in 2023, over a hundred country and regional CEOs and Heads of Business joined targeted training covering the energy transition and related financing opportunities, clean technology, and sustainability-related risks and regulation. There were also over forty ad-hoc training courses held throughout the year that reached over 3,200 employees covering specific learning needs and topics e.g., the PLC Group's progress related to sectoral net zero target setting, sector-specific voluntary carbon markets or SF products and related governance. We continue to upskill our Relationship Managers and Credit Officers in assessing Environmental & Social (E&S) risk, as well as having access to detailed online resources. 2,606 colleagues received E&S risk-related training in 2023. In 2024, we plan to further refine the programmes to target specific roles in the PLC Group and further build knowledge and expertise in SF and ESRM.

Mitigating Environmental and Social Risk

We seek to proactively manage Environmental and Social (E&S) Risks and impacts arising from the PLC Group's client relationships and transactions. For over 20 years, our cross-sector Environmental and Social Risk Management (ESRM) Framework has helped us apply international standards and best practices across all our markets. In the front line, our ESRM team within the Chief Sustainability Officer (CSO) organisation oversees the management of E&S Risks associated with our client relationships. Our approach is embedded directly into our credit approval process and supports us to work with our stakeholders to identify, manage and monitor the potential impacts that stem from our financing decisions.

Managing Climate Risk

We have designed an approach that begins to embed Climate Risk with impacted Principal Risk Types (PRTs) within our central Enterprise Risk Management Framework based around two principles:

1. 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 PLC Group's exposure to these detriments. This means embedding Climate Risk considerations into existing risk identification and management processes, governance, reporting, scenario analysis, strategy, and financial planning.
2. Recognise and build for where Climate Risk is different. 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.

Integrity, conduct and ethics

We aim to live our valued behaviours, which are 'Never settle', 'Better together' and 'Do the right thing' through our actions, decisions and interactions day-to-day with colleagues and clients.

- The Code of Conduct and Ethics (the Code) remains the primary tool through which we set our conduct expectations. In October 2023, we launched the refreshed Code to improve alignment with our Stands, strengthen the link between ethics, culture, conduct, and the Group's strategy.
- Our Speaking Up programme provides a safe, independent and confidential way to report known or suspected concerns. It helps build and maintain a strong ethical culture, with integrity, trust, and transparency. The early disclosure of concerns reduces the risk of financial and reputational loss caused by misconduct.
- Our ambition is to help tackle financial crime 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.

Non-financial and sustainability information statement

This table sets out where shareholders and stakeholders of the Group can find information about key non-financial and sustainability matters in this report. As the Company is a subsidiary undertaking of PLC and included within PLC Group, compliance with the non-financial and sustainability reporting requirements contained in sections 414CA and 414 CB of the Companies Act 2006 is achieved by reference to PLC Group activities where relevant and to the PLC Group report available at sc.com. Further disclosures are available via **sc.com/sustainabilityhub**

Reporting requirement	Where to read more in this report about policies, impact (including risks, policy embedding, due diligence and outcomes)
Business model	Pages 11 to 13
Risk Review (principal risks)	Pages 126 to 143
Environment	
• Sustainable & Responsible Business	Pages 45 to 49
• Directors Report	Pages 51 to 56
Employees	Pages 43 to 45
Human rights	Page 36
Social matters	Page 42
Anti-corruption and anti-bribery	Page 135

Authority

The strategic report up to page 50 has been issued by order of the Court.

Bill Winters
Director

23 February 2024

Company Reference Number: ZC18

Directors' Report

The directors present their report and the audited financial statements of Standard Chartered Bank and its subsidiaries (the 'Group') and Standard Chartered Bank (the 'Company') for the year ended 31 December 2023. The Company has chosen in accordance with Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations), to include certain matters in its Strategic report (see pages 1 - 50) that would otherwise be disclosed in this Directors' report as required by paragraphs 2,6,10,11,12 of the Regulations.

Activities

The activities of the Group are banking and providing other financial services. The Group comprises a network of branches and outlets in 50 markets. The Financial Review on pages 20 to 24 contains a review of the business during 2023.

Key stakeholders

The long-term success of the Group is dependent on its relationships with its key stakeholders. On pages 40 to 49 we outline the ways in which we have engaged with key stakeholders, the material issues that they have raised with us, and how these issues have been taken into account in the Court's decision-making processes.

Results and dividends

The results for the year are given in the income statement on page 160.

Dividends of $2,167 million were paid during the year to ordinary shareholders (2022: $575 million).

Share capital

Details of the Company's share capital including the particulars of any share buy-backs are given in Note 27 to the accounts.

Loan capital

Details of the loan capital are given in Note 26 to the accounts.

Property, plant and equipment

Details of the property, plant and equipment of the Company are given in Note 17 to the accounts.

Financial instruments

Details of financial instruments are given in Note 12 to the accounts.

Details of exposure to credit, traded, liquidity and funding risk can be found in the Risk Profile section of the accounts.

Post balance sheet events

Details of post balance sheet events are given in Note 40 to the accounts.

Research and development

During the year, the PLC Group invested $2.01 billion (2022: $1.98 billion) in research and development, of which $0.99 billion (2022: $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.

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 on pages 1 to 40 .

Directors and their interests

The directors of the Company during the year were as follows:

Mr A N Halford
Mr W T Winters, CBE
Mrs C M Hodgson, CBE (Resigned 31 January 2023)
Ms J Hunt
Ms G Huey Evans, CBE
Ms R Lawther, CBE
Mr D Tang
Dr J Viñals
Ms J M Whitbread (Resigned 3 May 2023)
Mr P Rivett
Ms M Ramos
Ms A McFadyen
Ms S Ricke (Appointed 24 February 2023)
Mr S Apte (Appointed 1 January 2023)
Dr L Yueh, CBE (Appointed 1 January 2023)

Mr Halford resigned from the Company on 2 January 2024 and Mr D De Giorgi was appointed a director of the Company on 3 January 2024.

None of the directors have a beneficial or non-beneficial interest in the shares of the Company or in any of its subsidiary undertakings.

Details of directors' pay and benefits are disclosed in Note 37 to the accounts.

All of the directors as at 31 December 2023, except Ms McFadyen and Ms Ricke are directors of the Company's ultimate holding company, Standard Chartered PLC. Mrs Hodgson, CBE stepped down from the Group on 31 January 2023.

Director training

The induction programmes of Court directors are undertaken as part of Group level initiatives, which includes ongoing training and development and is tailored depending on their roles and responsibilities.

Going concern

Having made appropriate enquiries, the Court is satisfied that the Company and the Group as a whole have adequate resources to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from 23 February 2024 and therefore continues to adopt the going concern basis in preparing the financial statements.

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, (iii) fund political causes. In alignment to this, no political donations were made in the year ended 31 December 2023.

Qualifying Third Party Indemnities

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 2023 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 2023 for the benefit of the directors of the UK's pension fund corporate trustee (Standard Chartered Trustees (UK) Limited) and remain in force at the date of this report.

Areas of operation

The Company operates through branches and subsidiaries in 50 markets across Asia, the Middle East, Africa, Europe and the Americas.

Related party transactions

Details of transactions with directors and officers and other related parties are set out in Note 35 to the financial statements.

Corporate Governance Statement

Countries in the Asia Hub, which include the Greater China and North Asia Hub and the ASEAN and South Asia Hub, operate under the Asia governance model. As the Group continues to cover the vast majority of PLC Group's total footprint, the governance arrangements of the Company and PLC similarly reflect this overlap and is represented by a predominately mirrored board structure between PLC and the Company.

As a wholly-owned subsidiary of a listed PLC and its governance structure as a company established by Royal Charter, the Company complies with expectations set for premium listed companies with respect to board leadership, responsibilities, composition (including succession and evaluation) to ensure that the Group is well managed, with appropriate oversight and control. Certain matters, such as remuneration, values, and external audit, are set at PLC Group level and considered or approved, if appropriate, by the Court. It is considered more appropriate for the purposes of Group wide consistency that principles are set at PLC Board level and then disseminated through the Group to be approved by subsidiary boards.

The Court is supported by 4 primary committees: Audit Committee; Risk Committee; Nomination Committee; and US Risk Committee. Each of the primary committees and the Court have implemented clear lines of responsibility and policies to support the Court in its effective decision making. The Court also has a Standing Committee with a remit to approve matters, on behalf of the Court, where a formal resolution is required for legal and regulatory purposes. The Court, and its Audit and Risk Committees have similar membership as the Board of PLC and its Audit and Risk Committees, with the appropriate balance, skills, background and experience to make a valued contribution. For further information on how the Audit Committee and Risk Committee operate (including in respect of their compliance with the Code), please see pages 164 to 169 and 170 to 175 of PLC's 2023 Annual Report.

The Court, together with the PLC Group, are committed to high standards of engagement with employees, suppliers and other stakeholders. For a description of how the directors engaged with stakeholders, including as to how such engagement has been considered in the Court's decision making, please refer to page 38.

A copy of the UK Corporate Governance Code can be found at **frc.org.uk**

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 that they have the opportunities to provide feedback and engage in a dialogue.

We strive to listen and act on feedback from colleagues to ensure internal communications are timely, informative, meaningful, and in support of our strategy and transformation. In November 2023 we launched our new employee communications platform – Pulse. Pulse will become our primary internal communications channel that will allow colleagues to receive key dynamic updates that are personalised by role and location, sign up for events, provide feedback, and navigate to other internal platforms. In addition to targeted digital communications, we also deploy audio and video calls, virtual and face-to-face townhalls, and other employee 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. Our senior leaders and people leaders 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 offer 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 our strategy.

Across the organisation, regular team meetings with people leaders, one-to-one conversations 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 recognition and reward relate to this. 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 Court also engages with and listens to the views of the workforce through several sources, including through interactive engagement sessions. Employees, past, present and future can follow our progress through the PLC Group's LinkedIn network and Facebook page, as well as other social network channels including Instagram, which collectively have over 2.7 million followers. The diverse range of internal and external communication tools and channels we have put in place aim to ensure that all 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 PLC 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), and new parents are provided a minimum of twenty calendar weeks' fully paid leave irrespective of gender, relationship status or how a child comes to permanently join a family. These are above the International Labour Organisation's (ILO) 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 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).

Diversity and Inclusion

Our PLC 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 employee attrition, positive employee morale and engagement, maintains employee wellbeing, and reduces people-related risk. All colleagues are responsible for fostering an inclusive culture where individuality and differing skills, capabilities and experience are understood, respected and valued. All colleagues, consultants, contractors, volunteers, interns, casual workers and agency workers are required to comply with the Standard, including conducting themselves in a manner that demonstrates appropriate, non-discriminatory behaviours.

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, parental status, military and veterans status, flexibility of working arrangements, religion or belief. We are committed to provide equal opportunities and fair treatment in 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 also endeavour to 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 aim to support them with appropriate training and workplace adjustments where possible and to support their continued employment.

Director Training

The induction programmes of Court directors are undertaken as part of Group level initiatives and are tailored depending on their roles and responsibilities. During the year, training and development included areas such as digital assets and climate risk training. Where it is recognised that the Court or individual directors need further training development in key areas, additional sessions are arranged with subject matter experts.

Health, Safety and Wellbeing

Our Health, Safety and Wellbeing (HSW) vision is to support employee productivity through a healthy and resilient workforce, and our mission is to deliver every day in a safe, secure and resilient way. Our corporate 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 International Labour Organisation (ILO) code of practice on recording and notification of occupational accidents and diseases and guidance published by UK Health and Safety Executive (HSE), and ensure that we meet all local Health and Safety (H&S) regulatory reporting requirements. We record and report all work-related illness and injuries, including from sub-contractors, visitors and clients.

HSW performance and risks are reported annually to the PLC Group Risk Committee and Court Risk Committee. We use a H&S management system and local regulatory compliance tracker across all countries to ensure a consistently high level of H&S reporting and compliance for all our colleagues and clients.

The PLC Group sponsors medical and healthcare services for all employees, except in markets where cover is provided through State-mandated healthcare, which represent less than 0.6 per cent of the PLC Group's employees.

Across the Group, support for employee mental wellbeing is available. All employees 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. Our global Mental Health First Aid (MHFA) program offers help to anyone 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 43 markets.

In 2023, we recorded two work-related fatalities. A contractor was tragically and fatally injured while crossing a road on her way to work in Nigeria. An employee was tragically and fatally injured in a road accident in India. Major injuries (per the UK HSE definition) decreased from 20 in 2022 to 16, with fractures the most common type of major injury (75 per cent). Overall, reported injuries increased by 28 per cent, with 'slips/trips/falls' and 'transport/commuting' remaining the most common causes of injury. The overall increase in reported injuries was a post COVID result, with all markets moving into the new normal in 2023. Our injury rates remain aligned to, or better than industry benchmarks. Hazards and near miss reports decreased 4 per cent between 2022 and 2023.

In 2023, we ran a back-to-basics programme to re-establish commitment and responsibility in safety & security at all levels, and address post pandemic and new normal practices. All premises are inspected at least annually to identify any hazards, risks, and incidences of non-compliance. HSW communication is provided through mandatory trainings for all new joiners, along with annual refreshers. In 2023, we also created a pathway in the Group's learning platform using engaging bite-sized video content to help educate colleagues on their responsibilities to keep the Group safe. The Group celebrated World Day for Safety and Health at Work in April with the theme "Safety is Everyone's Responsibility" in line with the back – to – basics intent.

One hundred and fifty-eight (158) buildings, which covers more than 90 per cent of our employees, 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. Four major head office projects also obtained the broader WELL certification.

Our regular Office and Home Working Experience survey, conducted across 49 markets, demonstrated continued high scores around wellbeing with 80 per cent of respondents agreeing that the workplace has a positive impact on their wellbeing and 87 per cent saying they are able to be physically active and maintain a healthy work life balance.

In 2023, all Standard Chartered markets saw relaxation of COVID restrictions with business moving to new normal, and continued uptake of the Group's Future Work Now (flexible working) programme. An ergonomic online assessment tool is available for employees to assess their home working area for hazards, with a virtual assessment of the individual's work environment, and a workplace adjustment procedure available for employees who require support based on personal circumstances. Our work injury insurance covers all employees working from home.

Business travel returned to pre-pandemic levels in 2023, and we put together a Travel Risk Management Framework aligned to ISO 31030:2021 Travel Risk Management Standards and supported by external travel risk and security advisors at International SOS to support travellers.

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 PLC Group engages with suppliers on environmental and social matters, please see our Supplier Charter and Supplier Diversity and Inclusion Standard.

> Our Supplier Charter and Supplier Diversity and Inclusion standard can be viewed at **sc.com/suppliercharter** and **sc.com/supplierdiversity**

Product responsibility

The PLC Group has in place a risk framework, comprising policies, standards and controls to support these objectives in alignment with our Conduct Risk Framework. The Framework covers sales practices, client communications, appropriateness and suitability, and post-sales practice. 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 to meet regulatory obligations.

We have processes and guidelines specific to each of our client businesses, to promptly resolve client complaints, understand and respond to client issues. Conduct considerations are given significant weighting in front-line incentive structures to drive the right behaviours.

For more information on our approach to product design, product pricing, treating customers fairly and protecting vulnerable customers, and incentivising our frontline employees, see pages 38 to 39 and 45 to 47. For more information on fraud identification see page 131 of PLC's 2023 Annual Report .

Environmental impact of our operations

The PLC Group aims to minimise the environmental impact of its operations as part of its commitment to be a responsible company. The PLC Group reports on energy, water and non-hazardous waste data and the targets the PLC Group has set to reduce its operational emissions and waste consumption.

The PLC Group's reporting methodology is based upon the "The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition)".

Information on the principles and methodologies used to calculate the GHG emissions of the PLC Group can be found in our Environmental Reporting Criteria document at **sc.com/environmentalcriteria**

Reporting period

The reporting period of our Scope 1 and 2, emissions is from 1 October 2022 to 30 September 2023. This allows sufficient time for independent assurance to be completed on our Scope 1 and Scope 2 emissions prior to the publication of the PLC Annual Report. Accordingly, the operating income used in this inventory corresponds to the same time period rather than the calendar year used in financial reporting.

Summary of Activities of the Company's Jersey Branch

Standard Chartered Bank Jersey Branch's private banking activities include deposit taking, lending and investment business in accordance with Jersey laws and regulations.

Auditor

The Audit Committee reviews the appointment of the Group 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. Each director believes that there is no relevant information of which our Group statutory auditor is unaware. Each has taken all reasonable steps necessary as a director to be aware of any relevant audit information and to establish that Ernst & Young LLP (EY) is made aware of any pertinent information. A resolution to re-appoint EY as auditor will be proposed at the 2024 PLC Annual General Meeting.

By order of the Court

Bill Winters
Director

23 February 2024

Company Reference Number: ZC18

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards as adopted by the European Union (EU IFRS) and applicable law, and the Company financial statements in accordance with international accounting standards in conformity 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and with EU IFRS;
- 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 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 and Directors' Report that complies with that law and those regulations.

Responsibility statement of the directors in respect of the Directors' Report and Financial Statements

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 Directors' Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy.

By order of the Court

Diego De Giorgi
Director

23 February 2024

Risk review and Capital review

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

- **a) Risk review:** Disclosures marked as 'audited' from the start of Credit Risk section (page 60) to the end of other principal risks in the same section (page 120); and
- **b) Capital review:** Tables marked as 'audited' from the start of 'Capital base' to the end of 'Total capital' (page 145).

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Credit Risk

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 15 Reverse repurchase and repurchase agreements including other similar secured lending and borrowing.

Credit risk overview

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

Impairment model

IFRS 9 requires 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 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	Stage 2	Stage 3
• 12-month ECL • Performing	• Lifetime expected credit loss • Performing but has exhibited significant increase in credit risk (SICR)	• 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	Supplementary information	Page
Approach to determining expected credit losses	IFRS 9 methodology Determining lifetime expected credit loss for revolving products	98
Incorporation of forward-looking information	Incorporation of forward-looking information Forecast of key macroeconomic variables underlying the expected credit loss calculation Management overlay and sensitivity to macroeconomic variables	99
Significant increase in Credit Risk (SICR)	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	103
Assessment of credit-impaired financial assets	Consumer and Business Banking clients CCIB and Private Banking clients	105
Transfers between stages	Movement in loan exposures and expected credit losses	74
Modified financial assets	Forbearance and other modified loans	81
Governance and application of expert credit judgement in respect of expected credit losses	PLC Group Credit Model Assessment Committee IFRS 9 Impairment Committee	106

Summary of performance in 2023

Loans and Advances

92 per cent (31 December 2022: 91 per cent) of the Group's gross loans and advances to customers remain in stage 1 at $146.7 billion (31 December 2022: $148.2 billion) reflecting our continued focus on high-quality origination.

Stage 1 loans decreased by $1.5 billion to $146.7 billion (31 December 2022: $148.2 billion). Stage 1 balances for Corporate, Commercial and Institutional Banking (CCIB) decreased by $1.5 billion to $77.5 billion (31 December 2022: $79 billion) due to exposure reductions mainly in the financing, insurance and non-banking sectors. This was offset by a $1.3 billion increase in Consumer and Private Business Banking (CPBB) Credit Cards and Secured Wealth products. Stage 1 cover ratio remained stable at 0.1 per cent (31 December 2022: 0.2 per cent).

Stage 2 gross loans and advances to customers were broadly stable at $7.7 billion (31 December 2022: $7.7 billion). This was due to $1.1 billion of CCIB exposure reductions in the Transport, Telecom and Utilities and Commercial Real Estate (CRE) sector, which was offset by a $1 billion increase in Central and other items. CPBB exposures were broadly stable at $1 billion (31 December 2022: $1 billion). Higher risk exposure net increase of $1 billion from Central and other items, was due to a short-term exposure to a Central Bank in the Africa and Middle East region, which was partly offset by exposure reductions and transfers to stage 3 in CCIB. Stage 2 cover ratio increased by 0.1 per cent to 2.5 per cent (31 December 2022: 2.4 per cent). CCIB cover ratio increased by 0.3 per cent to 2.3 per cent (31 December 2022: 2 per cent) due to higher coverage on 'higher risk accounts. CPBB stage 2 cover ratio was broadly stable at 5.9 per cent (31 December 2022: 5.4 per cent).

Stage 3 loans decreased by $1 billion to $5.2 billion (31 December 2022: $6.2 billion) primarily in the CCIB segment, which was driven by repayments and write offs. The CCIB stage 3 cover ratio increased by 1 per cent to 61 per cent (31 December 2022: 60 per cent) due to exposure reductions. CPBB stage 3 loans was stable at $1.1 billion (31 December 2022: $1.1 billion) and the cover ratio also remained stable at 60 per cent (31 December 2022: 60 per cent). Ventures stage 3 exposures increased by $2 million to $2 million (31 December 2022: nil) due to portfolio growth in Trust Bank Singapore. The cover ratio after collateral decreased to 73 per cent (31 December 2022: 74 per cent)

> Further details can be found in the 'Analysis of financial instruments by stage' section in pages 65 to 68; 'Credit quality by client segment' section in pages 69 to 73; 'Credit quality by industry' section in pages 92 to 95. Stage 3 cover ratio is also disclosed in the 'Stage 3 cover ratio' section in page 83.

Maximum exposure

The Group's on-balance sheet maximum exposure to Credit Risk decreased by $8 billion to $517 billion (31 December 2022: $525 billion). Cash at central bank increased by $13.7 billion to $64 billion (31 December 2022: $51 billion) due to deposits placed with the US Federal Reserve. Fair Value through profit and loss increased by $15 billion to $96 billion (31 December 2022: $81 billion), largely due to $9 billion increase in debt securities and $6 billion increase in reverse repos. This was partly offset by a $12 billion decrease in Derivative financial instruments to $52.6 billion, a $4.6 billion decrease in loans to banks to $22.8 billion, and a $2 billion decrease in loans and advances to customers to $156 billion (31 December 2022: $158 billion). Out of the $2 billion decrease in loans and advances to customers, a $1.8 billion reduction relates to reverse repos. Amortised cost debt securities decreased by $10.4 billion to $102 billion (31 December 2022: $112 billion) as part of the Group's liquidity management actions. Other assets decreased by $6.5 billion to $21 billion (31 December 2022: $27 billion). Off-balance sheet instruments increased by $23 billion to $179 billion (31 December 2022: $156 billion), which was driven by new businesses.

> Further details can be found in the 'Maximum exposure to Credit Risk' section in pages 62 to 64.

Credit impairment charges

The ongoing credit impairment was a net release of $46 million (31 December 2022: release of $25 million).

For CCIB, stage 1 and 2 impairment charges increased by $73 million to $2 million (31 December 2022: release of $71 million), as 2022 included a $94 million full release of COVID-19 overlay, which was partly offset by Pakistan Sovereign downgrades. In 2023, $3 million impairment charges was due to portfolio movements including impairments on Pakistan Sovereign clients, which was offset by a $10 million release from model methodology updates.

CCIB stage 3 impairment charges decreased by $40 million to a net release of $155 million (31 December 2022: $115 million). This was largely driven by significant releases in the Africa and Middle East region, which was partly offset by $12 million net increase in Nigeria due to foreign exchange availability.

For CPBB, stage 1 and 2 impairment charges increased by $70 million to $51 million (31 December 2022: release of $19 million). This was due to normal flows largely from unsecured portfolios in India, Malaysia and Singapore. This was partly offset by a $21 million full release of COVID-19 overlay, and $18 million release from non-linearity post model adjustment. 2022 included $93 million of COVID-19 and operating environment overlay releases, as well as releases from model methodology updates largely in the Asia region.

CPBB stage 3 impairment charges increased by $40 million to $77 million (31 December 2022: $37 million) as 2023 included charge offs primarily driven by India, Malaysia and Singapore, and higher bankruptcy related write-offs.

For Ventures, stage 1 and 2 impairment charges increased by $5 million to $7 million (31 December 2022: $2 million). Stage 3 impairment charge increased by $6 million to $6 million (31 December 2022: nil), due to portfolio growth in Trust Bank Singapore.

For Central and other items, stage 1 and 2 impairment charges decreased by $146 million to a net release of $42 million (31 December 2022: $104 million), as 2022 included Pakistan Sovereign CG12 downgrades. In 2023, the decrease was driven by exposure reductions and shortening tenors of balances to the Pakistan Sovereign, which was partly offset by a $8 million charge due to Kenya Sovereign downgrade.

Central and other items stage 3 impairment charge decreased by $29 million to $8 million (31 December 2022: $37 million), as Sri Lanka and Ghana exposures were downgraded to Stage 3 in 2022.

> Further details can be found in the 'Credit impairment charge' section in page 81.

Management adjustments

Given the evolving nature of risks in the China commercial real estate sector, a management overlay of $11 million (31 December 2022: nil) has been taken in CCIB. Overlays of $5 million (31 December 2022: $16 million) have been applied in CPBB to capture macroeconomic environment challenges caused by sovereign defaults. An overlay of $17 million (31 December 2022: nil) was also applied in Central and other items, due to a temporary market dislocation in Africa and Middle East.

> Further details can be found in the 'Judgemental management overlays' section in page 101.

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 2023, before and after taking into account any collateral held or other Credit risk mitigation.

> Further details can be found in the 'Summary of performance in 2023' in pages 61 to 62.

Group

	2023				2022			
		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	64,198			64,198	50,531			50,531
Loans and advances to banks[1]	22,803	1,653		21,150	27,383	878		26,505
of which – reverse repurchase agreements and other similar secured lending[7]	1,653	1,653		–	878	878		–
Loans and advances to customers[1]	156,143	51,985		104,158	158,126	52,699		105,427
of which – reverse repurchase agreements and other similar secured lending[7]	13,827	13,827		–	15,586	15,586		–
Investment securities – Debt securities and other eligible bills[2]	102,040			102,040	112,425			112,425
Fair value through profit or loss[3,7]	95,658	68,149	–	27,509	80,668	62,333	–	18,335
Loans and advances to banks	2,265			2,265	859			859
Loans and advances to customers	3,188			3,188	4,065			4,065
Reverse repurchase agreements and other similar lending[7]	68,149	68,149		–	62,333	62,333		–
Investment securities – Debt securities and other eligible bills[2]	22,056			22,056	13,411			13,411
Derivative financial instruments[4,7]	52,554	7,960	43,684	910	65,050	8,304	52,827	3,919
Accrued income	1,768			1,768	1,858			1,858
Assets held for sale[9]	693			693	1,388			1,388
Other assets[5]	20,714			20,714	27,210			27,210
Total balance sheet	516,571	129,747	43,684	343,140	524,639	124,214	52,827	347,598
Off-balance sheet[6]								
Undrawn Commitments	117,899	2,296		115,603	107,885	2,250		105,635
Financial Guarantees and other equivalents	60,707	2,139		58,568	47,799	2,229		45,570
Total off-balance sheet	178,606	4,435	–	174,171	155,684	4,479	–	151,205
Total	695,177	134,182	43,684	517,311	680,323	128,693	52,827	498,803

1 Net of credit impairment. An analysis of credit quality is set out in the credit quality analysis section (page 69). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 84)
2 Excludes equity and other investments of $434 million (31 December 2022: $603 million). Further details are set out in Note 12 Financial instruments
3 Excludes equity and other investments of $1,442 million (31 December 2022: $1,886 million). Further details are set out in Note 12 Financial instruments
4 The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions
5 Other assets include cash collateral, and acceptances, in addition to unsettled trades and other financial assets
6 Excludes ECL allowances which are reported under Provisions for liabilities and charges
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. Loans and advances to customers collateral now re-presented between on and off -balance sheet as it also includes guarantees
9 The amount is after ECL. Further details are set out in Note 20 Assets held for sale and associated liabilities

Company

	2023				2022			
		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	52,758			52,758	38,867			38,867
Loans and advances to banks[1]	10,135	554		9,581	18,548	184		18,364
of which – reverse repurchase agreements and other similar secured lending[7]	554	554		–	184	184		–
Loans and advances to customers[1]	75,883	23,157		52,726	80,611	26,889		53,722
of which – reverse repurchase agreements and other similar secured lending[7]	12,212	12,212		–	15,071	15,071		–
Investment securities – Debt securities and other eligible bills[2]	92,362			92,362	95,049			95,049
Fair value through profit or loss[3,7]	85,097	64,804	–	20,293	74,051	59,057	–	14,994
Loans and advances to banks	2,244			2,244	837			837
Loans and advances to customers	2,622			2,622	3,196			3,196
Reverse repurchase agreements and other similar lending[7]	64,804	64,804		–	59,057	59,057		–
Investment securities – Debt securities and other eligible bills[2]	15,427			15,427	10,961			10,961
Derivative financial instruments[4,7]	53,221	7,289	45,556	376	65,481	7,710	53,810	3,961
Accrued income	1,151			1,151	1,342			1,342
Assets held for sale[9]	52			52	544			544
Other assets[5]	16,990			16,990	23,625			23,625
Total balance sheet	387,649	95,804	45,556	246,289	398,118	93,840	53,810	250,468
Off-balance sheet[6]								
Undrawn Commitments	69,007	1,387		67,620	64,005	1,373		62,632
Financial Guarantees and other equivalents	49,586	1,836		47,750	37,890	1,965		35,925
Total off-balance sheet	118,593	3,223	–	115,370	101,895	3,338	–	98,557
Total	506,242	99,027	45,556	361,659	500,013	97,178	53,810	349,025

1 Net of credit impairment. An analysis of credit quality is set out in the credit quality analysis section (page 69). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 84)
2 Excludes equity and other investments of $409 million (31 December 2022: $323 million). Further details are set out in Note 12 Financial instruments
3 Excludes equity and other investments of $1,315 million (31 December 2022: $1,741 million). Further details are set out in Note 12 Financial instruments
4 The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions
5 Other assets include cash collateral, and acceptances, in addition to unsettled trades and other financial assets
6 Excludes ECL allowances which are reported under Provisions for liabilities and charges
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. Loans and advances to customers collateral now re-presented between on and off -balance sheet as it also includes guarantees
9 The amount is after ECL. Further details are set out in Note 20 Assets held for sale and associated liabilities

Analysis of financial instrument by stage (audited)

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

> Further details can be found in the 'Summary of performance in 2023' in pages 61 to 62.

Group

	2023											
	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	63,606	–	63,606	207	(7)	200	404	(12)	392	64,217	(19)	64,198
Loans and advances to banks (amortised cost)	22,210	(3)	22,207	537	(9)	528	74	(6)	68	22,821	(18)	22,803
Loans and advances to customers (amortised cost)	146,718	(198)	146,520	7,657	(193)	7,464	5,177	(3,018)	2,159	159,552	(3,409)	156,143
Debt securities and other eligible bills[5]	100,092	(26)		1,861	(34)		165	(61)		102,118	(121)	
Amortised cost	39,774	(19)	39,755	103	(2)	101	121	(57)	64	39,998	(78)	39,920
FVOCI[2]	60,318	(7)		1,758	(32)		44	(4)		62,120	(43)	
Accrued income (amortised cost)[4]	1,768	–	1,768	–	–	–	–	–	–	1,768	–	1,768
Assets held for sale	654	(34)	620	76	(4)	72	1	–	1	731	(38)	693
Other assets	20,714	–	20,714	–	–	–	3	(3)	–	20,717	(3)	20,714
Undrawn commitments[3]	113,301	(20)		4,596	(27)		2	–		117,899	(47)	
Financial guarantees, trade credits and irrevocable letter of credits[3]	57,505	(8)		2,530	(13)		672	(112)		60,707	(133)	
Total	526,568	(289)		17,464	(287)		6,498	(3,212)		550,530	(3,788)	

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 $80 million (31 December 2022: $28 million) originated credit-impaired debt securities with impairment of $14 million (31 December 2022: $13 million)

Risk profile continued

	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	49,911	–	49,911	333	(8)	325	295	–	295	50,539	(8)	50,531
Loans and advances to banks (amortised cost)	27,084	(7)	27,077	275	(3)	272	35	(1)	34	27,394	(11)	27,383
Loans and advances to customers (amortised cost)	148,213	(268)	147,945	7,743	(187)	7,556	6,202	(3,577)	2,625	162,158	(4,032)	158,126
Debt securities and other eligible bills[5]	106,886	(20)		5,455	(90)		144	(106)		112,485	(216)	
Amortised cost	41,512	(7)	41,505	271	(2)	269	78	(51)	27	41,861	(60)	41,801
FVOCI[2]	65,374	(13)		5,184	(88)		66	(55)		70,624	(156)	
Accrued income (amortised cost)[4]	1,858	–	1,858	–	–	–	–	–	–	1,858	–	1,858
Assets held for sale[4]	1,083	(6)	1,077	262	(4)	258	120	(67)	53	1,465	(77)	1,388
Other assets	27,213	(3)	27,210	–	–	–	3	(3)	–	27,216	(6)	27,210
Undrawn commitments[3]	103,644	(26)		4,113	(42)		128	–		107,885	(68)	
Financial guarantees, trade credits and irrevocable letter of credits[3]	44,252	(9)		2,883	(27)		664	(147)		47,799	(183)	
Total	510,144	(339)		21,064	(361)		7,591	(3,901)		538,799	(4,601)	

1 Gross carrying amount for off-balance sheet refers to notional values
2 These instruments are held at fair value on the balance sheet. The ECL provision in respect of debt securities measured at FVOCI is held within the OCI reserve
3 These are off-balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no "net carrying amount". ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise they will be reported against the drawn component
4 Stage 1 ECL is not material
5 Stage 3 gross includes $28 million originated credit-impaired debt securities and $13 million impairment

Company

	2023											
	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	52,756	–	52,756	2	–	2	–	–	–	52,758	–	52,758
Loans and advances to banks (amortised cost)	9,849	(1)	9,848	286	(1)	285	6	(4)	2	10,141	(6)	10,135
Loans and advances to customers (amortised cost)	70,343	(89)	70,254	4,077	(80)	3,997	3,761	(2,129)	1,632	78,181	(2,298)	75,883
Debt securities and other eligible bills[5]	92,038	(23)		315	–		76	(56)		92,429	(79)	
Amortised cost	38,053	(11)	38,042	–	–	–	76	(56)	20	38,129	(67)	38,062
FVOCI[2]	53,985	(11)		315	–		–	–		54,300	(11)	
Accrued income (amortised cost)[4]	1,151	–	1,151	–	–	–	–	–	–	1,151	–	1,151
Assets held for sale	52	–	52	–	–	–	–	–	–	52	–	52
Other assets	16,990	–	16,990	–	–	–	–	–	–	16,990	–	16,990
Undrawn commitments[3]	65,255	(15)		3,752	(18)		–	–		69,007	(33)	
Financial guarantees, trade credits and irrevocable letter of credits[3]	47,186	(4)		1,886	(8)		514	(87)		49,586	(99)	
Total[6]	355,620	(132)		10,318	(107)		4,357	(2,276)		370,295	(2,515)	

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 $25 million (31 December 2022: $28 million) originated credit-impaired debt securities with impairment of $14 million (31 December 2022: $13 million)
6 Excludes 'Amounts due from subsidiary undertakings and other related parties' of $10,053 million. The amounts are held within stage 1 and rated as 'strong' at 31 December 2023 and is net of an expected credit loss of $20.4 million

	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	38,847	–	38,847	10	–	10	10	–	10	38,867	–	38,867
Loans and advances to banks (amortised cost)	18,423	(3)	18,420	128	(1)	127	1	–	1	18,552	(4)	18,548
Loans and advances to customers (amortised cost)	73,476	(148)	73,328	5,296	(77)	5,219	4,685	(2,621)	2,064	83,457	(2,846)	80,611
Debt securities and other eligible bills[5]	93,243	(20)		1,785	(1)		78	(50)		95,106	(71)	
Amortised cost	38,011	(6)	38,005	10	(1)	9	78	(50)	28	38,099	(57)	38,042
FVOCI[2]	55,232	(14)		1,775	–		–	–		57,007	(14)	
Accrued income (amortised cost)[4]	1,342	–	1,342	–	–	–	–	–	–	1,342	–	1,342
Assets held for sale[4]	412	(1)	411	132	(2)	130	30	(27)	3	574	(30)	544
Other assets	23,625	–	23,625	–	–	–	–	–	–	23,625	–	23,625
Undrawn commitments[3]	60,727	(18)		3,150	(24)		128	–		64,005	(42)	
Financial guarantees, trade credits and irrevocable letter of credits[3]	34,894	(6)		2,453	(17)		543	(118)		37,890	(141)	
Total[6]	344,989	(196)		12,954	(122)		5,475	(2,816)		363,418	(3,134)	

1 Gross carrying amount for off-balance sheet refers to notional values
2 These instruments are held at fair value on the balance sheet. The ECL provision in respect of debt securities measured at FVOCI is held within the OCI reserve
3 These are off-balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no "net carrying amount". ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise they will be reported against the drawn component
4 Stage 1 ECL is not material
5 Stage 3 gross includes $28 million originated credit-impaired debt securities and $13 million impairment
6 Excludes 'Amounts due from subsidiary undertakings and other related parties' of $13,214 million. The amounts are held within stage 1 and rated as 'strong' at 31 December 2022 and is net of an expected credit loss of $5 million

Credit quality analysis (audited)

Credit quality by client segment

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

Mapping of credit quality

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

	Corporate, Commercial & Institutional Banking			Private Banking[1]	Consumer and Business Banking[5]
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+[2]	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+[3]	0.426 to 15.75	Class II and Class III	Loans past due till 29 days
Higher risk	Grade 12	CCC+/C[4]	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: AAA/AA+ to BB+. Sovereign's rating: AAA to BB+
3 Banks' rating: BB to "CCC+ to C". Sovereigns' rating: BB+/BB to B-/CCC+
4 Banks' rating: CCC+ to C. Sovereigns' rating: CCC+ to "CCC+ to C"
5 Medium enterprise clients within Business Banking are managed using the same internal credit grades as CCIB

The table below 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.

> Further details can be found in the 'Summary of performance in 2023' in pages 61 to 62.

Loans and advances by client segment (audited)

Group

	2023							
		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	22,210	77,513	46,378	235	22,592	146,718	113,301	57,505
• Strong	14,756	55,407	42,362	232	22,254	120,255	104,198	37,642
• Satisfactory	7,454	22,106	4,016	3	338	26,463	9,103	19,863
Stage 2	537	5,696	994	2	965	7,657	4,596	2,530
• Strong	53	862	659	–	–	1,521	947	801
• Satisfactory	211	3,955	100	–	–	4,055	3,168	1,472
• Higher risk	273	879	235	2	965	2,081	481	257
Of which (stage 2):								
• Less than 30 days past due	–	78	100	–	–	178	–	–
• More than 30 days past due	–	10	235	2	–	247	–	–
Stage 3, credit-impaired financial assets	74	3,887	1,064	2	224	5,177	2	672
Gross balance[1]	22,821	87,096	48,436	239	23,781	159,552	117,899	60,707
Stage 1	(3)	(68)	(123)	(7)	–	(198)	(20)	(8)
• Strong	(2)	(26)	(80)	(7)	–	(113)	(8)	(1)
• Satisfactory	(1)	(42)	(43)	–	–	(85)	(12)	(7)
Stage 2	(9)	(133)	(59)	–	(1)	(193)	(27)	(13)
• Strong	–	(11)	(22)	–	–	(33)	(3)	–
• Satisfactory	(2)	(64)	(7)	–	–	(71)	(15)	(6)
• Higher risk	(7)	(58)	(30)	–	(1)	(89)	(9)	(7)
Of which (stage 2):								
• Less than 30 days past due	–	(1)	(7)	–	–	(8)	–	–
• More than 30 days past due	–	(1)	(30)	–	–	(31)	–	–
Stage 3, credit-impaired financial assets	(6)	(2,362)	(639)	(2)	(15)	(3,018)	–	(112)
Total credit impairment	(18)	(2,563)	(821)	(9)	(16)	(3,409)	(47)	(133)
Net carrying value	22,803	84,533	47,615	230	23,765	156,143		
Stage 1	0.0%	0.1%	0.3%	3.0%	0.0%	0.1%	0.0%	0.0%
• Strong	0.0%	0.0%	0.2%	3.0%	0.0%	0.1%	0.0%	0.0%
• Satisfactory	0.0%	0.2%	1.1%	0.0%	0.0%	0.3%	0.1%	0.0%
Stage 2	1.7%	2.3%	5.9%	0.0%	0.1%	2.5%	0.6%	0.5%
• Strong	0.0%	1.3%	3.3%	0.0%	0.0%	2.2%	0.3%	0.0%
• Satisfactory	0.9%	1.6%	7.0%	0.0%	0.0%	1.8%	0.5%	0.4%
• Higher risk	2.6%	6.6%	12.8%	0.0%	0.1%	4.3%	1.9%	2.7%
Of which (stage 2):								
• Less than 30 days past due	0.0%	1.3%	7.0%	0.0%	0.0%	4.5%	0.0%	0.0%
• More than 30 days past due	0.0%	10.0%	12.8%	0.0%	0.0%	12.6%	0.0%	0.0%
Stage 3, credit-impaired financial assets	8.1%	60.8%	60.1%	100.0%	6.7%	58.3%	0.0%	16.7%
Cover ratio	0.1%	2.9%	1.7%	3.8%	0.1%	2.1%	0.0%	0.2%
Fair value through profit or loss								
Performing	28,318	45,266	–	–	–	45,266	–	–
• Strong	23,954	27,667	–	–	–	27,667	–	–
• Satisfactory	4,364	17,536	–	–	–	17,536	–	–
• Higher risk	–	63	–	–	–	63	–	–
Defaulted (CG13-14)	–	18	–	–	–	18	–	–
Gross balance (FVTPL)[2]	28,318	45,284	–	–	–	45,284	–	–
Net carrying value (incl FVTPL)	51,121	129,817	47,615	230	23,765	201,427	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $13,827 million under Customers and of $1,653 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $42,096 million under Customers and of $26,053 million under Banks, held at fair value through profit or loss

Group

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
	2022							
		Customers						
Stage 1	27,084	78,983	44,825	65	24,340	148,213	103,644	44,252
• Strong	16,722	56,167	41,683	63	24,340	122,253	92,418	29,973
• Satisfactory	10,362	22,816	3,142	2	–	25,960	11,226	14,279
Stage 2	275	6,762	980	1	–	7,743	4,113	2,883
• Strong	86	1,070	691	–	–	1,761	986	501
• Satisfactory	119	4,480	73	–	–	4,553	2,487	1,977
• Higher risk	70	1,212	216	1	–	1,429	640	405
Of which (stage 2):								
• Less than 30 days past due	5	100	75	–	–	175	–	–
• More than 30 days past due	6	22	217	1	–	240	–	–
Stage 3, credit-impaired financial assets	35	4,859	1,095	–	248	6,202	128	664
Gross balance[1]	27,394	90,604	46,900	66	24,588	162,158	107,885	47,799
Stage 1	(7)	(87)	(179)	(2)	–	(268)	(26)	(9)
• Strong	(2)	(29)	(117)	(2)	–	(148)	(16)	(2)
• Satisfactory	(5)	(58)	(62)	–	–	(120)	(10)	(7)
Stage 2	(3)	(134)	(53)	–	–	(187)	(42)	(27)
• Strong	–	(11)	(21)	–	–	(32)	(2)	–
• Satisfactory	(2)	(74)	(6)	–	–	(80)	(35)	(14)
• Higher risk	(1)	(49)	(26)	–	–	(75)	(5)	(13)
Of which (stage 2):								
• Less than 30 days past due	–	(1)	(11)	–	–	(12)	–	–
• More than 30 days past due	–	(1)	(26)	–	–	(27)	–	–
Stage 3, credit-impaired financial assets	(1)	(2,904)	(655)	–	(18)	(3,577)	–	(147)
Total credit impairment	(11)	(3,125)	(887)	(2)	(18)	(4,032)	(68)	(183)
Net carrying value	27,383	87,479	46,013	65	24,570	158,126		
Stage 1	0.0%	0.1%	0.4%	3.1%	0.0%	0.2%	0.0%	0.0%
• Strong	0.0%	0.1%	0.3%	3.2%	0.0%	0.1%	0.0%	0.0%
• Satisfactory	0.0%	0.3%	2.0%	0.0%	0.0%	0.5%	0.1%	0.0%
Stage 2	1.1%	2.0%	5.4%	0.0%	0.0%	2.4%	1.0%	0.9%
• Strong	0.0%	1.0%	3.0%	0.0%	0.0%	1.8%	0.2%	0.0%
• Satisfactory	1.7%	1.7%	8.2%	0.0%	0.0%	1.8%	1.4%	0.7%
• Higher risk	1.4%	4.0%	12.0%	0.0%	0.0%	5.2%	0.8%	3.2%
Of which (stage 2):								
• Less than 30 days past due	0.0%	1.0%	14.7%	0.0%	0.0%	6.9%	0.0%	0.0%
• More than 30 days past due	0.0%	4.5%	12.0%	0.0%	0.0%	11.3%	0.0%	0.0%
Stage 3, credit-impaired financial assets	2.9%	59.8%	59.8%	0.0%	7.3%	57.7%	0.0%	22.1%
Cover ratio	0.0%	3.4%	1.9%	3.0%	0.1%	2.5%	0.1%	0.4%
Fair value through profit or loss								
Performing	24,135	40,562	–	–	2,557	43,119	–	–
• Strong	20,656	33,256	–	–	2,409	35,665	–	–
• Satisfactory	3,479	7,306	–	–	148	7,454	–	–
• Higher risk	–	–	–	–	–	–	–	–
Defaulted (CG13-14)	–	3	–	–	–	3	–	–
Gross balance (FVTPL)[2]	24,135	40,565	–	–	2,557	43,122	–	–
Net carrying value (incl FVTPL)	51,518	128,044	46,013	64	27,127	201,248	–	–

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

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

Loans and advances by client segment (audited)

Company

Amortised cost	2023 Banks $million	Customers: Corporate, Commercial & Institutional Banking $million	Customers: Consumer, Private & Business Banking $million	Customers: Central & other items $million	Customers: Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
Stage 1	9,849	57,077	12,096	1,170	70,343	65,255	47,186
• Strong	5,987	42,254	9,812	867	52,933	58,451	30,160
• Satisfactory	3,862	14,823	2,284	303	17,410	6,804	17,026
Stage 2	286	3,819	258	–	4,077	3,752	1,886
• Strong	54	437	119	–	556	700	679
• Satisfactory	201	2,954	50	–	3,004	2,690	1,098
• Higher risk	31	428	89	–	517	362	109
Of which (stage 2):							
• Less than 30 days past due	–	69	50	–	119	–	–
• More than 30 days past due	–	8	89	–	97	–	–
Stage 3, credit-impaired financial assets	6	2,907	630	224	3,761	–	514
Gross balance[1]	10,141	63,803	12,984	1,394	78,181	69,007	49,586
Stage 1	(1)	(35)	(54)	–	(89)	(15)	(4)
• Strong	(1)	(17)	(35)	–	(52)	(6)	–
• Satisfactory	–	(18)	(19)	–	(37)	(9)	(4)
Stage 2	(1)	(52)	(28)	–	(80)	(18)	(8)
• Strong	(1)	(3)	(3)	–	(6)	(2)	–
• Satisfactory	–	(29)	(2)	–	(31)	(11)	(6)
• Higher risk	–	(20)	(23)	–	(43)	(5)	(2)
Of which (stage 2):							
• Less than 30 days past due	–	–	(2)	–	(2)	–	–
• More than 30 days past due	–	(1)	(23)	–	(24)	–	–
Stage 3, credit-impaired financial assets	(4)	(1,715)	(399)	(15)	(2,129)	–	(87)
Total credit impairment	(6)	(1,802)	(481)	(15)	(2,298)	(33)	(99)
Net carrying value	10,135	62,001	12,503	1,379	75,883		
Stage 1	0.0%	0.1%	0.4%	0.0%	0.1%	0.0%	0.0%
• Strong	0.0%	0.0%	0.4%	0.0%	0.1%	0.0%	0.0%
• Satisfactory	0.0%	0.1%	0.8%	0.0%	0.2%	0.1%	0.0%
Stage 2	0.3%	1.4%	10.9%	0.0%	2.0%	0.5%	0.4%
• Strong	1.9%	0.7%	2.5%	0.0%	1.1%	0.3%	0.0%
• Satisfactory	0.0%	1.0%	4.0%	0.0%	1.0%	0.4%	0.5%
• Higher risk	0.0%	4.7%	25.8%	0.0%	8.3%	1.4%	1.8%
Of which (stage 2):							
• Less than 30 days past due	0.0%	0.0%	4.0%	0.0%	1.7%	0.0%	0.0%
• More than 30 days past due	0.0%	12.5%	25.8%	0.0%	24.7%	0.0%	0.0%
Stage 3, credit-impaired financial assets	66.7%	59.0%	63.3%	6.7%	56.6%	0.0%	16.9%
Cover ratio	0.1%	2.8%	3.7%	1.1%	2.9%	0.0%	0.2%
Fair value through profit or loss							
Performing	25,655	44,013	–	–	44,013	–	–
• Strong	21,448	26,803	–	–	26,803	–	–
• Satisfactory	4,207	17,210	–	–	17,210	–	–
• Higher risk	–	–	–	–	–	–	–
Defaulted (CG13-14)	–	2	–	–	2	–	–
Gross balance (FVTPL)[2]	25,655	44,015	–	–	44,015	–	–
Net carrying value (incl FVTPL)	35,790	106,016	12,503	1,379	119,898	–	–

1 Loans and advances include reverse repurchase agreements and other similar secured lending for $12,212 million under Customers and for $554 million under Banks, held at amortised cost

2 Loans and advances include reverse repurchase agreements and other similar secured lending for $41,393 million under Customers and for $23,411 million under Banks, held at fair value through profit and loss

Company

Amortised cost	Banks $million	Customers: Corporate, Commercial & Institutional Banking $million	Customers: Consumer, Private & Business Banking $million	Customers: Central & other items $million	Customers: Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
	2022						
Stage 1	18,423	59,561	11,115	2,800	73,476	60,727	34,894
• Strong	10,989	44,313	9,188	2,800	56,301	51,980	23,117
• Satisfactory	7,434	15,248	1,927	–	17,175	8,747	11,777
Stage 2	128	4,852	444	–	5,296	3,150	2,453
• Strong	4	763	294	–	1,057	532	446
• Satisfactory	96	3,392	55	–	3,447	2,023	1,666
• Higher risk	28	697	95	–	792	595	341
Of which (stage 2):							
• Less than 30 days past due	–	85	56	–	141	–	–
• More than 30 days past due	4	13	95	–	108	–	–
Stage 3, credit-impaired financial assets	1	3,810	627	248	4,685	128	543
Gross balance[1]	18,552	68,223	12,186	3,048	83,457	64,005	37,890
Stage 1	(3)	(51)	(97)	–	(148)	(18)	(6)
• Strong	(1)	(28)	(77)	–	(105)	(10)	(1)
• Satisfactory	(2)	(23)	(20)	–	(43)	(8)	(5)
Stage 2	(1)	(51)	(26)	–	(77)	(24)	(17)
• Strong	–	(10)	(4)	–	(14)	(2)	–
• Satisfactory	(1)	(22)	(8)	–	(30)	(18)	(9)
• Higher risk	–	(19)	(14)	–	(33)	(4)	(8)
Of which (stage 2):							
• Less than 30 days past due	–	(1)	(8)	–	(9)	–	–
• More than 30 days past due	–	–	(14)	–	(14)	–	–
Stage 3, credit-impaired financial assets	–	(2,201)	(402)	(18)	(2,621)	–	(118)
Total credit impairment	(4)	(2,303)	(525)	(18)	(2,846)	(42)	(141)
Net carrying value	18,548	65,920	11,661	3,030	80,611		
Stage 1	0.0%	0.1%	0.9%	0.0%	0.2%	0.0%	0.0%
• Strong	0.0%	0.1%	0.8%	0.0%	0.2%	0.0%	0.0%
• Satisfactory	0.0%	0.2%	1.0%	0.0%	0.3%	0.1%	0.0%
Stage 2	0.8%	1.1%	5.9%	0.0%	1.5%	0.8%	0.7%
• Strong	0.0%	1.3%	1.4%	0.0%	1.3%	0.4%	0.0%
• Satisfactory	1.0%	0.6%	14.5%	0.0%	0.9%	0.9%	0.5%
• Higher risk	0.0%	2.7%	14.7%	0.0%	4.2%	0.7%	2.3%
Of which (stage 2):							
• Less than 30 days past due	0.0%	1.2%	14.3%	0.0%	6.4%	0.0%	0.0%
• More than 30 days past due	0.0%	0.0%	14.7%	0.0%	13.0%	0.0%	0.0%
Stage 3, credit-impaired financial assets	0.0%	57.8%	64.1%	7.3%	55.9%	0.0%	21.7%
Cover ratio	0.0%	3.4%	4.3%	0.6%	3.4%	0.1%	0.4%
Fair value through profit or loss							
Performing	22,036	38,642	–	2,410	41,052	–	–
• Strong	18,558	32,000	–	2,409	34,409	–	–
• Satisfactory	3,478	6,642	–	1	6,643	–	–
• Higher risk	–	–	–	–	–	–	–
Defaulted (CG13-14)	–	2	–	–	2	–	–
Gross balance (FVTPL)[2]	22,036	38,644	–	2,410	41,054	–	–
Net carrying value (incl FVTPL)	40,584	104,564	11,661	5,440	121,665	–	–

1 Loans and advances include reverse repurchase agreements and other similar secured lending of $15,071 million under Customers and of $184 million under Banks, held at amortised cost

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $37,858 million under Customers and of $21,199 million under Banks, held at fair value through profit and loss

Movement in gross exposures and credit impairment for loans and advances, debt securities, undrawn commitments and financial guarantees (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 and debt securities and other eligible bills.

Methodology

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

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

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

Movements during the year

Stage 1 gross exposures increased by $9.7 billion to $440 billion (31 December 2022: $430 billion). CCIB exposure increased by $13.7 billion to $238 billion (31 December 2022: $224 billion) due to an increase in off-balance sheet exposures from new business. CPBB exposure increased by $3.2 billion to $78 billion (31 December 2022: $75 billion). Debt securities decreased by $6.8 billion to $100 billion (31 December 2022: $107 billion) due to actions taken to manage liquidity.

Stage 1 provisions decreased by $75 million to $255 million (31 December 2022: $330 million). CCIB decreased by $33 million to $91 million (31 December 2022: $124 million) due to exposure reductions, which was partly offset by model updates. CPBB decreased by $55 million to $129 million (31 December 2022: $184 million), due to the release of the judgemental non-linearity post model adjustment and the full release of the remaining COVID-19 overlays, both of which are reported in 'Changes in risk parameters'.

Stage 2 gross exposures decreased by $3 billion to $17 billion (31 December 2022: $20 billion), driven by CCIB. Debt securities decreased by $3.6 billion to $1.9 billion (31 December 2022: $5.5 billion) due to the continued management of Pakistan Sovereign exposures following its sovereign rating downgrade.

Stage 2 provisions decreased by $73 million to $276 million (31 December 2022: $349 million). CPBB provisions decreased by $1 million to $55 million (31 December 2022: $56 million). Debt securities provisions decreased by $56 million to $34 million (31 December 2022: $90 million) largely driven by exposure reductions and shorter tenor for Pakistan Sovereign exposures. CCIB decreased by $22 million to $186 million (31 December 2022: $208 million) due to portfolio movements, and model updates. This was partly offset by clients downgrades, as a result of a further Pakistan Sovereign rating downgrade during the year.

The impact of model and methodology updates in 2023 reduced stage 1 and 2 provisions by $11 million in CCIB, $9 million in Central and other items, and $2 million in CPBB. Stage 3 exposures decreased by $1.1 billion to $6 billion (31 December 2022: $7 billion), which was primarily driven by repayments and write-offs in CCIB. Stage 3 provisions decreased by $0.6 billion to $3 billion (31 December 2022: $4 billion), which were also due to repayments and write-offs in CCIB.

All segments – Group (audited)

Amortised cost and FVOCI	Stage 1 Gross balance[6] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[6] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3[5] Gross balance[6] $million	Stage 3[5] Total credit impairment $million	Stage 3[5] Net $million	Total Gross balance[6] $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2022	395,848	(370)	395,478	27,655	(501)	27,154	7,882	(4,499)	3,383	431,385	(5,370)	426,015
Transfers to stage 1	18,477	(407)	18,070	(18,445)	407	(18,038)	(32)	–	(32)	–	–	–
Transfers to stage 2	(35,697)	180	(35,517)	36,198	(198)	36,000	(501)	18	(483)	–	–	–
Transfers to stage 3	(80)	–	(80)	(2,554)	205	(2,349)	2,634	(205)	2,429	–	–	–
Net change in exposures	66,022	(102)	65,920	(20,488)	73	(20,415)	(1,396)	300	(1,096)	44,138	271	44,409
Net remeasurement from stage changes	–	40	40	–	(90)	(90)	–	(81)	(81)	–	(131)	(131)
Changes in risk parameters	–	140	140	–	(79)	(79)	–	(355)	(355)	–	(294)	(294)
Write-offs	–	–	–	–	–	–	(633)	633	–	(633)	633	–
Interest due but unpaid	–	–	–	–	–	–	(168)	168	–	(168)	168	–
Discount unwind	–	–	–	–	–	–	–	119	119	–	119	119
Exchange translation differences and other movements[1]	(14,491)	189	(14,302)	(1,897)	(166)	(2,063)	(613)	71	(542)	(17,001)	94	(16,907)
As at 31 December 2022[2]	430,079	(330)	429,749	20,469	(349)	20,120	7,173	(3,831)	3,342	457,721	(4,510)	453,211
Income statement ECL (charge)/release[3]		78			(96)			(136)			(154)	
Recoveries of amounts previously written off		–			–			175			175	
Total credit impairment (charge)/release		78			(96)			39			21	

All segments – Group (audited) continued

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3[5]			Total		
	Gross balance[6] $million	Total credit impairment $million	Net $million	Gross balance[6] $million	Total credit impairment $million	Net $million	Gross balance[6] $million	Total credit impairment $million	Net $million	Gross balance[6] $million	Total credit impairment $million	Net $million
As at 1 January 2023	430,079	(330)	429,749	20,469	(349)	20,120	7,173	(3,831)	3,342	457,721	(4,510)	453,211
Transfers to stage 1	11,184	(515)	10,669	(11,174)	515	(10,659)	(10)	–	(10)	–	–	–
Transfers to stage 2	(26,645)	130	(26,515)	26,784	(138)	26,646	(139)	8	(131)	–	–	–
Transfers to stage 3	(19)	1	(18)	(1,523)	132	(1,391)	1,542	(133)	1,409	–	–	–
Net change in exposures	20,964	(150)	20,814	(14,050)	19	(14,031)	(1,476)	460	(1,016)	5,438	329	5,767
Net remeasurement from stage changes	–	48	48	–	(153)	(153)	–	(61)	(61)	–	(166)	(166)
Changes in risk parameters	–	160	160	–	53	53	–	(503)	(503)	–	(290)	(290)
Write-offs	–	–	–	–	–	–	(666)	666	–	(666)	666	–
Interest due but unpaid	–	–	–	–	–	–	(19)	19	–	(19)	19	–
Discount unwind	–	–	–	–	–	–	–	139	139	–	139	139
Exchange translation differences and other movements[1]	4,263	401	4,664	(3,325)	(355)	(3,680)	(315)	39	(276)	623	85	708
As at 31 December 2023[2]	439,826	(255)	439,571	17,181	(276)	16,905	6,090	(3,197)	2,893	463,097	(3,728)	459,369
Income statement ECL (charge)/ release[3]		58			(81)			(104)			(127)	
Recoveries of amounts previously written off		–			–			185			185	
Total credit impairment (charge)/ release[4]		58			(81)			81			58	

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 balance of $87,433 million (31 December 2022: $81,078 million) and total credit impairment of $60 million (31 December 2022: $91 million)
3 Does not include release relating to Other assets (31 December 2022: $1 million)
4 Reported basis
5 Stage 3 gross includes $80 million (31 December 2022: $28 million) and ECL $14 million (31 December 2022: $13 million) originated credit-impaired debt securities
6 The gross balance includes the notional amount of off balance sheet instruments

Of which movement of debt securities, alternative Tier 1 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 2022	96,350	(58)	96,292	5,315	(42)	5,273	113	(66)	47	101,778	(166)	101,612
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	19,290	(44)	19,246	(752)	1	(751)	–	1	1	18,538	(42)	18,496
Net remeasurement from stage changes	–	11	11	–	(4)	(4)	–	(23)	(23)	–	(16)	(16)
Changes in risk parameters	–	39	39	–	(94)	(94)	–	(13)	(13)	–	(68)	(68)
Write-offs	–	–	–	–	–	–	(30)	30	–	(30)	30	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements[1]	(7,108)	16	(7,092)	(688)	23	(665)	(5)	7	2	(7,801)	46	(7,755)
As at 31 December 2022	106,886	(20)	106,866	5,455	(90)	5,365	144	(106)	38	112,485	(216)	112,269
Income statement ECL (charge)/release[1]		6			(97)			(35)			(126)	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment (charge)/ release		6			(97)			(35)			(126)	
As at 1 January 2023	**106,886**	**(20)**	**106,866**	**5,455**	**(90)**	**5,365**	**144**	**(106)**	**38**	**112,485**	**(216)**	**112,269**
Transfers to stage 1	**371**	**(65)**	**306**	**(371)**	**65**	**(306)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 2	**(884)**	**14**	**(870)**	**884**	**(14)**	**870**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 3	**–**	**–**	**–**	**(16)**	**–**	**(16)**	**16**	**–**	**16**	**–**	**–**	**–**
Net change in exposures	**(10,326)**	**(20)**	**(10,346)**	**(1,899)**	**(43)**	**(1,942)**	**7**	**–**	**7**	**(12,218)**	**(63)**	**(12,281)**
Net remeasurement from stage changes	**–**	**5**	**5**	**–**	**(10)**	**(10)**	**–**	**–**	**–**	**–**	**(5)**	**(5)**
Changes in risk parameters	**–**	**32**	**32**	**–**	**90**	**90**	**–**	**(4)**	**(4)**	**–**	**118**	**118**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange translation differences and other movements[1]	**4,045**	**28**	**4,073**	**(2,192)**	**(32)**	**(2,224)**	**(2)**	**49**	**47**	**1,851**	**45**	**1,896**
As at 31 December 2023	**100,092**	**(26)**	**100,066**	**1,861**	**(34)**	**1,827**	**165**	**(61)**	**104**	**102,118**	**(121)**	**101,997**
Income statement ECL (charge)/release		**17**			**37**			**(4)**			**50**	
Recoveries of amounts previously written off		**–**			**–**			**–**			**–**	
Total credit impairment (charge)/ release		**17**			**37**			**(4)**			**50**	

1 Includes fair value adjustments and amortisation on debt securities
2 Stage 3 gross includes $80 million (31 December 2022: $28 million) originated credit-impaired debt securities with impairment of $14 million (31 December 2022: $13 million)
3 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 $102,040 million (31 December 2022: $112,425 million). Refer to the Analysis of financial instrument by stage table on page 65

All segments – Company (audited)

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3[5]			Total		
	Gross balance[6] $million	Total credit impairment $million	Net $million	Gross balance[6] $million	Total credit impairment $million	Net $million	Gross balance[6] $million	Total credit impairment $million	Net $million	Gross balance[6] $million	Total credit impairment $million	Net $million
As at 1 January 2022	254,531	(210)	254,321	20,578	(311)	20,267	5,810	(3,238)	2,572	280,919	(3,759)	277,160
fresh	13,424	(240)	13,184	(13,394)	240	(13,154)	(30)	–	(30)	–	–	–
Transfers to stage 2	(22,222)	126	(22,096)	22,653	(109)	22,544	(431)	(17)	(448)	–	–	–
Transfers to stage 3	–	–	–	(1,873)	(32)	(1,905)	1,873	32	1,905	–	–	–
Net change in exposures	47,019	(33)	46,986	(14,167)	54	(14,113)	(988)	190	(798)	31,864	211	32,075
Net remeasurement from stage changes	–	7	7	–	(12)	(12)	–	(49)	(49)	–	(54)	(54)
Changes in risk parameters	–	80	80	–	44	44	–	(166)	(166)	–	(42)	(42)
Write-offs	–	–	–	–	–	–	(369)	369	–	(369)	369	–
Interest due but unpaid	–	–	–	–	–	–	(130)	130	–	(130)	130	–
Discount unwind	–	–	–	–	–	–	–	74	74	–	74	74
Exchange translation differences and other movements[1]	(11,989)	75	(11,914)	(985)	6	(979)	(300)	(114)	(414)	(13,274)	(33)	(13,307)
As at 31 December 2022[2]	280,763	(195)	280,568	12,812	(120)	12,692	5,435	(2,789)	2,646	299,010	(3,104)	295,906
Income statement ECL (charge)/release		54			86			(25)			115	
Recoveries of amounts previously written off		–			–			67			67	
Total credit impairment (charge)/release		54			86			42			182	

All segments – Company (audited) continued

Amortised cost and FVOCI	Stage 1 Gross balance[6] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[6] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3[5] Gross balance[6] $million	Stage 3[5] Total credit impairment $million	Stage 3[5] Net $million	Total Gross balance[6] $million	Total Total credit impairment $million	Total Net $million
As at 1 January 2023	280,763	(195)	280,568	12,812	(120)	12,692	5,435	(2,789)	2,646	299,010	(3,104)	295,906
Transfers to stage 1	8,709	(222)	8,487	(8,699)	222	(8,477)	(10)	–	(10)	–	–	–
Transfers to stage 2	(17,712)	43	(17,669)	17,784	(48)	17,736	(72)	5	(67)	–	–	–
Transfers to stage 3	–	–	–	(767)	117	(650)	767	(117)	650	–	–	–
Net change in exposures	8,702	(56)	8,646	(9,095)	12	(9,083)	(1,088)	273	(815)	(1,481)	229	(1,252)
Net remeasurement from stage changes	–	–	–	–	(16)	(16)	–	(32)	(32)	–	(48)	(48)
Changes in risk parameters	–	64	64	–	93	93	–	(330)	(330)	–	(173)	(173)
Write-offs	–	–	–	–	–	–	(435)	435	–	(435)	435	–
Interest due but unpaid	–	–	–	–	–	–	(154)	154	–	(154)	154	–
Discount unwind	–	–	–	–	–	–	–	139	139	–	139	139
Exchange translation differences and other movements[1]	4,209	234	4,443	(1,719)	(367)	(2,086)	(86)	(14)	(100)	2,404	(147)	2,257
As at 31 December 2023[2]	284,671	(132)	284,539	10,316	(107)	10,209	4,357	(2,276)	2,081	299,344	(2,515)	296,829
Income statement ECL (charge)/ release[3]		8			89			(89)			8	
Recoveries of amounts previously written off		–			–			73			73	
Total credit impairment (charge)/release[4]		8			89			(16)			81	

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 balance of $70,951 million (31 December 2022: $61,408 million) and total credit impairment (31 December 2022: $30 million)
3 Does not include release relating to Other assets (31 December 2022: $1 million)
4 Reported basis
5 Stage 3 gross includes $25 million (31 December 2022: $28 million) and ECL $14 million (31 December 2022: $13 million) originated credit-impaired debt securities
6 The gross balance includes the notional amount of off balance sheet instruments

Of which movement of debt securities, alternative tier one and other eligible bills – Company (audited)

	Stage 1			Stage 2			Stage 3[2]			Total		
Amortised cost and FVOCI	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 2022	82,388	(32)	82,356	3,603	(21)	3,582	82	(36)	46	86,073	(89)	85,984
Transfers to stage 1	1,604	(21)	1,583	(1,604)	21	(1,583)	–	–	–	–	–	–
Transfers to stage 2	(424)	3	(421)	424	(3)	421	–	–	–	–	–	–
Transfers to stage 3	–	–	–	–	–	–	–	–	–	–	–	–
Net change in exposures	15,757	(11)	15,746	(173)	2	(171)	–	1	1	15,584	(8)	15,576
Net remeasurement from stage changes	–	2	2	–	7	7	–	–	–	–	9	9
Changes in risk parameters	–	16	16	–	8	8	–	(13)	(13)	–	11	11
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements[1]	(6,082)	23	(6,059)	(465)	(15)	(480)	(4)	(2)	(6)	(6,551)	6	(6,545)
As at 31 December 2022	93,243	(20)	93,223	1,785	(1)	1,784	78	(50)	28	95,106	(71)	95,035
Income statement ECL (charge)/release		7			17			(12)			12	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment (charge)/release		7			17			(12)			12	
As at 1 January 2023	**93,243**	**(20)**	**93,223**	**1,785**	**(1)**	**1,784**	**78**	**(50)**	**28**	**95,106**	**(71)**	**95,035**
Transfers to stage 1	**277**	**(8)**	**269**	**(277)**	**7**	**(270)**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Transfers to stage 2	**(316)**	**–**	**(316)**	**316**	**–**	**316**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net change in exposures	**(5,315)**	**(12)**	**(5,327)**	**(10)**	**–**	**(10)**	**–**	**–**	**–**	**(5,325)**	**(12)**	**(5,337)**
Net remeasurement from stage changes	**–**	**–**	**–**	**–**	**2**	**2**	**–**	**–**	**–**	**–**	**2**	**2**
Changes in risk parameters	**–**	**14**	**14**	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**15**	**15**
Write-offs	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange translation differences and other movements[1]	**4,149**	**2**	**4,151**	**(1,499)**	**(9)**	**(1,508)**	**(2)**	**(6)**	**(8)**	**2,648**	**(13)**	**2,635**
As at 31 December 2023	**92,038**	**(23)**	**92,015**	**315**	**–**	**315**	**76**	**(56)**	**20**	**92,429**	**(79)**	**92,350**
Income statement ECL (charge)/release		**2**			**3**			**–**			**5**	
Recoveries of amounts previously written off		**–**			**–**			**–**			**–**	
Total credit impairment (charge)/release		**2**			**3**			**–**			**5**	

1 Includes fair value adjustments and amortisation on debt securities
2 Stage 3 gross includes $25 million (31 December 2022: $28 million) and ECL $14 million (31 December 2022: $13 million) originated credit-impaired debt securities
3 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 $92,362 million (31 December 2022: $95,049 million). Refer to the Analysis of financial instrument by stage table on page 67

Credit impairment charge (audited)

The table below analyses credit impairment charges or releases of the ongoing business portfolio and restructuring business portfolio for the year ended 31 December 2023.

> Further details can be found in the 'Summary of performance in 2023' in pages 61 to 62.

	2023			2022[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	2	(155)	(153)	(71)	(115)	(186)
Consumer, Private & Business Banking	51	77	128	(19)	37	18
Ventures	7	6	13	2	–	2
Central & other items	(42)	8	(34)	104	37	141
Credit impairment charge/(release)	18	(64)	(46)	16	(41)	(25)
Restructuring business portfolio						
Others	5	(17)	(12)	–	3	3
Credit impairment charge/(release)	5	(17)	(12)	–	3	3
Total credit impairment charge/(release)	23	(81)	(58)	16	(38)	(22)

1 Underlying credit impairment has been restated for the removal of (i) exit markets and businesses in AME and (ii) Aviation Finance. No change to reported credit impairment

Problem credit management and provisioning

Forborne and other modified loans by client segment (audited)

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 $302 million to $570 million (31 December 2022: $872 million) largely due to repayments. Net non-performing forborne loans decreased by $191 million to $539 million (31 December 2022: $730 million) while performing forborne loans reduced by $111 million to $31 million (31 December 2022: $142 million).

The table below presents loans with forbearance measures by segment.

Group

Amortised cost	2023 Corporate, Commercial & Institutional Banking $million	2023 Consumer, Private & Business Banking $million	2023 Ventures $million	2023 Total $million	2022 Corporate, Commercial & Institutional Banking $million	2022 Consumer, Private & Business Banking $million	2022 Ventures $million	2022 Total $million
All loans with forbearance measures	1,218	194	–	1,412	1,596	279	–	1,875
Credit impairment (stage 1 and 2)	–	(2)	–	(2)	(2)	–	–	(2)
Credit impairment (stage 3)	(755)	(85)	–	(840)	(870)	(131)	–	(1,001)
Net carrying value	463	107	–	570	724	148	–	872
Included within the above table								
Gross performing forborne loans	–	33	–	33	90	54	–	144
Modification of terms and conditions[1]	–	33	–	33	90	54	–	144
Refinancing[2]	–	–	–	–	–	–	–	–
Impairment provisions	–	(2)	–	(2)	(2)	–	–	(2)
Modification of terms and conditions[1]	–	(2)	–	(2)	(2)	–	–	(2)
Refinancing[2]	–	–	–	–	–	–	–	–
Net performing forborne loans	–	31	–	31	88	54	–	142
Collateral	–	31	–	31	7	56	–	63
Gross non-performing forborne loans	1,218	161	–	1,379	1,506	225	–	1,731
Modification of terms and conditions[1]	1,210	161	–	1,371	1,463	225	–	1,688
Refinancing[2]	8	–	–	8	43	–	–	43
Impairment provisions	(755)	(85)	–	(840)	(870)	(131)	–	(1,001)
Modification of terms and conditions[1]	(747)	(85)	–	(832)	(827)	(131)	–	(958)
Refinancing[2]	(8)	–	–	(8)	(43)	–	–	(43)
Net non-performing forborne loans	463	76	–	539	636	94	–	730
Collateral	153	42	–	195	204	53	–	257

1 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
2 Refinancing is a new contract to a borrower in credit stress, such that they are refinanced and can pay other debt contracts that they were unable to honour

Company

Amortised cost	2023 Corporate, Commercial & Institutional Banking $million	2023 Consumer, Private & Business Banking $million	2023 Total $million	2022 Corporate, Commercial & Institutional Banking $million	2022 Consumer, Private & Business Banking $million	2022 Total $million
All loans with forbearance measures	904	25	929	1,186	36	1,222
Credit impairment (stage 1 and 2)	–	(1)	(1)	(1)	–	(1)
Credit impairment (stage 3)	(549)	(3)	(552)	(629)	(2)	(631)
Net carrying value	355	21	376	556	34	590
Included within the above table						
Gross performing forborne loans	–	17	17	81	23	104
Modification of terms and conditions[1]	–	17	17	81	23	104
Refinancing[2]	–	–	–	–	–	–
Impairment provisions	–	(1)	(1)	(1)	–	(1)
Modification of terms and conditions[1]	–	(1)	(1)	(1)	–	(1)
Refinancing[2]	–	–	–	–	–	–
Net performing forborne loans	–	16	16	80	23	103
Collateral	–	18	18	7	24	31
Gross non-performing forborne loans	904	8	912	1,105	13	1,118
Modification of terms and conditions[1]	897	8	905	1,064	13	1,077
Refinancing[2]	7	–	7	41	–	41
Impairment provisions	(549)	(3)	(552)	(629)	(2)	(631)
Modification of terms and conditions[1]	(542)	(3)	(545)	(588)	(2)	(590)
Refinancing[2]	(7)	–	(7)	(41)	–	(41)
Net non-performing forborne loans	355	5	360	476	11	487
Collateral	124	3	127	148	7	155

1 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
2 Refinancing is a new contract to a borrower in credit stress, such that they are refinanced and can pay other debt contracts that they were unable to honour

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.

> Further information on collateral is provided in the 'Credit Risk mitigation' section in pages 84 to 88.

> Further details on stage 3 loans and advances and cover ratio can be found in the 'Summary of performance in 2023' in pages 61 to 62.

Group

Amortised cost	2023 Corporate, Commercial & Institutional Banking $million	2023 Consumer, Private & Business Banking $million	2023 Ventures $million	2023 Central & Others $million	2023 Total $million	2022 Corporate, Commercial & Institutional Banking $million	2022 Consumer, Private & Business Banking $million	2022 Ventures $million	2022 Central & Others $million	2022 Total $million
Gross credit-impaired	3,887	1,064	2	224	5,177	4,859	1,095	–	248	6,202
Credit impairment provisions	(2,362)	(639)	(2)	(15)	(3,018)	(2,904)	(655)	–	(18)	(3,577)
Net credit-impaired	1,525	425	–	209	2,159	1,955	440	–	230	2,625
Cover ratio	61%	60%	100%	7%	58%	60%	60%	–	7%	58%
Collateral ($ million)	352	393	–	–	745	628	411	–	–	1,039
Cover ratio (after collateral)	70%	97%	100%	7%	73%	73%	97%	–	7%	74%

Company

Amortised cost	2023 Corporate, Commercial & Institutional Banking $million	2023 Consumer, Private & Business Banking $million	2023 Central & Others $million	2023 Total $million	2022 Corporate, Commercial & Institutional Banking $million	2022 Consumer, Private & Business Banking $million	2022 Central & Others $million	2022 Total $million
Gross credit-impaired	2,907	630	224	3,761	3,810	627	248	4,685
Credit impairment provisions	(1,715)	(399)	(15)	(2,129)	(2,201)	(402)	(18)	(2,621)
Net credit-impaired	1,192	231	209	1,632	1,609	225	230	2,064
Cover ratio	59%	63%	7%	57%	58%	64%	7%	56%
Collateral ($ million)	293	217	–	510	480	209	–	689
Cover ratio (after collateral)	69%	98%	7%	70%	70%	97%	7%	71%

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.

Collateral (audited)

The requirement for collateral is not a substitute for the ability to repay, which is the primary consideration for any lending decisions.

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 over-collateralisation 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. We have remained prudent in the way we assess the value of collateral, which is calibrated for a severe downturn and 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. In the CPBB segments, 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.

CCIB collateral decreased by $2 billion to $25.7 billion (31 December 2022: $27.8 billion) and CPBB collateral increased by $2 billion to $30 billion (31 December 2022: $28 billion). Total collateral for Central and other items remained stable at $2.4 billion (31 December 2022: $2.3 billion). However, collateral for stage 2 Central and other items increased by $1 billion (31 December 2022: nil) due to short term reverse repo with a Central Bank in the Africa and Middle East region.

Collateral held on loans and advances (audited)

The table below details collateral held against exposures, separately disclosing stage 2 and stage 3 exposure and corresponding collateral.

Group

	2023								
	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]	107,336	6,091	1,593	25,744	2,043	352	81,592	4,048	1,241
Consumer, Private & Business Banking	47,615	935	425	29,960	619	393	17,655	316	32
Ventures	230	2	–	–	–	–	230	2	–
Central & other items	23,765	964	209	2,369	964	–	21,396	–	209
Total	178,946	7,992	2,227	58,073	3,626	745	120,873	4,366	1,482

	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]	114,862	6,900	1,989	27,754	2,286	628	87,108	4614	1,361
Consumer, Private & Business Banking	46,013	927	440	28,015	661	411	17,998	266	29
Ventures	64	1	–	–	–	–	64	1	–
Central & other items	24,570	–	230	2,287	–	–	22,283	0	230
Total	185,509	7,828	2,659	58,056	2,947	1,039	127,453	4,881	1,620

1 Includes loans and advances to banks
2 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

Company

Amortised cost	2023 Net amount outstanding Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Collateral Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Net exposure Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million
Corporate, Commercial & Institutional Banking[1]	72,136	4,052	1,194	19,783	1,343	293	52,353	2,709	901
Consumer, Private & Business Banking	12,503	230	231	6,401	94	217	6,102	136	14
Central & other items	1,379	–	209	750	–	–	629	–	209
Total	**86,018**	**4,282**	**1,634**	**26,934**	**1,437**	**510**	**59,084**	**2,845**	**1,124**

Amortised cost	2022 Net amount outstanding Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Collateral Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Net exposure Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million
Corporate, Commercial & Institutional Banking[1]	84,468	4,928	1,610	23,245	1,822	480	61,223	3106	1,130
Consumer, Private & Business Banking	11,661	418	225	5,394	281	209	6,267	137	16
Central & other items	3,030	–	230	1,772	–	–	1,258	0	230
Total	99,159	5,346	2,065	30,411	2,103	689	68,748	3,243	1,376

1 Includes loans and advances to banks
2 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

Collateral – CCIB (audited)

Our underwriting standards encourage taking specific charges on assets and we consistently seek high-quality, investment-grade collateral.

82 per cent (31 December 2022: 78 per cent) of tangible collateral excluding reverse repurchase agreements and financial guarantees held comprises physical assets or is property based, with the remainder held in cash. Overall collateral decreased by $2 billion to $26 billion (31 December 2022: $28 billion) mainly due to a decrease in reverse repos.

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.

The following table provides an analysis of the types of collateral held against CCIB loan exposures.

Group

Corporate, Commercial & Institutional Banking

Amortised cost	2023 $million	2022 $million
Maximum exposure	107,336	114,862
Property	3,486	3,276
Plant, machinery and other stock	896	1,141
Cash	1,497	1,959
Reverse repos	13,127	14,213
AA- to AA+[2]	395	–
A- to A+[2]	10,548	10,459
BBB- to BBB+	855	1,485
Lower than BBB-	169	–
Unrated	1,160	2,269
Financial guarantees and insurance	4,169	4,492
Commodities	5	38
Ships and aircraft	2,564	2,635
Total value of collateral[1]	25,744	27,754
Net exposure	81,592	87,108

Company

Corporate, Commercial & Institutional Banking

Amortised cost	2023 $million	2022 $million
Maximum exposure	72,136	84,468
Property	2,186	2,143
Plant, machinery and other stock	602	801
Cash	953	1,355
Reverse repos	12,016	13,504
AA- to AA+[2]	395	–
A- to A+[2]	10,548	10,459
BBB- to BBB+	21	822
Unrated	1,052	2,223
Financial guarantees and insurance	2,916	3,687
Commodities	2	29
Ships and aircraft	1,108	1,726
Total value of collateral[1]	19,783	23,245
Net exposure	52,353	61,223

1 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures
2 Prior year has been represented to provide granular credit ratings

Group

Collateral – CPBB – Group (audited)

In CPBB, fully secured products remained stable at 85 per cent of the total portfolio (31 December 2022: 86 per cent).

The following table presents an analysis of loans to individuals by product; split between fully secured, partially secured and unsecured:

	2023				2022			
Amortised cost	Fully secured $million	Partially secured $million	Unsecured $million	Total $million	Fully secured $million	Partially secured $million	Unsecured $million	Total $million
Maximum exposure	40,483	198	6,934	47,615	39,493	160	6,360	46,013
Loans to individuals								
Mortgages	24,750	–	–	24,750	24,695	–	–	24,695
CCPL	370	–	6,334	6,704	205	–	5,929	6,134
Auto	312	–	–	312	502	–	–	502
Secured wealth products	15,009	–	–	15,009	14,024	–	–	14,024
Other	42	198	600	840	67	160	431	658
Total collateral[1]				29,960				28,015
Net exposure[2]				17,655				17,998
Percentage of total loans	85%	0%	15%		86%	0%	14%	

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

Company

Collateral – CPBB (audited)

In CPBB, $9.5 billion which equates to 76 per cent of the portfolio is fully secured (31 December 2022: 77 per cent).

The following table presents an analysis of loans to individuals by product; split between fully secured, partially secured and unsecured:

	2023				2022			
Amortised cost	Fully secured $million	Partially secured $million	Unsecured $million	Total $million	Fully secured $million	Partially secured $million	Unsecured $million	Total $million
Maximum exposure	9,531	156	2,816	12,503	8,940	131	2,590	11,661
Loans to individuals								
Mortgages	5,345	–	–	5,345	4,848	–	–	4,848
CCPL	369	–	2,460	2,829	205	–	2,317	2,522
Auto	15	–	–	15	26	–	–	26
Secured wealth products	3,786	–	–	3,786	3,857	–	–	3,857
Other	16	156	356	528	4	131	273	408
Total collateral[1]				6,401				5,394
Net exposure[2]				6,102				6,267
Percentage of total loans	76%	1%	23%		77%	1%	22%	

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

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 the value of mortgage loans. The average LTV of the overall mortgage portfolio is low at 45.8 per cent (31 December 2022: 45.8 per cent). Singapore, which represents 65.8 per cent of the residential mortgage portfolio as at 31 December 2023, has an average LTV of 43.0 per cent.

An analysis of LTV ratios by geography for the mortgage portfolio is presented in the table below.

	2023			
Amortised cost	Asia % Gross	Africa & Middle East % Gross	Europe & Americas % Gross	Total % Gross
Less than 50 per cent	51.2	51.1	31.0	49.6
50 per cent to 59 per cent	22.2	14.7	17.4	21.4
60 per cent to 69 per cent	15.0	13.7	33.9	16.4
70 per cent to 79 per cent	9.2	12.8	14.4	9.8
80 per cent to 89 per cent	2.1	3.9	2.5	2.2
90 per cent to 99 per cent	0.2	2.1	0.6	0.3
100 per cent and greater	0.2	1.7	0.3	0.3
Average portfolio loan-to-value	44.6	51.1	56.0	45.8
Loans to individuals – mortgages ($million)	21,324	1,183	2,243	24,750

	2022			
Amortised cost	Asia % Gross	Africa & Middle East % Gross	Europe & Americas % Gross	Total % Gross
Less than 50 per cent	50.0	43.0	32.2	48.2
50 per cent to 59 per cent	20.2	18.2	19.2	20.0
60 per cent to 69 per cent	19.5	16.8	31.3	20.1
70 per cent to 79 per cent	7.5	12.8	14.8	8.3
80 per cent to 89 per cent	2.6	5.1	1.1	2.6
90 per cent to 99 per cent	0.2	2.0	–	0.3
100 per cent and greater	0.1	2.2	1.3	0.4
Average portfolio loan-to-value	44.4	54.3	56.6	45.8
Loans to individuals – mortgages ($million)	21,435	1,388	1,872	24,695

Collateral and other credit enhancements possessed or called upon

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 as at 31 December 2023 is $16.5 million (31 December 2022: $14.9 million).

	2023 $million	2022 $million
Property, plant and equipment	10.5	9.6
Guarantees	6.0	5.3
Total	16.5	14.9

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 $3.5 billion (31 December 2022: $5.1 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 and Foreign Exchange 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 $22.5 billion (31 December 2022: $13.5 billion). The Group continues to hold the underlying assets for which the credit linked notes provide mitigation. The credit linked notes are recognised as a financial liability at amortised cost on the balance sheet.

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. These are also set out under the Derivative financial instruments Credit Risk mitigation section (page 110).

Off-balance sheet exposures

For certain types of exposures, 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 of loans and advances by business segment.

Contractual maturity analysis of loans and advances by client segment (audited)

Loans and advances to the CCIB segment remain predominantly short-term, with $56 billion (31 December 2022: $62 billion) maturing in less than one year. 97 per cent (31 December 2022: 95 per cent) of loans to banks mature in less than one year. Shorter maturities give us the flexibility to respond promptly to events and rebalance or reduce our exposure to clients or sectors that are facing increased pressure or uncertainty.

The CPBB loan book continues to be longer-term in nature with 49 per cent (31 December 2022: 52 per cent) of the loans maturing over five years, as mortgages constitute the majority of this portfolio.

Group

	2023			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking	55,898	21,194	10,004	87,096
Consumer, Private & Business Banking	20,078	4,767	23,591	48,436
Ventures	198	41	–	239
Central & other items	23,725	56	–	23,781
Gross loans and advances to customers	99,899	26,058	33,595	159,552
Impairment provisions	(3,245)	(101)	(63)	(3,409)
Net loans and advances to customers	96,654	25,957	33,532	156,143
Net loans and advances to banks	22,029	773	1	22,803

	2022			
Amortised cost	One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking	61,972	20,863	7,769	90,604
Consumer, Private & Business Banking	17,045	5,402	24,453	46,900
Ventures	66	–	–	66
Central & other items	24,584	–	4	24,588
Gross loans and advances to customers	103,667	26,265	32,226	162,158
Impairment provisions	(3,558)	(404)	(70)	(4,032)
Net loans and advances to customers	100,109	25,861	32,156	158,126
Net loans and advances to banks	26,097	1,134	152	27,383

Company

Amortised cost	2023 One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking	42,803	13,828	7,172	63,803
Consumer, Private & Business Banking	5,692	2,762	4,530	12,984
Central & other items	1,349	45	–	1,394
Gross loans and advances to customers	49,844	16,635	11,702	78,181
Impairment provisions	(2,202)	(54)	(42)	(2,298)
Net loans and advances to customers	47,642	16,581	11,660	75,883
Net loans and advances to banks	9,439	695	1	10,135

Amortised cost	2022 One year or less $million	One to five years $million	Over five years $million	Total $million
Corporate, Commercial & Institutional Banking	47,258	14,840	6,125	68,223
Consumer, Private & Business Banking	5,357	2,594	4,235	12,186
Central & other items	3,048	–	–	3,048
Gross loans and advances to customers	55,663	17,434	10,360	83,457
Impairment provisions	(2,458)	(336)	(52)	(2,846)
Net loans and advances to customers	53,205	17,098	10,308	80,611
Net loans and advances to banks	17,403	992	153	18,548

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.

Group

	2023											
	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	8,064	(9)	8,055	648	(22)	626	933	(527)	406	9,645	(558)	9,087
Manufacturing	10,639	(6)	10,633	491	(13)	478	541	(329)	212	11,671	(348)	11,323
Financing, insurance and non-banking	24,376	(10)	24,366	169	(1)	168	79	(76)	3	24,624	(87)	24,537
Transport, telecom and utilities	8,846	(6)	8,840	1,583	(32)	1,551	481	(178)	303	10,910	(216)	10,694
Food and household products	5,853	(15)	5,838	323	(7)	316	354	(261)	93	6,530	(283)	6,247
Commercial real estate	5,917	(9)	5,908	705	(13)	692	282	(170)	112	6,904	(192)	6,712
Mining and quarrying	3,795	(3)	3,792	132	(10)	122	147	(81)	66	4,074	(94)	3,980
Consumer durables	2,363	(2)	2,361	221	(20)	201	290	(271)	19	2,874	(293)	2,581
Construction	1,520	(1)	1,519	480	(8)	472	358	(326)	32	2,358	(335)	2,023
Trading companies & distributors	355	–	355	10	–	10	102	(55)	47	467	(55)	412
Government	26,209	(4)	26,205	1,768	(5)	1,763	357	(33)	324	28,334	(42)	28,292
Other	2,168	(3)	2,165	131	(3)	128	187	(70)	117	2,486	(76)	2,410
Retail Products:												
Mortgage	24,008	(7)	24,001	509	(3)	506	353	(110)	243	24,870	(120)	24,750
Credit Cards	3,310	(57)	3,253	120	(25)	95	42	(29)	13	3,472	(111)	3,361
Personal loans and other unsecured lending	3,500	(48)	3,452	65	(19)	46	180	(105)	75	3,745	(172)	3,573
Auto	310	–	310	1	–	1	1	–	1	312	–	312
Secured wealth products	14,663	(14)	14,649	258	(8)	250	435	(325)	110	15,356	(347)	15,009
Other	822	(4)	818	43	(4)	39	55	(72)	(17)	920	(80)	840
Net carrying value (customers)[1]	146,718	(198)	146,520	7,657	(193)	7,464	5,177	(3,018)	2,159	159,552	(3,409)	156,143

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $13,827 million

Amortised cost	2022											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance $million	Total credit impairment $million	Net carrying amount $million
Industry:												
Energy	8,569	(8)	8,561	786	(9)	777	1,318	(612)	706	10,673	(629)	10,044
Manufacturing	10,839	(19)	10,820	645	(26)	619	649	(409)	240	12,133	(454)	11,679
Financing, insurance and non-banking	26,667	(7)	26,660	276	(2)	274	193	(174)	19	27,136	(183)	26,953
Transport, telecom and utilities	8,677	(18)	8,659	1,819	(34)	1,785	651	(219)	432	11,147	(271)	10,876
Food and household products	6,410	(20)	6,390	624	(20)	604	411	(252)	159	7,445	(292)	7,153
Commercial real estate	5,229	(4)	5,225	847	(12)	835	232	(160)	72	6,308	(176)	6,132
Mining and quarrying	3,598	(3)	3,595	380	(5)	375	241	(168)	73	4,219	(176)	4,043
Consumer durables	2,492	(3)	2,489	328	(15)	313	320	(289)	31	3,140	(307)	2,833
Construction	1,340	(1)	1,339	371	(5)	366	495	(410)	85	2,206	(416)	1,790
Trading companies & distributors	466	–	466	12	(1)	11	120	(77)	43	598	(78)	520
Government	26,566	(1)	26,565	533	(1)	532	168	(15)	153	27,267	(17)	27,250
Other	2,470	(3)	2,467	141	(4)	137	309	(137)	172	2,920	(144)	2,776
Retail Products:												
Mortgage	23,893	(10)	23,883	563	(6)	557	418	(163)	255	24,874	(179)	24,695
Credit Cards	2,925	(53)	2,872	88	(25)	63	40	(31)	9	3,053	(109)	2,944
Personal loans and other unsecured lending	3,213	(89)	3,124	80	(14)	66	167	(103)	64	3,460	(206)	3,254
Auto	501	–	501	1	–	1	–	–	–	502	–	502
Secured wealth products	13,749	(27)	13,722	219	(7)	212	380	(290)	90	14,348	(324)	14,024
Other	609	(2)	607	30	(1)	29	90	(68)	22	729	(71)	658
Net carrying value (customers)[1]	148,213	(268)	147,945	7,743	(187)	7,556	6,202	(3,577)	2,625	162,158	(4,032)	158,126

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

Company

Amortised cost	2023 Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net carrying amount $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net carrying amount $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net carrying amount $million	Total Gross balance $million	Total Total credit impairment $million	Total Net carrying amount $million
Industry:												
Energy	5,560	(4)	5,556	475	(3)	472	648	(276)	372	6,683	(283)	6,400
Manufacturing	6,907	(3)	6,904	275	(4)	271	426	(283)	143	7,608	(290)	7,318
Financing, insurance and non-banking	21,533	(4)	21,529	85	(1)	84	29	(26)	3	21,647	(31)	21,616
Transport, telecom and utilities	4,915	(4)	4,911	1,288	(18)	1,270	367	(110)	257	6,570	(132)	6,438
Food and household products	3,640	(3)	3,637	58	(1)	57	190	(149)	41	3,888	(153)	3,735
Commercial real estate	4,560	(7)	4,553	288	(1)	287	257	(165)	92	5,105	(173)	4,932
Mining and quarrying	2,968	(1)	2,967	76	(7)	69	77	(73)	4	3,121	(81)	3,040
Consumer durables	1,811	(2)	1,809	95	(7)	88	260	(244)	16	2,166	(253)	1,913
Construction	1,127	(1)	1,126	305	(5)	300	293	(269)	24	1,725	(275)	1,450
Trading companies & distributors	163	–	163	7	–	7	78	(38)	40	248	(38)	210
Government	3,688	(4)	3,684	794	(3)	791	357	(33)	324	4,839	(40)	4,799
Other	1,375	(2)	1,373	73	(2)	71	149	(64)	85	1,597	(68)	1,529
Retail Products:												
Mortgage	5,160	(4)	5,156	72	(1)	71	191	(73)	118	5,423	(78)	5,345
Credit Cards	634	(14)	620	62	(11)	51	11	(8)	3	707	(33)	674
Personal loans and other unsecured lending	2,125	(26)	2,099	41	(11)	30	38	(12)	26	2,204	(49)	2,155
Auto	15	–	15	–	–	–	–	–	–	15	–	15
Secured wealth products	3,649	(7)	3,642	70	(3)	67	368	(291)	77	4,087	(301)	3,786
Other	513	(3)	510	13	(2)	11	22	(15)	7	548	(20)	528
Net carrying value (customers)[1]	70,343	(89)	70,254	4,077	(80)	3,997	3,761	(2,129)	1,632	78,181	(2,298)	75,883

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $12,212 million

Amortised cost	2022											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance $million	Total credit impairment $million	Net carrying amount $million	Gross balance	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	5,513	(4)	5,509	671	(1)	670	1,050	(360)	690	7,234	(365)	6,869
Manufacturing	7,076	(11)	7,065	364	(5)	359	527	(336)	191	7,967	(352)	7,615
Financing, insurance and non-banking	24,308	(3)	24,305	198	(2)	196	150	(132)	18	24,656	(137)	24,519
Transport, telecom and utilities	5,790	(14)	5,776	1,409	(20)	1,389	457	(117)	340	7,656	(151)	7,505
Food and household products	3,898	(7)	3,891	279	(2)	277	266	(157)	109	4,443	(166)	4,277
Commercial real estate	3,732	(3)	3,729	617	(4)	613	224	(156)	68	4,573	(163)	4,410
Mining and quarrying	2,799	(2)	2,797	223	(3)	220	158	(152)	6	3,180	(157)	3,023
Consumer durables	1,723	(3)	1,720	139	(9)	130	284	(254)	30	2,146	(266)	1,880
Construction	1,131	(1)	1,130	315	(3)	312	402	(345)	57	1,848	(349)	1,499
Trading companies & distributors	173	–	173	4	–	4	98	(65)	33	275	(65)	210
Government	4,635	(1)	4,634	524	(1)	523	168	(15)	153	5,327	(17)	5,310
Other	1,584	(2)	1,582	107	(1)	106	274	(130)	144	1,965	(133)	1,832
Retail Products:												
Mortgage	4,511	(6)	4,505	226	(3)	223	232	(112)	120	4,969	(121)	4,848
Credit Cards	619	(18)	601	53	(11)	42	11	(7)	4	683	(36)	647
Personal loans and other unsecured lending	1,875	(60)	1,815	60	(8)	52	23	(14)	9	1,958	(82)	1,876
Auto	26	–	26	–	–	–	–	–	–	26	–	26
Secured wealth products	3,718	(12)	3,706	90	(3)	87	320	(256)	64	4,128	(271)	3,857
Other	365	(1)	364	17	(1)	16	41	(13)	28	423	(15)	408
Net carrying value (customers)[1]	73,476	(148)	73,328	5,296	(77)	5,219	4,685	(2,621)	2,064	83,457	(2,846)	80,611

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $15,071 million

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 127. Total gross debt securities and other eligible bills decreased by $10.4 billion to $102.1 billion (31 December 2022: $112.5 billion).

Stage 1 gross balance decreased by $6.8 billion to $100.1 billion (31 December 2022: $106.9 billion), of which $3.4 billion of the decrease was from unrated.

Stage 2 gross balance decreased by $3.6 billion to $1.9 billion (31 December 2022: $5.5 billion).

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

Group

	2023			2022		
Amortised cost and FVOCI	Gross $million	ECL $million	Net[2] $million	Gross $million	ECL $million	Net[2] $million
Stage 1	100,092	(26)	100,066	106,886	(20)	106,866
AAA	56,555	(8)	56,547	65,729	(7)	65,722
AA- to AA+	11,386	(1)	11,385	14,767	(3)	14,764
A- to A+	9,155	(1)	9,154	6,311	(2)	6,309
BBB- to BBB+	13,100	(6)	13,094	7,387	(1)	7,386
Lower than BBB-	1,611	(2)	1,609	1,047	(2)	1,045
Unrated	8,285	(8)	8,277	11,645	(5)	11,640
– Strong	7,150	(7)	7,143	11,484	(1)	11,483
– Satisfactory	1,135	(1)	1,134	161	(4)	157
Stage 2	1,861	(34)	1,827	5,455	(90)	5,365
AAA	98	–	98	21	–	21
AA- to AA+	22	–	22	40	–	40
A- to A+	81	–	81	17	(1)	16
BBB- to BBB+	500	(7)	493	2,605	(15)	2,590
Lower than BBB-	893	(26)	867	2,485	(71)	2,414
Unrated	267	(1)	266	287	(3)	284
– Strong	217	–	217	26	(2)	24
– Satisfactory	50	(1)	49	–	–	–
– Higher risk	–	–	–	262	(1)	261
Stage 3	165	(61)	104	144	(106)	38
Lower than BBB-	73	(5)	68	66	(55)	11
Unrated	92	(56)	36	78	(51)	27
Gross balance[1]	102,118	(121)	101,997	112,485	(216)	112,269

1 Stage 3 gross includes $80 million (31 December 2022: $28 million) originated credit-impaired debt securities with impairment of $14 million (31 December 2022: $13million)

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 $102,040 million (31 December 2022: $112,425 million). Refer to the Analysis of financial instrument by stage table on page 65

Company

Amortised cost and FVOCI	2023 Gross $million	2023 ECL $million	2023 Net[2] $million	2022 Gross $million	2022 ECL $million	2022 Net[2] $million
Stage 1	**92,038**	**(23)**	**92,015**	93,243	(20)	93,223
AAA	**55,008**	**(7)**	**55,001**	63,232	(7)	63,225
AA- to AA+	**11,198**	**(1)**	**11,197**	14,447	(3)	14,444
A- to A+	**5,968**	**(1)**	**5,967**	4,275	(2)	4,273
BBB- to BBB+	**11,377**	**(5)**	**11,372**	5,841	(5)	5,836
Lower than BBB-	**1,431**	**(2)**	**1,429**	1,047	(2)	1,045
Unrated	**7,056**	**(7)**	**7,049**	4,401	(1)	4,400
– Strong	**6,508**	**(7)**	**6,501**	4,331	–	4,331
– Satisfactory	**548**	**–**	**548**	70	(1)	69
Stage 2	**315**	**–**	**315**	1,785	(1)	1,784
AAA	**98**	**–**	**98**	21	–	21
AA- to AA+	**–**	**–**	**–**	40	–	40
A- to A+	**–**	**–**	**–**	17	(1)	16
BBB- to BBB+	**–**	**–**	**–**	1,504	–	1,504
Lower than BBB-	**–**	**–**	**–**	203	–	203
Unrated	**217**	**–**	**217**	–	–	–
– Strong	**217**	**–**	**217**	–	–	–
– Satisfactory	**–**	**–**	**–**	–	–	–
– Higher risk	**–**	**–**	**–**	–	–	–
Stage 3	**76**	**(56)**	**20**	78	(50)	28
Lower than BBB-	**–**	**–**	**–**	–	–	–
Unrated	**76**	**(56)**	**20**	78	(50)	28
Gross balance[1]	**92,429**	**(79)**	**92,350**	95,106	(71)	95,035

1 Stage 3 gross includes $25 million (31 December 2022: $28 million) originated credit-impaired debt securities with impairment of $14 million (31 December 2022: $13million)
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 $92,362 million (31 December 2022: $95,049 million). Refer to the Analysis of financial instrument by stage table on page 67

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, principal and repayments of 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 CCIB business 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 retail 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.

The behavioural life for corporate overdraft facilities is 24 months.

Key assumptions and judgements in determining expected credit loss

Incorporation of forward-looking information

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

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

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

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

In the Base Forecast – management's view of the most likely outcome –the pace of growth of the world economy is expected to slow marginally in the near term. Global GDP is forecast to grow by just below 3 per cent in 2024. World GDP growth averaged 3.7 per cent for the 10 years prior to COVID-19 (between 2010 and 2019). The world economy should be able to achieve a soft landing after the most aggressive monetary tightening cycle in years, although risks abound. The lagged impact of aggressive central bank tightening is likely to be felt most acutely in developed economies.

Lingering inflation and geopolitical developments are risks to the global soft-landing scenario. The ongoing war in Ukraine, conflicts in the Middle East, ongoing US-China tensions, and the November 2024 US election are key sources of geopolitical and political risk; they come against a backdrop of increasing global fragmentation. On the inflation front, it is unclear whether it can slow on a sustained basis. Core inflation has remained sticky in some markets, signalling persistent underlying pressures. Structural factors – including higher fiscal deficits, the cost of the climate transition and recent under-investment in fossil fuels – could keep inflation higher than during the pre-COVID period. Oil prices and geopolitical conflict are also sources of upside inflation risk.

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 the inherent uncertainty in economic forecast, and the 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 2023 around economic outcomes, the trends in each macroeconomic variable modelled and the correlation in the unexplained movements around these trends. This naturally means that each of the 50 scenarios do not have a specific narrative, although collectively they explore a range of hypothetical alternative outcomes for the global economy, including scenarios that turn out better than expected and scenarios that amplify anticipated stresses.

The tables on page 100 provide a summary of the Group's Base Forecast for key markets. The peak/trough amounts in the tables show the highest and lowest points within the Base Forecast.

China's GDP growth is expected to ease to 4.8 per cent in 2024 from over 5 per cent in 2023. This reflects a continued contraction in the property sector, a negative contribution from foreign trade, and low consumer and business confidence. Growth in India is expected to ease to 6 per cent from 6.7 per cent in 2023 due to impact from pre-election uncertainties, tighter lending conditions and global recession concerns. Growth in the US is expected to slow on tighter financial and credit conditions and as the impact of previous interest rate increases by the central bank feed through to the economy. For similar reasons Eurozone growth is expected to remain weak in 2024. The uncertainty over the ongoing war in Ukraine, conflicts in the Middle East, has hit global investor and business confidence.

In contrast, GDP growth for Singapore is expected to accelerate to just over 2.5 per cent in 2024 from 0.8 per cent last year. Favourable base effects may boost exports, despite the soft global growth outlook. The global electronics and semiconductor industry is showing signs of bottoming out. Although a strong rebound is not expected, inventory restocking may provide a small boost to Singapore's electronics sector. GDP growth for the UAE is also expected to improve and to around 4 per cent from just below 3 per cent in 2023. Non-oil sectors are expected to hold up despite regional and global headwinds. Growth in Abu Dhabi, in particular, will be supported by the rapid expansion in the financial sector.

Brent crude oil prices are expected to average around $90 in 2024 compared to around $84 in 2022. Robust demand, in particular from Asia, and decelerating non-OPEC supply growth should support prices at higher levels. They are expected to remain elevated beyond this year. The five-year average oil price is $88.

2023 year-end forecasts[7]

	China[5]				UAE				Singapore[6]				India			
	5 yr average base forecast	Base forecast quarterly peak/ trough	Low[2]	High[3]	5 yr average base forecast	Base forecast quarterly peak/ trough	Low[2]	High[3]	5 yr average base forecast	Base forecast quarterly peak/ trough	Low[2]	High[3]	5 yr average base forecast	Base forecast quarterly peak/ trough	Low[2]	High[3]
GDP growth (YoY%)	4.3	5.7/3.8	0.6	7.7	3.4	4.3/2.4	(1.3)	8.8	2.9	3.8/1.9	(2.4)	8.5	6.2	9.1/4.4	2.1	10.5
Unemployment (%)	4.0	4.1/3.8	3.3	4.4	NA	NA	NA	NA	2.8	2.9/2.8	1.7	3.8	NA	NA	NA	NA
3 month interest rates (%)	2.1	2.5/1.7	0.8	3.8	3.8	5.3/2.7	0.4	7.8	2.9	4.1/2.3	0.6	5.9	6.2	6.3/5.8	2.7	9.9
House prices (YoY%)	4.6	7.2/1.5	(1.5)	12.0	2.6	8.4/1.9	(15.3)	19.1	2.2	3.9/(0.7)	(16.2)	19.2	6.1	6.5/4.7	(0.5)	13.8

2022 year-end forecasts

	China[5]				UAE				Singapore[6]				India			
	5 yr average base forecast	Base forecast quarterly peak/ trough	Low[2]	High[3]	5 yr average base forecast	Base forecast quarterly peak/ trough	Low[2]	High[3]	5 yr average base forecast	Base forecast quarterly peak/ trough	Low[2]	High[3]	5 yr average base forecast	Base forecast quarterly peak/ trough	Low[2]	High[3]
GDP growth (YoY%)	5.1	7.9/4.5	1.1	9.6	3.6	5.4/2.1	(1.5)	8.8	2.7	3.7/1.7	(3.4)	8.6	6.4	7.7/3.2	1.5	12.1
Unemployment (%)	3.9	4.1/3.8	3.4	4.3	NA	NA	NA	NA	3.0	3.2/3.0	2.1	4.5	NA	NA	NA	NA
3 month interest rates (%)	2.3	3.0/1.4	0.6	4.4	3.5	5.2/2.8	(0.4)	8.5	3.1	4.7/2.4	0.8	5.6	5.6	6.3/5.3	1.9	9.5
House prices (YoY%)	3.6	5.0/0.0	(3.4)	10.0	1.8	2.0/1.1	(14.7)	17.6	2.8	4.7/(2.4)	(15.9)	20.4	5.7	7.2/1.6	(1.1)	13.0

	2023 year-end forecasts				2022 year-end forecasts			
	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]	5 yr average base forecast	Base forecast peak/trough	Low[2]	High[3]
Brent Crude, $ pb	88.2	93.8/82.8	46.0	137.8	106.6	118.8/88.0	42.4	204.2

1 N/A – Not available
2 Represents the 10th percentile in the range of economic scenarios used to determine non-linearity
3 Represents the 90th percentile in the range of economic scenarios used to determine non-linearity
4 Base forecasts are evaluated from Q1 2024 to Q4 2028. The forward-looking simulation starts from Q1 2024.
5 A judgemental management adjustment is held in respect of the China commercial real estate sector as discussed below.
6 Singapore unemployment rate covers the resident unemployment rate, which refers to citizens and permanent residents.
7 Data presented are those used in the calculation of ECL. These may differ slightly to forecasts presented elsewhere in the Financial statements as they are finalised before the period end.

Judgemental adjustments

As at 31 December 2023, the Group held $33 million (31 December 2022: $41 million) of judgemental management overlays, $11 million (31 December 2022: $9 million) of which relates to CCIB, $5 million (31 December 2022: $32 million) to CPBB and $17 million (31 December 2022: nil) to Central & Other.

As at 31 December 2023, judgemental post model adjustments to reduce ECL by a net $1 million (31 December 2022: $16 million increase in ECL) have been applied to certain CPBB models, primarily to adjust for temporary factors impacting modelled outputs. These will be released when these factors normalise.

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

Judgemental management overlays

Given the evolving nature of the risks in the China commercial real estate sector, a management overlay of $11 million (31 December 2022: nil) has been taken in CCIB by estimating the impact of further deterioration to exposures in this sector.

Overlays of $5 million (31 December 2022: $16 million) have also been applied in CPBB to capture macroeconomic environment challenges caused by sovereign defaults, the impact of which is not fully captured in the modelled outcomes. An overlay of $17 million (31 December 2022: nil) was applied in Central & Other due to a temporary market dislocation in the Africa and Middle East region.

The remaining COVID-19 overlay in CPBB of $21 million that was held at 31 December 2022 has been fully released in 2023. The stage 3 overlay in CCIB of $9 million that was held at 31 December 2022 following the Sri Lanka Sovereign default was also fully released in 2023.

Stage 3 assets

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

Sensitivity of expected credit loss calculation to macroeconomic variables

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

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

The Group faces downside risks in the operating environment related to the uncertainties surrounding the macroeconomic outlook. To explore this, a sensitivity analysis of ECL was undertaken to explore the effect of slower economic recoveries across the Group's footprint markets. Two downside scenarios were considered in particular to explore the current uncertainties over commodity prices. The first scenario explores a temporary spike (relative to base) in commodity prices, inflation and interest rates in the near term from escalating tensions in Ukraine and the Middle East. The second more severe scenario is based on the Bank of England's most recent Annual Cyclical Scenario (ACS), which explores a persistent rise in commodity prices, inflation and interest rates.

	Baseline		Global Stagflation		ACS	
	Five year average	Peak/Trough	Five year average	Peak/Trough	Five year average	Peak/Trough
China GDP	4.3	5.7 / 3.8	3.7	6.2 / (0.8)	2.2	3.9 / (3.4)
China unemployment	4.0	4.1 / 3.8	5.3	6.4 / 3.8	5.3	5.7 / 4.6
China property prices	4.6	7.2 / 1.5	4.4	15.9 / (17.5)	(5.5)	9.2 / (16.3)
UAE GDP	3.4	4.3 / 2.4	3.1	3.8 / 2.4	1.9	3.4 / (1.3)
UAE property prices	2.6	8.4 / 1.9	2.2	7.4 / 1.4	(4.6)	8.3 / (15.8)
US GDP	1.7	2.3 / 0.8	1.4	2.7 / (1.3)	0.1	1.5 / (4.8)
Singapore GDP	2.9	3.8 / 1.9	2.7	5.0 / (1.6)	1.2	5.9 / (8.7)
India GDP	6.2	9.1 / 4.4	4.9	6.6 / 0.6	4.2	7.3 / (0.7)
Crude oil	88.2	93.8 / 82.8	95.3	152.9 / 82.8	118	147.9 / 83.6

The total reported stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately $70 million higher under the Global Stagflation scenario and $263 million higher under the ACS scenario than the baseline ECL provisions (which excluded the impact of multiple economic scenarios and management overlays which may already capture some of the risks in these scenarios). The proportion of stage 2 assets would increase from 4.0 per cent in the base case to 4.2 per cent and 7.2 per cent respectively under the Global Stagflation and ACS 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 booked in the Singapore. For the CPBB portfolios most of the increases came from the unsecured retail portfolios with Singapore credit cards most impacted.

There was no material change in modelled stage 3 provisions as these primarily relate to unsecured retail exposures for which the LGD is not sensitive to changes in the macroeconomic forecasts. There is also no material change for non-modelled stage 3 exposures as these are more sensitive to client specific factors than to alternative macroeconomic scenarios.

The actual outcome of any scenario may be materially different due to, among other factors, the effect of management actions to mitigate potential increases in risk and changes in the underlying portfolio.

Modelled provisions

	Increase in ECL	
	ECL Global Stagflation $million	ECL ACS $million
Stage 1		
Corporate, Commercial & Institutional Banking	11	33
Consumer, Private & Business Banking	19	77
Ventures	–	–
Central & Others	2	4
Total increase in stage 1 ECL	32	114
Stage 2		
Corporate, Commercial & Institutional Banking	25	79
Consumer, Private & Business Banking	13	70
Ventures	–	–
Central & Others	–	–
Total increase in stage 2 ECL	38	149
Total Stage 1 & 2		
Corporate, Commercial & Institutional Banking	36	112
Consumer, Private & Business Banking	32	147
Ventures	–	–
Central & Others	2	4
Total increase in stage 1 & 2 ECL	70	263

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 criteria 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 IFRS 9 lifetime probability of default (IFRS 9 PD) 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 IFRS 9 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 quantitative thresholds are a relative 100 per cent increase in IFRS 9 PD and an absolute change in IFRS 9 PD of between 50 and 100 bps.

For Consumer and Business Banking clients, portfolio specific quantitative thresholds in Singapore, Malaysia and UAE are used to determine SICR. 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 and differentiate between exposures that are current and those that are 1-29 days past due. The range of thresholds applied are:

Portfolio	Relative IFRS9 PD increase (%)	Absolute IFRS9 PD increase (%)	Customer utilisation (%)	Average IFRS9 PD (lifetime)
Credit cards – Current	50%–150%	3.5%–9.3%	15%–85%	4.15%–11.6%
Credit cards – 1-29 days past due	100%–180%	3.5%–6.1%	25%–47%	3.5%–18.5%

For all other Consumer and Business Banking portfolios, the quantitative SICR thresholds applied are a relative threshold of 100 per cent increase in IFRS 9 PD and an absolute change in IFRS 9 PD of between 100 and 350 bps depending on the product.

Private Banking clients are assessed qualitatively, based on a delinquency measure relating to collateral top-ups or sell-downs.

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 SICR 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 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 (page 98). 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 and backstop criteria
Accounts that are 30 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. In addition, SICR is also assessed where specific risk elevation events have occurred in a market that are not yet reflected in modelled outcomes or in other metrics. This is applied collectively either to impacted specific products/customer cohorts or across the overall consumer banking portfolio in the affected market.

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 using the same thresholds as for CCIB clients.

Qualitative criteria

Debt securities utilise the same qualitative criteria as the CCIB client segments, including being placed on non-purely precautionary 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 charge off 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, Stress Asset Risk (SAR), which is independent from its main businesses. 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 cash flows 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 cash flows and the timing of future recoveries which involves significant judgement. All available sources, such as cash flow 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 applies PLC Group's Credit Policy and Standards framework which 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 Group relies on the PLC Group committees for the assessment of ECL. The models used in determining expected credit losses are reviewed and approved by the PLC Group Credit Model Assessment Committee (CMAC), which is appointed by the PLC Group 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 Group Model Validation (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 post model adjustment (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 PLC 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 that are not captured in the Base Case Forecast or the resulting ECL calculated by the models. 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. The PLC Group's Traded Risk Type Framework, which is adopted by the Company through an addendum, brings together Market Risk, Counterparty Credit Risk and Algorithmic Trading. Traded Risk Management is the core risk management function supporting market-facing businesses, predominantly Financial Markets and Treasury Markets.

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

A summary of our current policies and practices regarding Market Risk management is provided in the Principal Risks section (page 129).

The primary categories of Market Risk for the Group are:

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

Market risk changes (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 2023 was $41.1 million, 1.2 per cent higher than in 2022 ($40.6 million). The year end level of total trading and non-trading VaR in 2023 was $32.2 million, 29.7 per cent lower than in 2022 ($45.8 million), due to a reduction in non-trading positions.

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

	2023				2022			
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	**26.3**	**38.8**	**16.8**	**17.2**	21.2	31.9	15.9	18.5
Credit Spread Risk	**27.9**	**43.9**	**20.9**	**26.0**	27.3	39.7	15.0	25.9
Foreign Exchange Risk	**6.6**	**10.0**	**3.6**	**6.3**	6.4	9.5	4.7	7.4
Commodity Risk	**5.6**	**9.4**	**3.4**	**4.6**	6.9	12.1	3.5	7.9
Equity Risk	**0.1**	**0.4**	**0.0**	**0.0**	0.1	1.4	–	0.1
Diversification effect	**(25.4)**	**N/A**	**N/A**	**(21.9)**	(21.3)	N/A	N/A	(14.0)
Total	**41.1**	**55.3**	**30.3**	**32.2**	40.6	51.8	29.8	45.8

Trading[1]	2023 Average $million	2023 High $million	2023 Low $million	2023 Year End $million	2022 Average $million	2022 High $million	2022 Low $million	2022 Year End $million
Interest Rate Risk	10.8	14.8	6.3	6.3	8.1	12.7	5.3	10.2
Credit Spread Risk	6.9	9.7	5.7	6.9	6.8	12.2	3.4	6.2
Foreign Exchange Risk	6.6	10.0	3.6	6.3	6.4	9.5	4.7	7.4
Commodity Risk	5.6	9.4	3.4	4.5	6.9	12.1	3.5	7.9
Equity Risk	–	–	–	–	–	–	–	–
Diversification effect	(11.9)	N/A	N/A	(9.8)	(12.2)	N/A	N/A	(12.7)
Total	18.0	25.3	13.0	14.2	16	21.3	10.5	19

Non-trading[2]	2023 Average $million	2023 High $million	2023 Low $million	2023 Year End $million	2022 Average $million	2022 High $million	2022 Low $million	2022 Year End $million
Interest Rate Risk	22.9	31.0	13.4	14.3	20.5	31.5	14.6	16.4
Credit Spread Risk	24.1	37.8	17.6	20.1	23.5	31.9	14.0	23.9
Equity Risk[4]	0.1	0.4	0.0	0.0	0.1	1.4	0.0	0.1
Diversification effect	(13.1)	N/A	N/A	(8.6)	(8.6)	N/A	N/A	(6.6)
Total	34.0	43.1	23.6	25.8	35.5	41.1	28.4	33.8

The following table sets out how trading and non-trading VaR is distributed across the Group's products:

	2023 Average $million	2023 High $million	2023 Low $million	2023 Year End $million	2022 Average $million	2022 High $million	2022 Low $million	2022 Year End $million
Trading[1] and non-trading[2]	41.0	55.3	30.3	32.2	40.6	51.8	29.8	45.8
Trading[1]								
Global Credit	11.1	15.7	7.2	7.6	9.7	14.6	4.1	8.5
Macro Trading[3]	11.6	16.0	7.6	9.6	11.5	14.7	8.9	14.7
XVA	5.8	7.8	4.1	5.6	4.5	6.4	2.8	5.5
Diversification effect	(10.5)	N/A	N/A	(8.6)	(9.7)	N/A	N/A	(9.7)
Total	18.0	25.3	13.0	14.2	16.0	21.3	10.5	19.0
Non-trading[2]								
Treasury[4]	33.0	40.9	22.2	25.5	29.8	22.7	24	28.6
Global Credit	3.7	14.0	1.9	3.7	12.7	22.7	8.4	19.9
Listed Private Equity	0.1	0.4	0.0	0.0	0.1	1.4	0.0	0.1
Diversification effect	(2.9)	N/A	N/A	(3.4)	(7.1)	N/A	N/A	(14.8)
Total	34.0	43.1	23.6	25.8	35.5	41.1	28.4	33.8

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 Macro Trading comprises the Rates, FX and Commodities businesses
4 Treasury comprises Treasury Markets and Treasury Capital Management businesses

Average daily income earned from Market Risk-related activities[1]

Trading	2023 $million	2022 $million
Interest Rate Risk	3.0	2.8
Credit Spread Risk	0.7	1.0
Foreign Exchange Risk	3.7	4.6
Commodity Risk	0.4	0.9
Equity Risk	–	–
Total	7.8	9.3

Non-trading	$million	$million
Interest Rate Risk	(0.1)	0.1
Credit Spread Risk	(0.5)	0.1
Equity Risk	0.1	–
Total	(0.6)	0.2

1 Reflects total product income which is the sum of client income and own account income. Includes elements of trading income, interest income and non funded 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.

	2023 $million	2022[1] $million
Indian rupee	3,291	4,396
Singapore dollar	2,370	1,891
Malaysian ringgit	1,540	1,571
Euro	1,125	893
Bangladeshi Taka	1,007	832
Thai baht	782	782
UAE dirham	696	664
Pakistani rupee	306	352
Indonesian rupiah	293	261
Renminbi	52	46
Taiwanese dollar	44	46
Other	3,204	3,212
	14,710	14,946

1 Prior year has been represented to provide granular currency details

As at 31 December 2023, the Group had taken net investment hedges using derivative financial instruments to partly cover its exposure to the Indian rupee of $1,809 million (31 December 2022: $621 million), UAE dirham of $1,470 million (31 December 2022: $1,334 million), Singapore dollar of $1,047 million (31 December 2022: $1,608 million) and South African rand of $64 million (31 December 2022: $nil 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 $146 million (31 December 2022: $179 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 144).

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 follows the PLC Group's Liquidity and Funding Risk framework, which requires each country to ensure that it operates within predefined liquidity limits and remains in compliance with PLC Group's liquidity policies and practices, as well as local regulatory requirements.

The table below shows the composition of liabilities in which customer deposits make up 55 per cent of total liabilities and equity as at 31 December 2023, the majority of which are current accounts, savings accounts and time deposits. 89 per cent of the Group customer deposit base by geography is evenly distributed in Asia and Europe & Americas.

Composition of liabilities and equity	Percentage
Equity	6.3%
Subordinated liabilities and other borrowed funds	2.1%
Debt securities in issue	8.6%
Derivative financial instruments	10.2%
Customer accounts	54.5%
Deposit by banks	5.6%
Other liabilities	12.7%
Total	**100.0%**

Geographic distribution of customer accounts balances	Percentage
Asia	44.5%
Africa & Middle East	11.0%
Europe & Americas	44.5%
Total	**100.0%**

Liquidity and Funding risk metrics

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

The following liquidity and funding Board Risk Appetite metrics define the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy: liquidity coverage ratio (LCR), recovery capacity and net stable funding ratio (NSFR). In addition to the Board Risk Appetite, there are further limits that apply at Group and country level such as external wholesale borrowing (WBE) and cross currency limits.

Liquidity coverage ratio (LCR)

The LCR aims to ensure that a bank has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. Standard Chartered Bank is not regulated for LCR, however, the bank and material subsidiaries in the consolidation have standalone LCR ratios above 100 per cent at 31 December 2023, calculated under the Liquidity Coverage Ratio per PRA rulebook.

Stress coverage

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

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

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

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

As of 31 December 2023, all entities within the Group follow a consistent approach and met their individual stress test requirements within risk appetite, and as a result, ensure Group has surplus liquidity on a consolidated basis.

External wholesale borrowing

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

Advances-to-deposits ratio

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

Advances-to-deposits ratio has remained broadly flat with a minor reduction in loans and advances and deposits from corporate customers.

	2023 $million	2022 $million
Total loans and advances to customers[1,2]	124,794	125,807
Total customer accounts[3]	247,068	249,630
Advances-to-deposits ratio	50.5%	50.4%

1 Excludes reverse repurchase agreement and other similar secured lending of $13,827 million and includes loans and advances to customers held at fair value through profit and loss of $3,188 million
2 Loans and advances to customers for the purpose of the advances-to-deposits ratio excludes $20,710 million of approved balances held with central banks, confirmed as repayable at the point of stress.
3 Includes customer accounts held at fair value through profit or loss of $9,166 million (31 December 2022: $6,555 million)

Net stable funding ratio (NSFR)

The NSFR is a balance sheet metric which requires institutions to maintain a stable funding profile in relation to an assumed duration of their assets and off-balance sheet activities over a one-year horizon. It is the ratio between the amount of available stable funding (ASF) and the amount of required stable funding (RSF). ASF factors are applied to balance sheet liabilities and capital, based on their perceived stability and the amount of stable funding they provide. Likewise, RSF factors are applied to assets and off-balance sheet exposures according to the amount of stable funding they require. Standard Chartered Bank is not regulated for NSFR, however the bank and material subsidiaries in the consolidation have standalone NSFR ratios above 100 per cent at 31 December 2023.

Liquidity pool

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was $136 billion. The figures in the below table account for haircuts, currency convertibility and portability constraints, and therefore are not directly comparable with the consolidated balance sheet. A liquidity pool is held to offset stress outflows as defined in the LCR per PRA rulebook.

Group

	2023			
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Level 1 securities				
Cash and balances at central banks	28,859	2,456	46,715	78,030
Central banks, governments/public sector entities	17,998	1,363	15,219	34,580
Multilateral development banks and international organisations	127	961	10,754	11,842
Other	126	–	1,161	1,287
Total Level 1 securities	47,110	4,780	73,849	125,739
Level 2A securities	1,972	128	6,946	9,046
Level 2B securities	348	–	376	724
Total LCR eligible assets	49,430	4,908	81,171	135,509

	2022			
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Level 1 securities				
Cash and balances at central banks	28,551	1,066	36,522	66,139
Central Banks, governments/public sector entities	13,811	2,712	23,680	40,203
Multilateral development banks and international organisations	334	837	10,843	12,014
Other	37	7	1,430	1,474
Total Level 1 securities	42,733	4,622	72,475	119,830
Level 2A securities	4,044	139	6,033	10,216
Level 2B securities	71	21	1,103	1,195
Total LCR eligible assets	46,848	4,782	79,611	131,241

Company

	2023			
	Asia $million	**Africa & Middle East $million**	**Europe & Americas $million**	**Total $million**
Level 1 securities				
Cash and balances at central banks	**6,915**	**2,087**	**41,492**	**50,494**
Central banks, governments/public sector entities	**6,880**	**1,197**	**15,219**	**23,296**
Multilateral development banks and international organisations	**–**	**961**	**10,754**	**11,715**
Other	**–**	**–**	**1,161**	**1,161**
Total Level 1 securities	**13,795**	**4,245**	**68,626**	**86,666**
Level 2A securities	**102**	**128**	**6,946**	**7,176**
Level 2B securities	**–**	**–**	**376**	**376**
Total LCR eligible assets	**13,897**	**4,373**	**75,948**	**94,218**

	2022			
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Level 1 securities				
Cash and balances at central banks	6,181	630	31,235	38,046
Central Banks, governments/public sector entities	4,618	2,507	23,680	30,805
Multilateral development banks and international organisations	–	837	10,843	11,680
Other	–	7	1,430	1,437
Total Level 1 securities	10,799	3,981	67,188	81,968
Level 2A securities	2,271	139	6,033	8,443
Level 2B securities	–	21	1,103	1,124
Total LCR eligible assets	13,070	4,141	74,324	91,535

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 valued 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 68 per cent maturing in one year. The less than one year cumulative net funding position has improved by $12 billion as of 31 December 2023 compared to 31 December 2022, largely due to the Group focus on improving the quality of its deposit base.

Group

	2023								
	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	61,147	–	–	–	–	–	–	3,051	64,198
Derivative financial instruments	19,240	9,324	6,132	3,098	2,548	3,997	5,208	3,007	52,554
Loans and advances to banks[1,2]	17,521	14,057	7,166	3,563	4,104	1,488	2,124	1,098	51,121
Loans and advances to customers[1,2]	61,802	40,058	18,856	8,866	8,234	13,212	15,950	34,449	201,427
Investment securities[1]	6,246	12,824	9,487	8,350	7,274	12,020	31,708	38,063	125,972
Other assets	9,071	20,691	1,088	408	528	65	93	5,697	37,641
Due from subsidiary undertakings and other related parties	5,666	–	–	–	–	–	–	–	5,666
Total assets	180,693	96,954	42,729	24,285	22,688	30,782	55,083	85,365	538,579
Liabilities									
Deposits by banks[1,3]	21,993	1,637	1,086	503	594	1,243	2,845	4	29,905
Customer accounts[1,4]	220,227	34,561	17,476	7,681	6,031	4,916	2,446	227	293,565
Derivative financial instruments	18,540	11,042	5,836	3,299	2,438	4,125	5,952	3,941	55,173
Senior debt[5]	45	992	1,353	758	536	3,742	5,897	4,301	17,624
Other debt securities in issue[1]	3,063	5,257	5,247	3,182	2,153	1,827	3,191	4,787	28,707
Due to parent companies and other related undertakings	31,166	–	–	–	–	–	–	–	31,166
Other liabilities	9,437	20,040	213	20	62	1,687	1,556	4,026	37,041
Subordinated liabilities and other borrowed funds	–	–	11	–	11	21	73	11,338	11,454
Total liabilities	304,471	73,529	31,222	15,443	11,825	17,561	21,960	28,624	504,635
Net liquidity gap	(123,778)	23,425	11,507	8,842	10,863	13,221	33,123	56,741	33,944

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments
2 Loans and advances include reverse repurchase agreements and other similar secured lending of $83.6 billion
3 Deposits by banks include repurchase agreements and other similar secured borrowing of $5.0 billion
4 Customer accounts include repurchase agreements and other similar secured borrowing of $46.5 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

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

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments
2 Loans and advances include reverse repurchase agreements and other similar secured lending of $78.8 billion
3 Deposits by banks include repurchase agreements and other similar secured borrowing of $6.5 billion
4 Customer accounts include repurchase agreements and other similar secured borrowing of $45.8 billion
5 Senior debt maturity profiles are based upon contractual maturity, which may be later than call options over the debt held by the Group

Company

	2023								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between ix 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	51,446	–	–	–	–	–	–	1,312	52,758
Derivative financial instruments	12,441	10,666	6,527	3,491	2,867	4,842	7,113	5,274	53,221
Loans and advances to banks[1,2]	12,528	10,389	4,157	2,431	1,675	1,431	2,082	1,097	35,790
Loans and advances to customers[1,2]	39,724	18,061	16,415	7,159	6,593	9,930	9,456	12,560	119,898
Investment securities[1]	3,575	9,204	8,090	7,419	7,179	10,918	27,202	35,926	109,513
Investment in subsidiary undertaking	–	–	–	–	–	–	–	10,066	10,066
Other assets	7,634	15,125	615	183	253	12	35	2,993	26,850
Due from subsidiary undertakings and other related parties	10,053	–	–	–	–	–	–	–	10,053
Total assets	137,401	63,445	35,804	20,683	18,567	27,133	45,888	69,228	418,149
Liabilities									
Deposits by banks[1,3]	17,512	1,140	1,035	500	571	1,179	2,488	–	24,425
Customer accounts[1,4]	129,023	22,499	11,447	4,496	3,020	3,905	2,221	216	176,827
Derivative financial instruments	12,638	11,984	6,225	3,710	2,969	5,207	7,506	5,292	55,531
Senior debt[5]	44	990	1,214	758	448	3,711	5,851	4,284	17,300
Other debt securities in issue[1]	2,876	4,813	4,810	2,921	1,754	1,688	3,191	4,941	26,994
Due to parent companies and other related undertakings	47,317	–	–	–	–	–	–	–	47,317
Other liabilities	10,851	13,610	168	6	23	1,535	1,323	690	28,206
Subordinated liabilities and other borrowed funds	–	12	28	4	28	93	214	10,517	10,896
Total liabilities	220,261	55,048	24,927	12,395	8,813	17,318	22,794	25,940	387,496
Net liquidity gap	(82,860)	8,397	10,877	8,288	9,754	9,815	23,094	43,288	30,653

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments
2 Loans and advances include reverse repurchase agreements and other similar secured lending of $77.6 billion
3 Deposits by banks include repurchase agreements and other similar secured borrowing of $4.8 billion
4 Customer accounts include repurchase agreements and other similar secured borrowing of $46.3 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

	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	37,547	–	–	–	–	–	–	1,320	38,867
Derivative financial instruments	15,479	11,486	7,889	4,292	3,242	6,339	9,639	7,115	65,481
Loans and advances to banks[1,2]	13,015	9,713	7,658	3,566	2,940	2,192	865	635	40,584
Loans and advances to customers[1,2]	42,655	21,176	16,742	5,804	4,208	7,421	12,292	11,367	121,665
Investment securities[1]	3,894	7,049	10,294	6,204	4,393	8,883	26,789	40,568	108,074
Investment in subsidiary undertaking	–	–	–	–	–	–	–	10,300	10,300
Other assets	11,274	22,523	550	49	350	86	15	2,693	37,540
Due from subsidiary undertakings and other related parties	13,214	–	–	–	–	–	–	–	13,214
Total assets	137,078	71,947	43,133	19,915	15,133	24,921	49,600	73,998	435,725
Liabilities									
Deposits by banks[1,3]	18,814	1,472	2,108	818	302	1,063	106	5	24,688
Customer accounts[1,4]	135,238	28,308	13,749	5,195	2,426	3,287	1,087	144	189,434
Derivative financial instruments	15,644	15,056	7,836	4,502	3,516	7,065	8,827	6,757	69,203
Senior debt[5]	45	228	80	360	338	2,272	4,992	3,685	12,000
Other debt securities in issue[1]	2,633	4,332	7,184	6,297	2,544	342	4,413	2,518	30,263
Due to parent companies and other related undertakings	39,933	–	–	–	–	–	–	–	39,933
Other liabilities	10,604	13,856	563	56	42	128	442	813	26,504
Subordinated liabilities and other borrowed funds	2,000	–	9	–	11	21	55	10,633	12,729
Total liabilities	224,911	63,252	31,529	17,228	9,179	14,178	19,922	24,555	404,754
Net liquidity gap	(87,833)	8,695	11,604	2,687	5,954	10,743	29,678	49,443	30,971

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 12 Financial instruments
2 Loans and advances include reverse repurchase agreements and other similar secured lending of $74.3 billion
3 Deposits by banks include repurchase agreements and other similar secured borrowing of $6.2 billion
4 Customer accounts include repurchase agreements and other similar secured borrowing of $45.7 billion
5 Senior debt maturity profiles are based upon contractual maturity, which may be later than call options over the debt held by the Group

Behavioural maturity of financial assets and liabilities

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

Maturity of financial liabilities on an undiscounted basis

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

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

Group

	2023								
	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	**21,997**	**1,643**	**1,102**	**512**	**604**	**1,245**	**2,845**	**4**	**29,952**
Customer accounts	**220,861**	**34,791**	**17,728**	**7,905**	**6,238**	**5,100**	**2,663**	**248**	**295,534**
Derivative financial instruments	**53,511**	**487**	**11**	**2**	**48**	**90**	**438**	**586**	**55,173**
Debt securities in issue	**3,148**	**6,277**	**6,727**	**4,034**	**2,795**	**5,408**	**9,802**	**8,553**	**46,744**
Due to parent companies and other related undertakings	**31,166**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31,166**
Subordinated liabilities and other borrowed funds	**47**	**79**	**146**	**154**	**146**	**572**	**1,743**	**17,558**	**20,445**
Other liabilities	**7,613**	**19,995**	**213**	**21**	**66**	**1,689**	**1,556**	**2,786**	**33,939**
Total liabilities	**338,343**	**63,272**	**25,927**	**12,628**	**9,897**	**14,104**	**19,047**	**29,735**	**512,953**

	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	24,752	1,864	2,192	825	342	1,258	112	8	31,353
Customer accounts	216,983	39,828	17,625	8,934	6,297	5,585	1,396	158	296,806
Derivative financial instruments	66,772	28	5	6	6	763	547	731	68,858
Debt securities in issue	2,801	5,204	7,811	6,836	3,257	2,329	10,072	11,544	49,854
Due to parent companies and other related undertakings	28,102	–	–	–	–	–	–	–	28,102
Subordinated liabilities and other borrowed funds	2,074	64	127	135	127	499	1,496	16,038	20,560
Other liabilities	10,961	20,402	577	61	44	203	650	954	33,852
Total liabilities	352,445	67,390	28,337	16,797	10,073	10,637	14,273	29,433	529,385

Company

	2023								
	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	17,515	1,143	1,049	509	581	1,181	2,487	–	24,465
Customer accounts	129,577	22,647	11,602	4,637	3,128	4,081	2,426	230	178,328
Derivative financial instruments	53,886	487	11	2	48	89	422	586	55,531
Debt securities in issue	2,961	5,830	6,145	3,770	2,301	6,021	9,755	9,383	46,166
Due to parent companies and other related undertakings	47,317	–	–	–	–	–	–	–	47,317
Subordinated liabilities and other borrowed funds	47	79	146	154	146	572	1,717	15,920	18,781
Other liabilities	6,425	13,573	168	6	23	1,535	1,323	2,343	25,396
Total liabilities	**257,728**	**43,759**	**19,121**	**9,078**	**6,227**	**13,479**	**18,130**	**28,462**	**395,984**

	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	18,818	1,477	2,137	822	314	1,086	106	5	24,765
Customer accounts	135,456	28,477	13,933	5,309	2,532	3,349	1,122	139	190,317
Derivative financial instruments	67,115	28	5	6	6	763	543	737	69,203
Debt securities in issue	2,696	4,586	7,467	6,799	3,026	2,904	10,014	6,348	43,840
Due to parent companies and other related undertakings	39,933	–	–	–	–	–	–	–	39,933
Subordinated liabilities and other borrowed funds	2,074	64	127	135	127	499	1,496	15,498	20,020
Other liabilities	10,174	14,183	563	56	42	128	442	520	26,108
Total liabilities	276,266	48,815	24,232	13,127	6,047	8,729	13,723	23,247	414,186

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 and down) 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. In particular, the assumptions that interest rates of all currencies and maturities shift by the same amount concurrently, and that no actions are taken to mitigate the impacts arising from this are considered unlikely. Reported sensitivities will vary over time due to a number of factors including changes in balance sheet composition, market conditions, customer behaviour and risk management strategy. 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.

	2023			
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc $million	SGD bloc $million	Other currency bloc $million	Total $million
+ 50 basis points	70	50	140	260
- 50 basis points	(100)	(50)	(150)	(300)
+ 100 basis points	150	100	260	510
- 100 basis points	(190)	(100)	(290)	(580)

	2022			
Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	USD bloc $million	SGD bloc $million	Other currency bloc $million	Total $million
+ 50 basis points	70	40	120	230
- 50 basis points	(70)	(40)	(110)	(220)
+ 100 basis points	130	90	240	460

As at 31 December 2023, the Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 50 basis points to increase projected NII by $260 million. The equivalent impact from a parallel decrease of 50 basis points would result in a reduction in projected NII of $300 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 $510 million. The equivalent impact from a parallel decrease of 100 basis points would result in a reduction in projected NII of $580 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 falling rate scenarios has increased versus 31 December 2022, 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

The Bank defines Operational and Technology risk as the potential for loss from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks). Operational and Technology risk may occur anywhere in the Bank, including third-party processes.

Operational and Technology risk profile

Risk management practices help the business grow safely and ensure governance and management of Operational and Technology risk through the delivery and embedding of effective frameworks and policies, together with continuous oversight and assurance. Managing Operational and Technology risk makes the Bank more efficient and enables it to offer better, sustainable service to its customers. The Bank's Operational and Technology Risk Type Framework ('O&T RTF') is designed to enable the Bank to govern, identify, measure, monitor and test, manage and report on its Operational and Technology risks. The Bank continues to ensure the O&T RTF supports the business and functions in effectively managing risk and controls within risk appetite to meet their strategic objectives.

The Bank has demonstrated progress on ensuring visibility of risks and risk management through implementation of a standardised risk taxonomy. Standardising the risk taxonomy enables improved risk aggregation and reporting and provides opportunities for simplifying the process of risk identification and assessment. A revised Process Universe along with taxonomies for causes and controls have been designed and will be implemented in 2024, with control categories supporting the streamlining and removal of duplicate controls, reducing complexity, and improving risk and control management. Macro processes will provide a client-centric view and enable clearer accountability for delivery as well as management of risks in line with business objectives.

Operational and Technology risk is elevated in areas such as Information and Cyber Security, Data Management and Transaction Processing. Other key areas of focus are Change, Systems Health/Technology risk, Third Party risk, Resilience and Regulatory Compliance. Management has focused on addressing these areas, improving the sustainable operating environment and has initiated a number of programmes to enhance the control environment. The Bank continues to monitor and manage Operational and Technology risks associated with the external environment such as geopolitical factors and the increasing risk of cyber-attacks. Digitalisation and inappropriate use of Artificial Intelligence, various regulatory expectations across our footprint and the changing technology landscape remain key emerging areas to manage, allowing the Bank to keep pace with new business developments, whilst ensuring that risk and control frameworks evolve accordingly. The Bank continues to strengthen its risk management to understand the full spectrum of risks in the operating environment, enhance its defences and improve resilience.

Operational and Technology risk events and losses

Operational losses are one indicator of the effectiveness and robustness of the non-financial risk control environment.

The Bank's profile of operational loss events in 2023 and 2022 is summarised in the table below, which shows the distribution of gross operational losses by Basel business line.

	% Loss	
Distribution of Operational Losses by Basel business line	**2023**	2022[1]
Agency Services	**1.1%**	3.5%
Asset Management	**0.0%**	0.9%
Commercial Banking	**9.0%**	10.3%
Corporate Finance	**8.7%**	1.4%
Corporate Items	**43.7%**	3.1%
Payment and Settlements	**12.0%**	50.4%
Retail Banking	**15.2%**	12.1%
Retail Brokerage	**0.0%**	0.0%
Trading and Sales	**10.2%**	18.3%

1 Losses in 2022 have been restated to include incremental events recognised in 2023

The Bank's profile of operational loss events in 2023 and 2022 is also summarised by Basel event type in the table below. It shows the distribution of gross operational losses by Basel event type.

	% Loss	
Distribution of Operational Losses by Basel event type	**2023**	2022[1]
Business disruption and system failures	**7.1%**	3.1%
Clients' products and business practices	**1.3%**	6.6%
Damage to physical assets	**0.0%**	0.0%
Employment practices and workplace safety	**0.0%**	0.2%
Execution delivery and process management	**78.8%**	84.1%
External fraud	**12.5%**	4.9%
Internal fraud	**0.2%**	1.1%

1 Losses in 2022 have been restated to include incremental events recognised in 2023

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.

Risk Management Framework

Risk management is at the heart of banking, it is what we do. Managing risk effectively is how we drive commerce and prosperity for our clients and our communities, and it is how we grow sustainably and profitably as an organisation.

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 balancing risk and reward to generate returns for shareholders.

The Risk Management Framework (RMF) enables the Group to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite (RA). The RMF has been designed in accordance with the PLC Group's Enterprise Risk Management Framework (ERMF), and is reviewed annually. The latest version is effective from January 2024.

Annual review

In the 2023 review, the concepts of Integrated Risk Types (IRTs) and IRT Owner roles were discontinued. Oversight on IRTs, i.e. Climate Risk, Digital Assets and Third Party Risk, is provided through the Risk Type Frameworks (RTFs) and relevant dedicated policies. The subject matter experts as policy owners for these risks provide overall governance and a holistic view of how risks are monitored and managed across the Principal Risk Types (PRTs).

Risk culture

Risk culture encompasses our general awareness, attitudes, and behaviours towards risk, as well as how risk is managed at enterprise level.

A healthy risk culture is one in which everyone takes personal responsibility to identify and assess, openly discuss, and take prompt action to address existing and emerging risks. We expect those in our control functions to provide oversight and challenge constructively, collaboratively, and in a timely manner. This effort is reflected in our valued behaviours, underpinned by our Code of Conduct and Ethics, and reinforced by how we hire, develop, reward our people, serve our clients, and contribute to communities around the world.

The risks we face constantly evolve, and we must always look for ways to manage them as effectively as possible. While unfavourable outcomes will occur from time to time, a healthy risk culture means that we react quickly and transparently. We can then take the opportunity to learn from our experience and improve our framework and processes.

Strategic risk management

The Group's approach to strategic risk management includes the following:

- **Risk identification:** impact analyses of risks that arise from the Group's growth plans, strategic initiatives, and business model vulnerabilities are reviewed. This assesses how existing risks have evolved in terms of relative importance or whether new risks have emerged.
- **Risk Appetite:** impact analysis is performed to assess if strategic initiatives can be achieved within RA and highlight areas where additional RA should be considered.
- **Stress Testing:** the risks highlighted during the strategy review and other risk identification processes are used to develop scenarios for enterprise stress tests. In order to ensure that the Group's Strategy remains within the approved RA, the Group Chief Risk Officer (GCRO) and Group Chief Financial Officer (GCFO) recommend strategic actions based on the stress test results.

Roles and responsibilities

Senior Managers Regime[1]

Roles and responsibilities under the RMF are aligned to the objectives of the Senior Managers Regime (SMR). The GCRO is responsible for the overall development and maintenance of the Group's RMF and for identifying material risks which the Group may be exposed to. The GCRO delegates effective implementation of the RTFs to Risk Framework Owners (RFO) who provide second line of defence oversight for their respective PRTs.

In addition, the GCRO is the senior manager responsible for the development of the Group's Digital Assets Risk Assessment Approach, and management of Climate Risk.

1 Senior managers refers to individuals designated as senior management functions under the FCA and PRA Senior Managers Regime.

1 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 provides oversight and challenge on the Group's risk management, ensuring that business is conducted in line with regulatory expectations. The GCRO directly manages the Risk function, which is independent from the origination, trading, and sales functions of the businesses. The Risk function is responsible for:

- Determining the RA for approval by Group's Management Team (GMT) and the Court.
- 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.
- Upholding the overall integrity of the Group's risk and return decisions ensuring that the risks are properly assessed, risk and return decisions are transparently and that risks are controlled in accordance with the PLC Group's standards and RA.
- Overseeing and challenging the management of PRTs under the ERMF.
- Ensuring that the necessary balance in making risk and return decisions is not compromised by short-term pressures to generate revenues through the independence of the Risk function.

In addition, the Risk function provides specialist capabilities relevant to risk management processes in the broader organisation.

The Risk function supports the Group's strategy by building a sustainable RMF that places regulatory and compliance standards, together with culture of appropriate conduct, at the forefront of the Group's agenda.

Our Conduct, Financial Crime and Compliance (CFCC) function works alongside the Risk function within the RMF to deliver a unified second line of defence.

Three lines of defence model

The Group applies a three line of defence model to its day-to-day activities for effective risk management, and to reinforce a strong governance and control environment. Typically:

- The businesses and functions engaged in or supporting revenue generating activities that own and manage the risks constitute the first line of defence.
- The control functions, independent of the first line of defence, that provide oversight and challenge of risk management activities act as the second line of defence.
- Internal Audit acts as the third line of defence providing independent assurance on the effectiveness of controls supporting the activities of the first and second line of defence functions.

Risk Appetite and profile

The Group recognises 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, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements or the internal operational environment, or otherwise failing to meet the expectations of regulator and law enforcement agencies.
- RA is defined by the Group and approved by the Court. It is the boundary for the risk that the Group is willing to undertake to achieve its strategic objectives and Corporate Plan.

The Court is responsible for approving the RA Statements, which are underpinned by a set of financial and operational control parameters known as RA metrics and their associated thresholds. These directly constrain the aggregate risk exposures that can be taken across the Group.

The Group RA is reviewed at least annually to ensure that it is fit for purpose and aligned with strategy, with focus given to new or emerging risks.

Risk Appetite framework

The RA is defined in accordance with risk management principles that inform our overall approach to risk management and our risk culture. We set RA to enable us to grow sustainably whilst managing our risks, giving confidence to our stakeholders.

The RA is supplemented by risk control tools such as granular-level limits, policies, standards, and other operational control parameters that are used to maintain the Group's risk profile within approved RA.

Risk Appetite statement

"The Group will not compromise adherence to its Risk Appetite in order to pursue revenue growth or higher returns".

See Table 1 for the set of RA statements.

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 PRTs to classify our risk exposures.

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.

The Group leverages the PLC Group's 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 PRTs, and risk sub-types; as well as the Topical and Emerging Risks (TERs) inventory that includes near-term as well as longer-term uncertainties. Risk assessments of planned growth and strategic initiatives against the Group's RA is undertaken annually.

The GCRO and the Standard Chartered Bank (SCB ERC) regularly review reports on the risk profile for the PRTs, adherence to Group RA and the Group risk inventory, including TERs. They use this information to escalate material developments and make recommendations to the Court annually on any potential changes to our Corporate Plan.

Stress testing

The objective of stress testing is to support the PLC 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 key business model risks and considers what kind of event might crystallise those risks – even if extreme and with a low likelihood of occurring;
- Identify, as required, actions to mitigate the likelihood or impact of those events;
- considers how the outcome of plausible stress events, including TERs, may impact availability of liquidity and regulatory capital; and
- has set RA metrics at appropriate levels.

The PLC Group enterprise stress tests incorporate Capital and Liquidity Adequacy Stress Tests, including recovery and resolution, as well as reverse stress tests.

Stress tests are performed at PLC Group, Solo, country, business, and portfolio level under a wide range of risks and at varying degrees of severity.

Based on the stress test results, the GCFO and GCRO can recommend strategic actions to the Court to ensure that the Group's strategy remains within RA.

In addition, analysis is run at PRT level to assess specific risks and concentrations that the Group may be exposed to. These include qualitative assessments such as stressing of credit sectors or portfolios, measures such as Value at Risk (VaR) and multi-factor scenarios in Traded Risk and internal stressed liquidity metrics. Non-financial risk types are also stressed to assess the necessary capital requirements under the Operational & Technology RTF.

The PLC Group has also undertaken a number of Climate Risk stress tests, both those mandated by regulators as well as management scenarios.

Principal Risk Types

PRTs are those risks that are inherent in our strategy and business model and have been formally defined in the Group's RMF. These risks are managed in line with the PLC Group's RTFs which are cascaded to the Group.

The PRTs and associated RA Statements are approved by the Court, and reviewed annually.

The table below shows the Group's current PRTs.

Table 1: Principal Risk Types Definition and RA Statement

Principal Risk Types	Definition	Risk Appetite Statement
Credit Risk	Potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Group.	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.
Traded Risk	Potential for loss resulting from activities undertaken by the Group in financial markets.	The Group should control its financial markets and activities to ensure that market and counterparty credit risk losses do not cause material damage to the Group's franchise.
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.	Individual regulated entities within 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 their franchise. In addition, they should ensure that their pension plans are adequately funded.
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).	The Group aims to control operational and technology risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's or PLC Group's franchise.
Financial Crime Risk[1]	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 and anti-bribery and corruption, and fraud.	The Group has no appetite for breaches in laws and regulations related to Financial Crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.
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.	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.
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.	The Group aims to mitigate and control ICS risks to ensure that incidents do not cause the Bank material harm, business disruption, financial loss or reputational damage – recognising that whilst incidents are unwanted, they cannot be entirely avoided.
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 as we strive to do no significant environmental and social harm through our client, third party relationships, or our own operations.	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed with the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct in striving to do no significant environmental and social harm.
Model Risk	Potential loss that may occur because 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 Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; whilst accepting some model uncertainty.

1 Fraud forms part of the Financial Crime RA Statement but in line with market practice does not apply a zero-tolerance approach

In addition, there is a RA statement for Climate Risk: "The Group aims to measure and manage financial and non-financial risks arising 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."

RMF effectiveness reviews

Effectiveness review of the RMF is managed as part of the PLC Group ERMF effectiveness review. At Group level, a self-assessment is conducted to assess the overall effectiveness of the RMF, and the results are taken into consideration in the ERMF effectiveness review. The GCRO is responsible for annually affirming the effectiveness of the RMF to the Court Risk Committee (CRC).

The ERMF effectiveness review enables measurement of year-on-year progress. Ongoing effectiveness reviews allow for a structured approach to identify improvement opportunities and build plans to address them.

In 2024, the Group aims to further strengthen its risk management practices by improving the management of non-financial risks within its businesses, functions and across our footprint.

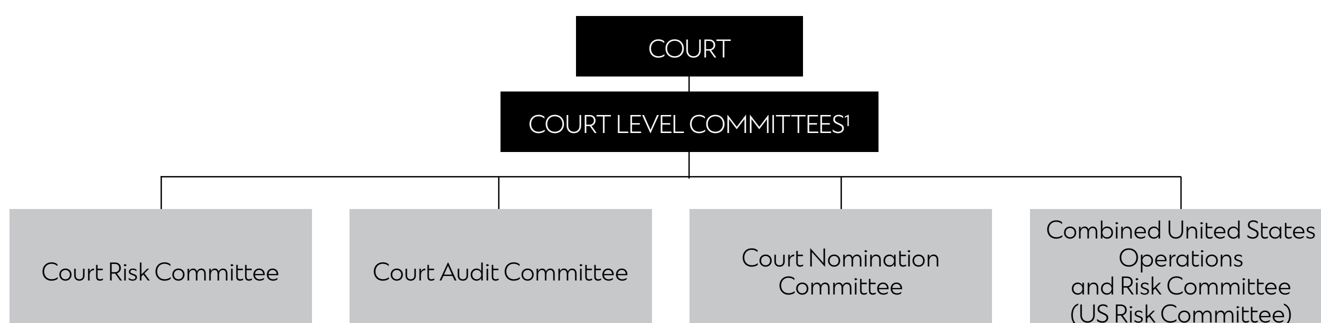
Executive and Court risk oversight

Overview

The Court comprises of the majority of the independent non-executive directors from the PLC Board, executive directors from the PLC Board as well as an executive director and non-executive director who are appointed solely to the Court with the specific purpose of providing independent decision making at the Court meetings.

Court and Executive level risk committee governance structure

The Committee governance structure below presents the view as of 2023.



1 The Court also has a Standing Committee with a remit to approve matters, on behalf of the Court, where a formal resolution is required for legal and regulatory purposes

Court Risk Committee:

The CRC is concerned with the oversight and review of principal risks.

Court Audit Committee:

The Court Audit Committee is concerned with the oversight and review of financial, audit, internal control and non-financial crime issues.

Combined United States Operations and Risk Committee (US Risk Committee):

The US Risk Committee is required to meet the requirements of the Dodd-Frank Act Section 165 Enhanced Prudential Standard Final Rules as released by the Federal Reserve Bank. It has prescribed responsibilities in relation to overseeing the United States ERMF, approving and overseeing the implementation of the risk management policies and also specific review and approval responsibilities in relation to liquidity risk management. Membership of the Committee is comprised of directors of the Company or PLC Group, including at least one independent non-executive director and one with significant risk management experience.

The Group has two management level committees, namely the Standard Chartered Bank Executive Risk Committee (SCB ERC) and Solo & Standard Chartered Bank UK (Branch) Asset and Liability Management Committee (Solo & SCB ALCO).

Standard Chartered Bank Executive Risk Committee

SCB ERC is responsible for ensuring the effective management of risk throughout the Group in support of the Group's strategy. The GCRO chairs the Committee, whose members are drawn from the GMT. The Committee oversees the implementation of the Standard Chartered Bank RMF, including the delegation of any part of its authorities to appropriate individuals or properly constituted sub-committees. SCB ERC relies on joint meetings with the PLC Group Risk Committee and its sub-committees to provide oversight of the PRTs across clients, businesses, products and functions. The Committee requests and receives relevant information to fulfil its governance mandates relating to the risks to which the Group is exposed, and alerts Senior/Executive management when risk reports do not meet its requirements.

Solo & Standard Chartered Bank UK (Branch) Asset and Liability Management Committee
Solo & SCB ALCO is chaired by the Chief Executive Officer (CEO), Corporate, Commercial and Institutional Banking (CCIB), Europe & Americas. The Committee is responsible for determining the Group's approach to balance sheet management and ensuring that, in executing the Group's strategy, the Group operates within the internally approved RA and external requirements relating to capital, loss-absorbing capacity, liquidity, leverage, Interest Rate Risk in the Banking Book (IRRBB), 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.

The SCB ERC and Solo & SCB ALCO receive reports that include information on risk measures, RA metrics and thresholds, risk concentrations, forward-looking assessments, updates on specific risk situations and actions agreed by these committees to reduce or manage risk.

Principal Risks

We manage and control our PRTs in line with the PLC Group RTFs, policies and RA.

Credit Risk
The Group defines Credit Risk as the potential for loss due to 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 Company addenda to the Credit RTF for the Group are set and owned by the Chief Risk Officers (CROs) for the respective business segments.

The Credit Risk control function is the second line of defence responsible for independent challenge, monitoring and oversight of the Credit Risk management practices of 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 RA, PLC Group's credit policies and standards.

Mitigation
We apply segment-specific PLC Group policies for CCIB and Consumer, Private and Business Banking (CPBB) 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, for end-to-end credit process including credit initiation, credit assessment, documentation and monitoring for lending to these segments.

In addition, there are other PLC Group-wide policies integral to Credit Risk management such as those relating to RA, Model Risk, Stress Testing, and Impairment Provisioning.

We also apply the PLC Group 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 is 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. We also seek 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 Court level, the CRC oversees the effective management of Credit Risk. At the executive level, the SCB ERC is responsible for the management of all risk types including Credit Risk for the Group, and relies on other key PLC Group committees – in particular the CCIB Risk Committee, CPBB Risk Committee, Asia Risk Committee, and Africa and Middle East Risk Committee.

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, ensuring that appropriate action is taken where necessary.

Decision-making authorities and delegation
The Credit RTF is the formal mechanism of delegating Credit Risk authorities cascading from the GCRO, as the Senior Manager of the Credit Risk PRT. The delegation is to individuals such as the business segments' CROs. Further delegation of credit authorities to individual credit officers may be undertaken based on risk-adjusted scales by customer type or portfolio. The decision-making authorities and delegations are set out at the Group level via the Company addenda to the Credit RTF.

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 periodically. 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, the individuals delegating the Credit Risk authorities perform periodic quality control assessments and assurance checks.

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.

In CCIB Client Coverage, clients and portfolios are subject 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 subject to a dedicated process overseen by the Credit Issues Committee 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.

On an annual basis, senior members from Business and Risk participate in a more extensive portfolio review for certain corporate industry groups. In addition to a review of the portfolio information, this enhanced review (known as the industry portfolio review) incorporates industry outlook, key elements of business strategy, RA, credit profile and emerging/horizon risks. A condensed version of these industry portfolio reviews will also be shared with the CCIB Risk Committee.

Any material in-country developments that may impact sovereign ratings are monitored closely by the Country Risk Team. The Country Risk Early Warning system, a triage-based risk identification system, categorises countries based on a forward-looking view of possible downgrades and the potential incremental risk-weighted assets (RWA) impact.

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 RA. Portfolio delinquency trends are also monitored. Accounts that are past due (or perceived as high risk but not yet past due) are subject to collections or recovery processes managed by a specialist independent function. In some countries, aspects of collections and recovery activities are outsourced. For discretionary lending portfolios, similar processes to those of CCIB client coverage are followed.

In addition, an independent Credit Risk Review team (part of ERM function), performs judgement-based assessments of the Credit Risk profiles at various portfolio levels. They 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 RA and policies, through forward-looking mitigating actions where necessary.

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. Client income, net worth, and the liquidity of asset by class are considered for overall risk assessment for wealth lending. The availability of Wealth Lending credit limits is subject to the availability of qualified collateral.

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 (AIRB) approach under the Basel regulatory framework to calculate Credit Risk capital requirements. The Group has also established a global programme to assess capital requirements necessary to be implemented to meet the latest revised Basel III finalisation (referred to as Basel 3.1 or 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. The Risk Decision Framework uses a credit rating system to define the portfolio/new booking segmentation, shape and decision criteria for the unsecured consumer business segment.

AIRB 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. The PLC Group Model Risk Committee approves material internal ratings-based risk measurement models. Prior to review and approval, all internal ratings-based models are validated in detail 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. RA metrics are set at portfolio level and monitored to control concentrations, where appropriate, by industry, 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 SCB ERC and CRC.

Credit impairment

ECL is 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 98 to 106).

At the time of origination or purchase of a non-credit impaired financial asset (Stage 1), ECL represents cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. ECL continues to be determined on this basis until there is a significant increase in the Credit Risk of the asset (Stage 2), in which case 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 continues to be measured on a lifetime basis.

For CCIB, in line with the regulatory guidelines, Stage 3 ECL is considered when an obligor is more than 90 days past due on any amount payable to the Group, or the obligor has symptoms of unlikeliness to pay its credit obligations in full as they fall due. These credit-impaired accounts are managed by SAG.

In CPBB, loans to individuals and small businesses are considered credit impaired as soon as any payment of interest or principal is 90 days overdue or they meet other objective evidence of impairment, such as bankruptcy, debt restructuring, fraud, or death. Financial assets are written off, in the amount that is determined to be irrecoverable, when they meet conditions set such that empirical evidence suggests the client is unlikely to meet their contractual obligations, or a loss of principal is reasonably 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 ECL under IFRS 9, please refer to the Risk profile section (page 101).

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 and activities to ensure that market and counterparty credit risk losses do not cause material damage to the Group's franchise.

Roles and responsibilities

The addendum to the Traded RTF, 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 Court.

TRM is the 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.

Mitigation

The Country addendum to the Traded RTF requires that Traded Risk limits be defined at a level appropriate to ensure that the Group remains within RA. All businesses incurring Traded Risk must comply with the Traded RTF. 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 periodically to ensure their ongoing effectiveness.

Governance committee oversight

At Court level, the CRC oversees the effective management of Traded Risk. At the executive level, the SCB ERC is responsible for the governance and oversight of Traded Risk for the Group, and relies on other key PLC Group committees for the management of Traded Risk – in particular CCIB Risk Committee, the Underwriting Committee and the Model Risk Committee. For subsidiaries, the authority for setting Traded Risk limits is delegated from the local board to the local risk committee, Country CRO 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 Traded RTF 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 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 VaR.
- 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 VaR 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 2023 is available in the Risk profile section (pages 107 to 108).

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 RA 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 RA. 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.

Treasury Risk

The Group defines Treasury Risk 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

Individual regulated entities within 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 their franchise. In addition, they should ensure that their pension plans are adequately funded.

Roles and responsibilities

The Global Head, ERM is the RFO for Treasury Risk under the RMF. The Company addendum to the Treasury RTF sets the roles and responsibilities in respect of Treasury Risk, and it is owned by the Global Head, Enterprise Risk Management.

The Group Treasurer is supported by teams in Treasury and Finance to implement the Treasury RTF as the first line of defence and is responsible for managing Treasury Risk.

Treasury CROs 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

We apply the PLC Group policies for the management of material Treasury Risks and closely monitor our risk profile through RA metrics set at Solo and country level.

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 Court 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 Solo's capital plan.

Solo level RA metrics including capital, leverage and Minimum Requirement for own funds and Eligible Liability (MREL) are assessed within the Corporate Plan to ensure that the strategy can be achieved within risk tolerances.

Structural Foreign Exchange (FX) Risk

The Group's structural FX position results from the Company'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 Company's translation reserves with a direct impact on the PLC Group's and Solo's Common Equity Tier 1 ratio.

Hedges are contracted across PLC Group and Solo to manage its structural FX position in accordance with the RA, and as a result 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 Solo and country level we implement various RA 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.

Interest Rate Risk in the Banking Book

At Solo level, we implement RA for Economic Value of Equity and Annual Earnings at Risk and monitor these against limits and management action triggers. IRRBB 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.

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.

Recovery and Resolution Planning
In line with PRA requirements, the PLC 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 PLC 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 during a stress. A Recovery Plan is also maintained within each major entity including those under Solo, and all recovery plans are subject to periodic fire-drill testing. The Group follows the PLC Group's Recovery Plan.

As the UK resolution authority, the Bank of England (BoE) is required to set a preferred resolution strategy for the PLC Group. The BoE's preferred resolution strategy is whole PLC Group single point of entry bail-in at the ultimate holding company level (Standard Chartered PLC) and would be led by the BoE. In support of this strategy, the PLC Group has been developing a set of capabilities, arrangements, and resources to achieve the required outcomes. Following the BoE's first resolvability assessment and public disclosure for major UK firms in 2022, the second Resolvability Assessment Framework cycle is under way. The PLC Group submitted its Resolvability Assessment Report to the BoE and PRA on 6 October 2023 and is due to publish its resolvability public disclosure in June 2024.

Governance committee oversight
At the Court level, the CRC oversees the effective management of Treasury Risk. At the executive level, Solo & SCB ALCO 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 RA and other internal and external requirements relating to Treasury Risk (except Pension Risk). The Group relies on the PLC Group Risk Committee and Regional Risk Committees for management of 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 PLC Group Treasury policies and practices, as well as local regulatory requirements.

Decision-making authorities and delegation
The GCFO has responsibility for capital, funding, and liquidity under the SMR. The GCRO has delegated the RFO responsibilities associated with Treasury Risk to the Global Head, ERM. The Global Head, ERM delegates second line of defence oversight and challenge responsibilities to the Treasury CRO and Country CROs for Capital Risk, Liquidity and Funding Risk and IRRBB, and to Head of Pensions for Pension Risk.

Monitoring
On a day-to-day basis, Treasury Risk is managed by Treasury, Finance and Country CEOs. 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 Solo & SCB ALCO. The reports contain key information on balance sheet trends, exposures against RA and supporting risk measures which enable members to make informed decisions around the overall management of the balance sheet.

In addition, an independent Treasury CRO as part of ERM 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, the Treasury CRO and the Global Head, ERM on a periodic basis.

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).

Changes to Third Party Risk

With effect from January 2024, the Group has removed the IRT classification and formally included Third Party Risk as a sub risk under OTR. Third Party Risk is defined as the potential for loss or adverse impact due to the failure to manage the onboarding, lifecycle and exit strategy of a third party. The PLC Group's Third Party Risk Management Policy and Standard, in conjunction with the respective 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.

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 or PLC Group's franchise.

Roles and responsibilities

The Company addendum to the Operational and Technology RTF sets the roles and responsibilities in respect of Operational and Technology risk for the Group. The Operational and Technology RTF defines the Group's Operational and Technology risk sub-types 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 Operational and Technology RTF. The list of Operational and Technology risk sub-types includes 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 Operational and Technology RTF reinforces clear accountability for managing risk throughout the PLC Group and delegates second line of defence responsibilities to identified SMEs. For each risk sub-type, the subject matter expert sets policies and standards for the organisation to comply with, and provides guidance, oversight, and challenge over the activities of the PLC Group. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgement, and perspective to ensure that the PLC Group's risk-return objectives are met.

Mitigation

The Company addendum to the Operational and Technology RTF sets out the Group's overall approach to the management of Operational and Technology risk in line with the Group's Operational and Technology RA. This is supported by the 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 IRTs).

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 failures in these processes and the related risks of such failures;
- an assessment of the impact of the identified risks based on a consistent scale;
- the design and monitoring of controls to mitigate prioritised risks; and
- assessments of residual risk and timely actions for elevated risks.

Risks that exceed the Group's Operational and Technology RA require treatment plans to address underlying causes.

Governance committee oversight
At Court level, the CRC oversees the effective management of Operational and Technology risk. At the executive level, the SCB ERC is responsible for the governance and oversight of Operational and Technology risk for the Group. The SCB ERC, supported by the PLC Group Non-Financial Risk Committee (GNFRC), monitors the Group's Operational and Technology RA and relies on other key committees for the management of Operational and Technology risk.

Regional business segments and functional committees also provide governance oversight of their respective processes and related Operational and Technology risk. In addition, Country Non-Financial Risk Committees (CNFRCs) oversee the management of Operational and Technology 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 GCRO has delegated the RFO responsibilities associated with the Operational and Technology RTF to the Global Head of Risk, Functions and Operational Risk (GHRFOR).

The Company addendum to the Operational and Technology RTF is the formal mechanism through which the delegation of Operational and Technology Risk authorities is made. The GHRFOR places reliance on the respective SMEs for second line of defence oversight of the relevant Operational and Technology risk sub-types through this Company addendum.

Monitoring
To deliver services to clients and to participate in the financial services sector, the Group runs processes which are exposed to Operational and Technology 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 Group's exposure to residual risk.

The residual risk assessments and reporting of events form the Group's Operational and Technology Risk profile. The completeness of the Operational and Technology Risk profile ensures appropriate prioritisation and timeliness of risk decisions, including risk acceptances with treatment plans for risks that exceed acceptable thresholds.

The Court Risk Committee is informed on adherence to Operational and Technology RA 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 RA metrics are consolidated on a regular basis and reported to the SCB ERC and CRC. This provides senior management with the relevant information to inform their risk decisions.

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 and 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 whilst 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 Financial Conduct Authority (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 of defence, the business process owners have responsibility for the application of policy controls and the identification and measurement of risks relating to financial crime. The business must communicate risks and any policy non-compliance to the second line of defence for review and approval following the model for delegation of authority.

Mitigation

There are four PLC Group policies in support of the Financial Crime RTF:

- Group Anti-Bribery and Corruption Policy
- Group Anti-Money Laundering and Counter Terrorist Financing Policy
- Group Sanctions Policy
- Group Fraud Risk Management Policy

The PLC Group operates risk-based assessments and controls in support of its Financial Crime Risk programme, including (but not limited to):

- Group Risk Assessment: the PLC 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 PLC 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 PLC Group's Operational and Technology RTF, in addition to oversight by CFCC Assurance.

Governance committee oversight

At Court level, the CRC oversees the effective management of Financial Crime Risk. At the executive level, the SCB ERC is responsible for the governance and oversight of Financial Crime Risk for the Group, and relies on other key PLC Group committees for the management of Financial Crime Risk. In particular, it relies on the PLC Group Financial Crime Risk Committee and the PLC GNFRC for Fraud Risk. Both committees are responsible for ensuring effective oversight of Operational Risk relating to Financial Crime Risk and Fraud Risk, respectively, throughout the PLC Group.

Decision-making authorities and delegation

The Company addendum to the PLC Group Financial Crime RTF is the formal mechanism through which the delegation of Financial Crime Risk authorities is made. The Group Head, CFCC is the RFO for Financial Crime Risk under the Group's RMF. Certain aspects of Financial Crime Compliance, second line of defence 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 RA metrics. These metrics are reviewed periodically and reported to the SCB ERC, CRC and relevant Court Risk Committees.

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, CFCC as RFO 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; and
- setting enterprise-wide standards for management of compliance risks through the establishment and maintenance of the Compliance RTF.

The Group Head, CFCC also performs the FCA controlled function and senior management function of Compliance Risk oversight in accordance with the requirements set out by the FCA.

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 of defence oversight and challenge of the first line of defence risk management activities that relate to Compliance Risk. Where Compliance Risk arises, or could arise, from failure to manage another PRT or sub-type, the Compliance RTF outlines that the responsibility rests with the respective RFO or control function to ensure that effective oversight and challenge of the first line of defence can be provided by the appropriate second line of defence function.

Each of the assigned second line of defence functions have 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 of defence processes and controls. In addition, the remit of CFCC has been further clarified in 2023 in relation to Compliance risk and the boundary of responsibilities with other PRTs.

Mitigation

We apply the PLC Group's policies for management of Compliance Risk. The CFCC function is responsible for the establishment and maintenance of policies, standards and controls to ensure continued legal and regulatory compliance, and the mitigation of Compliance Risk. In this, the requirements of the Operational and Technology RTF are followed to ensure a consistent approach to the management of processes and controls.

The deployment of technological solutions to improve efficiencies and simplify processes has continued in 2023. These include launch of a new Regulatory Change Management System for Group regulatory obligations management, and further enhancement of the Ask Compliance platform.

Governance committee oversight

At a management level, the SCB ERC is responsible for the governance and oversight of Compliance Risk, and relies on other key PLC Group level committees for the management of Compliance Risk – in particular, the PLC GNFRC and the Risk and CFCC Non-Financial Risk Committee.

Both Compliance Risk and the risk of non-compliance with laws and regulations resulting from failed processes and controls are reported at the respective country, business, product, function, Risk and CFCC Non-Financial Risk Committees. Relevant matters, as required, are further escalated to the PLC GNFRC and SCB ERC. At Court level, oversight of Compliance Risk is primarily provided by the Audit Committee, and by the CRC for relevant issues.

Whilst not a formal governance committee, the CFCC Oversight Group provides oversight of CFCC risks including the effective implementation of the Compliance RTF. The Regulatory Change Oversight Forum provides visibility and oversight of material and/or complex large-scale regulatory change emanating from Financial Services regulators impacting Non-Financial Risks. The CFCC Policy Council provides 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 RA.

Decision-making authorities and delegation

The Company addendum to the Compliance RTF 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 of defence 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 RTF. 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, PLC GNFRC, SCB ERC, CRC and Court Risk Committees.

Information and Cyber Security (ICS) Risk

The Group defines ICS 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 aims to mitigate and control ICS risks to ensure that incidents do not cause the Bank material harm, business disruption, financial loss or reputational damage - recognising that whilst incidents are unwanted, they cannot be entirely avoided.

Roles and responsibilities

The Group's 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 has the 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 of defence also manages all key ICS Risks, breaches and risk treatment plans. ICS Risk profile, RA breaches and remediation status are reported at the Court and Executive committees, alongside business, function and country governance committees.

The Chief Information Risk Security Officer (CISRO) function within Group Risk is the second line of defence and sets the framework, policy, standards, and methodology for assessing, scoring, and prioritising ICS Risks across the Group. The ICS Policy and standards are aligned to industry best practice models including the National Institute of Standards and Technology Cyber Security Framework and ISO 27001. This function has the responsibility for governance, oversight, and independent challenge of first line of defence's pursuit of the ICS strategy. Group ICS Risk Framework Strategy remains the responsibility of the ICS RFO, delegated from the GCRO to the Group CISRO.

Mitigation

ICS Risk is managed through the ICS RTF, 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 ERMF.

Governance committee oversight

At Court level, the CRC oversees the effective management of ICS Risk. The SCB ERC is responsible for the governance and oversight of ICS Risk for the Group, and relies on other key PLC Group Committees and fora to ensure effective implementation of the ICS RTF - in particular, the PLC GNFRC and the Cyber Security Advisory Forum. The SBC ERC and PLC GNFRC are responsible for oversight of ICS Risk profile and RA breaches. Sub-committees of the PLC GNFRC have oversight of ICS Risk management arising from the businesses, countries and functions.

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 at a business, function, region and country level.

The Group CISO is responsible for implementing ICS Risk Management within the Group, and to cascade ICS risk management into the businesses, functions and countries to comply with the ICS RTF, policy, and standards.

Monitoring

Group CISO performs a threat-led risk assessment to identify key threats, in-scope applications and key controls required to ensure the Group remains within RA.

The ICS Risk profiles of all businesses, functions and countries are consolidated to present a holistic Group-level ICS Risk profile for ongoing monitoring. Mandatory ICS learning, phishing exercises and role-specific training support colleagues to monitor and manage this risk.

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 RA are escalated to the appropriate governance committee or authority levels for remediation and tracking. A dedicated Group CISRO team supports this work by executing offensive security testing exercises, including vulnerability assessments and penetration tests, which show a wider picture of the Group's risk profile, leading to better visibility on potential 'in flight' risks. The Group also tracks remediation of security matters identified by external reviews such as the BoE CBEST Threat Intelligence-Led Assessment and the Hong Kong Monetary Authority's (HKMA) Intelligence-led Cyber Attack Simulation Testing (iCAST).

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 as we strive to do no significant environmental and social harm through our clients, 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 with the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct in striving to do no significant environmental and social harm.

Roles and responsibilities

The Global Head, ERM is responsible as RFO for Reputational and Sustainability Risk under the Group's RMF.

The PLC Group's Reputational and Sustainability RTF allocates responsibilities in a manner consistent with the three lines of defence model.

In the first line of defence, the PLC Group's Chief Sustainability Officer (CSO) manages the overall Group Sustainability strategy and engagements. A dedicated Sustainable Finance solutions team is responsible for sustainable finance products and frameworks to help identify green and sustainable finance, and transition finance opportunities to aid our clients on their sustainability journey. The CSO team works with businesses to launch various sustainable finance products. Furthermore, the Environmental and Social Risk Management (ESRM) team 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.

In the second line of defence, the responsibility for Reputational and Sustainability Risk management is delegated to the PLC Group Environmental, Social, and Corporate Governance (ESG) and Reputational Risk team, as well as CROs at region, country and client-business levels. They constitute the second line responsible to oversee and challenge the first line, which resides with the CEOs, business heads, product heads and function heads. The PLC Group ESG and Reputational Risk team is responsible for establishing RA, framework and policies for managing Reputational and Sustainability risk, in line with emerging regulatory expectations across our markets.

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; and
- potential material harm to individuals or communities (social) risks through actions/inactions of the Group.

We apply the PLC Group's policies for management of Reputational and Sustainability Risk.

The PLC 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 assessment of risks associated with how individual client, transaction, product and strategic coverage decisions may affect perceptions of the organisation and its activities is based on explicit principles including, but not limited to, human rights and climate change. The assessment of stakeholder perception risk considers a variety of factors. Whenever potential for stakeholder concerns is identified, issues are subject to review and decision by both first and second lines of defence.

The PLC 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. This includes management of greenwashing risks through the ongoing monitoring of Sustainable Finance products and transactions and clients throughout their lifecycle, from labelling to disclosures in line with emerging local and international regulatory obligations.

- Clients are expected to adhere to the minimum regulatory and compliance requirements, including criteria from the PLC Group's Position Statements to sensitive sectors where environmental and social risks are heightened. The Group also defines the approach to certain specialist sectors where there are conflicting stakeholder views.
- Third parties such as suppliers must comply with the PLC Group's Supplier Charter ,which sets out the PLC Group's expectations on ethics, anti-bribery and corruption, human rights, environmental, health and safety standards, labour and protection of the environment. The PLC 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.
- Within our operations, the PLC Group seeks to minimise its impact on the environment and have targets to reduce energy, water and waste. We are committed to becoming Net Zero in our own operations by 2025.
- The PLC Group relies on the frameworks to help the labelling of Sustainable Finance Use of Proceeds products and transactions as well as the classification of pureplay clients.

Reputational and Sustainability Risk policies and standards are applicable to all PLC Group entities. However, where local regulators impose additional requirements, these are complied with in addition to existing PLC Group requirements.

Governance committee oversight
The PLC Group's Culture and Sustainability Committee oversight across PLC Group for our Sustainability strategy while the CRC oversees Reputational and Sustainability Risk as part of the RMF. The SCB ERC provides executive level committee oversight and relies on other key PLC Group committees for the effective management of Reputational and Sustainability Risk in particular the PLC Group Responsibility and Reputational Risk Committee (GRRRC), the Sustainable Finance Governance Committee and the PLC GNFRC.

The PLC GRRRC's remit is to:

- Challenge, constrain and, if required, stop business activities where Reputational and Sustainability risks are not aligned with the PLC Group's RA;
- Make decisions on Reputational and Sustainability Risk matters assessed as high or very high based on the PLC 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 TERs, as part of a dynamic risk scanning process;
- Monitor existing or new regulatory priorities.

The Sustainable Finance Governance Committee, appointed by the PLC GRRRC, provides leadership, governance, and oversight for delivering the PLC 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 PLC 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 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 GNFRC has oversight of the control environment and effective management of Reputational Risk incurred when there are negative shifts in stakeholder perceptions of the PLC 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 CNFRC provides oversight of the Reputational and Sustainability Risk profile at a country level.

Decision-making authorities and delegation
The Global Head, ERM 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 reviews and supports the risk assessments for clients and transactions and escalates to the PLC Group ESG and Reputational Risk team as required.

Monitoring
Exposure to stakeholder perception risks arising from transactions, clients, products and strategic coverage is monitored through established triggers to prompt the right levels of appropriate risk-based consideration and assessment 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 of defence processes. The environmental and social risks are considered for clients and transactions via the Environmental and Social Risk Assessments and for vendors in our supply chain through the Modern Slavery questionnaires.

Furthermore, monitoring and reporting on the RA metrics ensures that there is appropriate oversight by the MT and the Court over performance and breaches of thresholds across key metrics.

Model Risk

The Group defines Model Risk as potential loss that may occur because 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 some model uncertainty.

Roles and responsibilities

The Global Head, ERM is the RFO for Model Risk under the Group's RMF. Responsibility for the oversight and implementation of the Model RTF is delegated to the Global Head, Model Risk Management.

The PLC Group's Model Risk Framework sets out clear accountability and roles for Model Risk management through the three lines of defence model. First line of defence ownership of Model Risk resides with Model Sponsors, who are business or function heads and assign a Model Owner and provide oversight of Model Owner activities. Model Owners are accountable for the model development process, represent model users, are responsible for the overall model design process, coordinate the submission of models for validation and approval, and ensure appropriate implementation and use. Model Developers are responsible for the development of models and are responsible for documenting and testing the model in accordance with Policy requirements, and for engaging with Model Users.

Second line of defence oversight is provided by Model Risk Management, which comprises Group Model Validation (GMV) to independently review and grade models, and the Model Risk Policy and Governance team, which provides oversight of model risk activities and reports to senior management via respective committees.

The PLC Group adopts an industry standard model definition as specified in the PLC Group Model Risk Policy, together with a scope of applicability represented by defined model family types as detailed within the PLC Group's Model Risk Framework. Model Owners are accountable for ensuring that all models under their purview have been independently validated by GMV. Models are 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.

The Model RTF is cascaded to in-scope countries by way of local addendum or local framework documentation, along with specific responsibilities of the Country Model RFO. In-scope countries are selected with reference to regulatory capital requirements with credit risk (AIRB), counterparty credit risk Internal Model Method (IMM), or market risk Internal Model Approach (IMA) permissions for use of models for regulatory capital calculations; and countries where regulators have stipulated specific model risk requirements. Additional criteria, including financial materiality, regulatory importance, presence of important business services or critical economic functions are also considered.

The main responsibilities of Country Model RFO are to ensure model usage is correctly identified, a suitable local governance process is established, and fundamental model risk training is provided for respective country stakeholders.

Based on respective levels of regulatory expectations regarding Model Risk, a tiering approach is adopted to provide appropriate risk-based levels of depth and rigour of the associated requirements.

Mitigation

We apply the PLC Group policies for Model Risk Management. 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 model monitoring, model overlays and/or a model redevelopment plan, which undergoes 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 RTF, with remediation plans implemented where necessary.

Governance committee oversight

At Court level, the CRC exercises oversight of Model Risk within the Group. At the executive level, the SCB ERC is responsible for the governance and oversight of Model Risk for the PLC Group and relies on other PLC Group committees 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 Company addendum to the PLC Group Model RTF is the formal mechanism through which the delegation of Model Risk authorities is made.

The Global Head, ERM delegates authorities to designated individuals or Policy Owners through the Model RTF. The second line of defence ownership for Model Risk at country level is delegated to Country CROs 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 RA metrics. Adherence to Model RA and any threshold breaches are reported to the CRC, SCB ERC and PLC Model Risk Committee. These metrics and thresholds are reviewed twice per year 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.

Climate Risk (Oversight has moved to Reputational and Sustainability Risk with effect from January 2024)

With effect from January 2024, the Group has removed the IRT classification. Climate Risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. We are developing methodologies to identify, measure and manage the physical and transition risks that we are exposed to through our own operations, our suppliers, our clients, and the markets we operate in.

Risk Appetite Statement

The Group aims to measure and manage financial and non-financial risks arising 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.

Roles and responsibilities

The GCRO has the ultimate second line of defence and responsibility for Climate Risk, with support by the Global Head, ERM who has day-today oversight and central responsibility for second line of defence Climate Risk activities. As Climate Risk is embedded into the relevant PRTs, second line of defence responsibilities lie with those RFOs (at Group, regional and country level), with SME support from the central Climate Risk team.

Mitigation

We have completed c.4,100 Climate Risk Assessments in 2023 (c.85 - 90 per cent of the CCIB corporate portfolio limits), which measures transition risk of our clients. Concentration of Black and Red rated clients remain within proposed RA levels at 6 per cent. Linkages to Credit Underwriting Principles have been finalised for four sectors (Oil and Gas (O&G), Shipping, Commercial Real Estate CRE and Mining), including improved climate-related analysis, portfolio-level caps and additional data gathering measures. A key focus area going forward is to embed Climate Risk and net zero targets into business and credit decisions. To enable this, we have established a Net Zero Climate Risk Working Forum to facilitate discussions on account plans for high Climate Risk and net zero divergent clients. As of September 2023, we have assessed physical risk for 79 per cent and transition risk for 54 per cent of our CPBB book.

The focus for Operational and Technology Risk has been to assess physical risks for our properties and data centres, as well as third parties. Concentration of top corporate liquidity providers to high transition risk and low levels of mitigation is being monitored.

Governance committee oversight

Court level oversight is exercised through the CRC, with regular updates on Climate Risk. At an executive level, the PLC Group Risk Committee has appointed the Climate Risk Management Committee, which meets at least six times a year to oversee the implementation of Climate Risk workplans and monitoring the Group's Climate Risk profile.

In 2023, The PLC Group has strengthened country and regional governance oversight for the Climate Risk profile across our key markets by cascading identified RA metrics, and rolling out climate risk management information.

Decision-making authorities and delegation

The Global Head, ERM is supported by a Climate Risk team within the ERM function. The Global Head, ESG and Reputational Risk is responsible for executing the delivery of the Climate Risk workplan which will define decision-making authorities and delegations across the PLC Group.

Monitoring

The Climate RA Statement is approved and reviewed annually by the Court, following the recommendation of the CRC.

The PLC Group has developed its first-generation Climate Risk reporting and Board/MT Level RA metrics and these will continue to be enhanced in 2024. Management information and RA metrics are also being progressively rolled out at the regional and country level. Management information is reviewed at a quarterly frequency and any breaches in RA are reported to the GRC and BRC.

Digital Assets Risk

With effect from January 2024, the Group has removed the IRT classification. The Group recognises Digital Assets (DA) as an asset class which is managed under the RMF. DA Risk is defined as the potential for regulatory penalties, financial loss and/or reputational damage to the Group resulting from DA-related activities arising from the Group's businesses across clients, products, investments and projects.

Risk Appetite Statement

As DA Risk manifests through the various PRTs, the individual RA statements for each PRT take account of the risks specific to DAs.

Roles and responsibilities

Senior managers within the first line of defence are responsible for the overall management of DA risks, initiatives and exposures that may arise within their business segments.

The GCRO has the second line of defence responsibility for defining the Group's framework for managing DA-related risks, through the Digital Assets Risk Management Approach (DARMA). The GCRO is supported by the Global Head, ERM and the Global Head, DA Risk Management, who have day-to-day responsibility for second line of defence oversight of the DARMA. As DA Risk management is embedded into the relevant PRTs, RFOs and dedicated SMEs across the PRTs have second line of defence responsibilities of DA Risks for their respective PRTs.

Mitigation

The Group deploys a DA Risk management policy (DA Policy) to define the incremental risk management requirements for DA-related activities under the DARMA. The respective PRTs then include specific risk mitigation requirements within the relevant processes, policies and standards for their PRTs. DA Risk Assessments are conducted on certain higher-risk DA-related projects and products. These risk assessments detail the specific inherent risks, residual risks, controls and mitigants across the PRTs, and are reviewed and supported by the respective businesses, RFOs and DA SMEs.

Governance committee oversight

Court level oversight is exercised through the CRC, and DA Risk updates are provided to the Court and CRC, as requested. At the executive level, the SC Bank ERC oversees the risk management of DA. The GCRO has also appointed a dedicated DA Risk Committee (DRC) consisting of senior business representatives, RFOs and DA SMEs across the Group. The DRC meets a minimum of four times per year to review and assess the risk assessments related to DA Projects and Products, discuss development and implementation of the DARMA, and to provide structured governance around DA Risk.

Decision-making authorities and delegation

The Global Head, ERM is supported by a centralised DA Risk team within the ERM Function and is responsible for the design and maintenance of the DARMA. Decision-making authorities and delegation are defined in the DA Policy, outlining the incremental responsibilities and the embedding of risk management within associated policies and risk artefacts.

The businesses are responsible for implementation of the DARMA and utilise decision-making authorities granted to them by their respective Businesses, PRTs or in individual capacities to assess and approve DA activities and exposures that may give rise to risk.

DA Risk follows prescribed robust risk management practices across the PRTs, with specific expertise applied from DA experts. Risk management practices are informed by the "Dear CEO" letters published by the PRA and the FCA in June 2018, with updated notices in June 2022. Further guidance from the recent publication of the BCBS d545 on the prudential treatment of crypto assets, which will be in effect from January 2025, has refined the risk management approach. DA is a developing area which will continue to mature and stabilise over time as the technology, together with its use in financial services and associated research, become more established.

Monitoring

DA Risks are monitored through the existing Group RA metrics across the PRTs. In addition, specific DA Risk Management Monitoring level metrics are reviewed and monitored by the relevant individual PRTs. DA risk decisions relating to other PRTs are taken within the authorities for the respective PRT.

Capital review

Capital management and governance

The Group's capital and leverage position is managed within the Court-approved Risk Appetite framework. Further detail is provided within the Risk Management Framework section on page 121.

Standard Chartered Bank is authorised by the PRA and regulated by the Financial Conduct Authority and the PRA as Standard Chartered Bank. Standard Chartered Bank continues to operate through its branches and a number of subsidiaries, all of which remain well capitalised in line with their applicable Court-approved Risk Appetites which takes into account local regulations, Pillar 1 and 2 requirements and regulatory and management buffers as applicable.

The Group's CET1 ratio remained strong at 13.2 per cent at FY2023 with leverage at 5.0 per cent. The Group maintains high levels of loss absorbing capacity. Compared to 31 December 2022, the Group's CET1 ratio increased by approximately 50 bps to 13.2 per cent. RWAs decreased by $6.1 billion to $165.6 billion. CET1 capital remained largely flat at $21.8bn as profits of $3.2 billion and movement in other comprehensive income of $0.4 billion were offset by distributions of $3.0 billion, a foreign currency translation impact of $0.5 billion and an increase in intangible assets of $0.1 billion.

Capital ratios

	2023	2022[1]
CET1 capital	**13.2%**	12.7%
Tier 1 capital	**16.5%**	15.8%
Total capital	**23.5%**	23.1%

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

Capital base[1] (audited)

	2023 $million	2022 $million
CET1 capital instruments and reserves		
Capital instruments and the related share premium accounts	20,893	20,893
Of which: share premium accounts	296	296
Retained earnings[2]	9,687	10,467
Accumulated other comprehensive income (and other reserves)	(6,508)	(6,965)
Non-controlling interests (amount allowed in consolidated CET1)	162	145
Independently audited year-end profits	3,208	2,410
Foreseeable dividends	(166)	(189)
CET1 capital before regulatory adjustments	27,276	26,761
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	(534)	(626)
Intangible assets (net of related tax liability)	(4,115)	(4,002)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(23)	(66)
Fair value reserves related to net losses on cash flow hedges	13	513
Deduction of amounts resulting from the calculation of excess expected loss	(566)	(627)
Net gains on liabilities at fair value resulting from changes in own credit risk	(47)	26
Defined-benefit pension fund assets	(75)	(69)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(107)	(74)
Exposure amounts which could qualify for risk weighting of 1250%	(28)	(61)
Other regulatory adjustments to CET1 capital[3]	–	(29)
Total regulatory adjustments to CET1	(5,482)	(5,015)
CET1 capital	21,794	21,746
Additional Tier 1 capital (AT1) instruments	5,473	5,423
AT1 regulatory adjustments	(20)	(20)
Tier 1 capital	27,247	27,149
Tier 2 capital instruments	11,637	12,469
Tier 2 regulatory adjustments	(30)	(30)
Tier 2 capital	11,607	12,439
Total capital	38,854	39,588
Total risk-weighted assets (unaudited)[4]	165,623	171,723

1 Capital base is prepared on the regulatory scope of consolidation
2 Retained earnings include IFRS9 capital relief (Transitional) of nil (2022: $106 million)
3 Other regulatory adjustments to CET1 capital includes Insufficient coverage for non-performing exposures of nil (2022: $(29) million)
4 The 2022 comparatives have been restated to correctly reflect in line with adjustment posted for credit risk mitigation

Leverage ratio

Capital and total exposures	2023 $million	2022[1] $million
Tier 1 capital	27,247	27,149
Total leverage ratio exposures	544,061	562,076
Leverage ratio	5.0%	4.8%

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

Opinion

In our opinion:

- the financial statements of Standard Chartered Bank (the 'Company' or the 'Parent Company') and its subsidiaries (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 2023 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 2023 which comprise:

Group	Company
Consolidated income statement for the year ended 31 December 2023;	Balance sheet as at 31 December 2023;
Consolidated statement of comprehensive income for the year ended;	Cash flow statement for the year then ended;
Consolidated balance sheet as at 31 December 2023;	Statement of changes in equity for the year ended 31 December 2023; and
Consolidated statement of changes in equity for the year then ended;	Related notes 1 to 40, where relevant to the financial statements, including material accounting policy information.
Consolidated Cash flow statement for the year then ended;	
Related notes 1 to 40 to the financial statements, including material accounting policy information; and	
Risk and capital disclosures marked as 'audited'.	

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 directors' going concern assessment including the Group's forecast capital, liquidity, and leverage ratios over the period of twelve months from 23 February 2024 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 and challenge the reasonableness of assumptions used to develop the forecasts in the Corporate Plan and evaluating the accuracy of historical forecasting.
- Assessing the Group's funding plan and repayment plan for funding instruments maturing over the period of twelve months from 23 February 2024.
- Understanding and evaluating credit rating agency ratings and actions.

- Engaging internal prudential regulatory specialists to assess 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 going concern disclosure included in note 1 to the financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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 Company's ability to continue as a going concern for a period of twelve months from 23 February 2024.

In relation to the Group and Parent 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 and Parent Company'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 6 components in 5 countries and audit procedures on specific balances for a further 14 components in 13 countries. • In addition to the above, the Primary Audit Team also performed full-scope audit procedures on components related to the Group consolidation process • The components where we performed full or specific audit procedures accounted for 77% of the absolute profit before tax (PBT), 82% of absolute operating income and 92% of Total assets.
Key audit matters	• Credit impairment • 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 $221m 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 Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 219 reporting units of the Group, we selected 24 reporting units which represent 20 components in 17 countries: Bahrain, Bangladesh, India, Indonesia, Jersey, Japan, Kenya, Malaysia, Nigeria, Pakistan, Singapore, 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 (or associates), or a subsidiary.

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 (SSC), Commercial, Corporate and Institutional Banking SSC, Credit Impairment SSC and Technology, as well as certain other matters audited centrally by the Primary Audit Team.

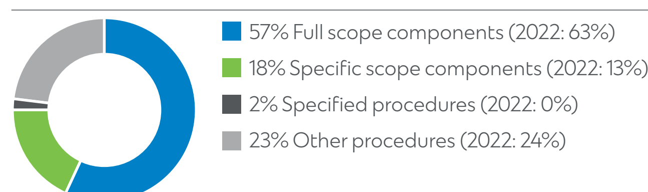
Of the 20 components selected in 17 countries, we performed an audit of the complete financial information of 6 components ("full scope components") which were selected based on their size or risk characteristics. For 11 components ("specific scope components") we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements either because of the size of certain aspects of credit impairment risk of these accounts or their risk profile. We also instructed 3 locations to perform specified procedures over certain aspects of credit impairment risk.

	Group's Absolute PBT		Group's Total assets		Group's Absolute Operating Income	
	2023	2022	**2023**	2022	**2023**	2022
Full scope components	**57%**	63%	**84%**	80%	**62%**	68%
Specific scope components	**18%**	13%	**8%**	12%	**18%**	15%
Specified procedures	**2%**	0%	**0.40%**	0%	**2%**	0%
Total	**77%**	**76%**	**92%**	**92%**	**82%**	**83%**

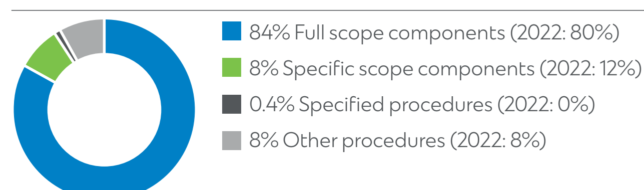
Of the remaining reporting units that together represent 23% of the Group's absolute PBT, none are individually greater than 3% of the Group's absolute PBT. For the components represented by these reporting units, we performed other procedures at the Group level which included: performing analytical reviews at the Group financial statement line item level, evaluating entity level controls, performing audit procedures on the centralised shared service centres, testing of consolidation journals and intercompany eliminations, inquiring with selected 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.

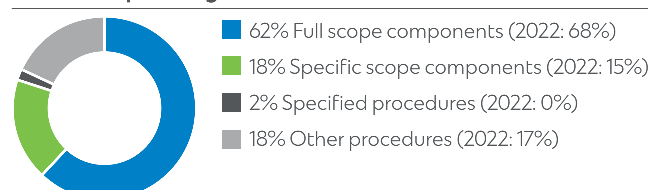
Absolute Profit before tax



Total assets



Absolute operating income



Changes from the prior year

We assessed our 2023 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.

Two components in Cameroon and South Africa, which were included in prior year audit scope and assigned specific scope, were excluded from the Group audit scope in the current year based on our updated risk assessment. These components represent individually no more than 0.2% of Group absolute PBT, 0.7% of the Group's absolute operating income and 0.4% of the Group's Total assets respectively in the current year. No component which was full scope in the prior year, has been excluded from Group audit scope for the 2023 audit.

For Germany, Australia, Ghana and Cameroon, the Primary Audit Team performed certain procedures centrally over the cash balances as at 31 December 2023. Malaysia, Indonesia, Pakistan and Kenya 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 2023, we assigned a specific scope to Bahrain and United Kingdom (Jersey) components that are significant based on risk, and specified procedures to Taiwan (Taipei Branch). 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 primary audit engagement team (the "Primary Audit Team"), or by component auditors from other firms operating under our instruction. All of the direct components of the Group (full, specific or specified procedures) were audited by EY global network firms.

Of the 6 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 1 specific scope component, the audit procedures were performed by the Primary Audit Team. Where components were audited by the Primary Audit Team, this was under the direction and supervision of the Senior Statutory Auditor. For the 13 remaining 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 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 continued to follow a programme of planned visits to component teams and shared service 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)
- Indonesia
- Malaysia (including the shared services centre)
- Pakistan
- Singapore (including the shared services centre)
- 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 SSC audit teams where appropriate during various stages of the audit, reviewed relevant working papers and deliverables to the Primary Audit Team, and were responsible for the scope and direction of the audit process.

The Primary Audit Team also undertook video conference meetings with component and SSC audit teams and management. These virtual meetings involved discussing the audit approach and any issues arising from their work, as well as performing remote reviews of key audit workpapers.

This, together with the 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 manages climate risk according to the characteristics of the impacted risk types and is embedding climate-risk considerations into relevant frameworks, including principal risk type frameworks, and processes. The assessment of the risk by the Group is explained on page 142 in the "Risk profile: Climate Risk" section and in the Strategic Report, where the Group has 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 strategic report, including by reference to the Annual Report of Standard Chartered PLC, 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 "Climate impact on the Group's balance sheet" of note 1 to the financial statements. As stated in these disclosures, the Group has considered Climate to be an area of significant accounting estimate and judgement through the uncertainty of future events and the impact of that uncertainty on the Group's assets and liabilities. The Group has concluded that whilst it is not currently quantitatively material, it considers climate to be qualitatively material.

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, and their climate commitments have been appropriately reflected in the valuation of assets and liabilities, where these can be reliably measured, following the currently effective 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 the associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are covered by the procedures described above.

Based on our work, we have considered the impact of climate change on the financial statements to impact certain key audit matters. 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
Credit Impairment Refer to the Accounting policies (page 180); Note 8 of the financial statements; and relevant credit risk disclosures (including pages 65 and 67) At 31 December 2023, the Group reported total credit impairment balance sheet provision of $3,788 million (2022: $4,601 million). Management's judgements and estimates are highly subjective as a result of the significant uncertainty associated with the estimation of expected future credit losses that are dependent upon several hard to estimate factors. Assumptions with increased complexity in respect of the timing and measurement of expected credit losses (ECL) include: • **Staging** – the determination of what constitutes significant increase in credit risk and consequent timely allocation of qualifying 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 identified model deficiencies or risks not fully captured by the models; • **Economic scenarios** – Significant judgements involved in the determination of the appropriateness of economic variables, the future forecasting of these variables and the parameters used in the Monte Carlo Simulation. The assessment of non-linearity produced by the Monte Carlo simulation, the benchmarking of the output and the evaluation of the need for 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, expected future cashflows and the timing of these cashflows In 2023, the most material factors impacting the ECL were in relation to sovereign downgrades impacted by dollar availability, the continuing impact of higher interest rates and inflation and geopolitical uncertainty. In addition, where relevant we considered the impact of climate on the impairment provisions. Overall, these factors were prevalent in the prior year, and consequently the risk of a material misstatement to the ECL remained consistent with that of the prior year.	We evaluated the design of controls relevant to the Group's systems and processes over material ECL balances, including the judgements and estimates noted, involving EY specialists to assist us in performing our procedures where relevant. Based on our evaluation we selected the controls upon which we intended to rely and tested those for operating effectiveness. We increased the extent of our reliance on controls over model governance and in certain locations of the stage 3 exposures. We performed an overall stand-back assessment of the ECL allowance in total and by stage to determine if the ECL was reasonable. We considered the overall credit quality of the Group's portfolios, risk profile and the impact of sovereign downgrades. We performed peer benchmarking to the extent that this was considered relevant and investigated and sought explanations for any areas noted as being outliers. Our assessment also included the evaluation of the macroeconomic environment by considering trends in the economies and countries to which the Group is exposed. **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 the completeness of the identification of significant increase in credit risk, 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 by the PLC Group) resulted in a significant increase in credit risk at a sector level. **Modelled output and adjustments** – We performed a risk assessment on models involved in the ECL calculation using EY independently determined quantitative and qualitative criteria to select a sample of models to test. Based on this risk assessment, 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 or for known model deficiencies. This included the completeness and appropriateness of these adjustments. In response to new or enhanced models implemented this year to address known weaknesses in previous models, we performed substantive testing procedures as defined by our model inherent risk assessment process, including code review and implementation testing. We did not rely on controls over model monitoring and therefore adopted a substantive approach comprising reperformance of 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.	We highlighted the following matters to the Audit Committee: • We increased the extent of our reliance of controls over model governance and stage 3 exposures in certain locations; • Our evaluation of the appropriateness of the significant increase in credit risk triggers, and the results of our sensitivity analysis and recalculation of the staging • our assessment of the assumptions used to determine the Stage 3 ECL; • Our assessment of the completeness and measurement of post model adjustments and overlays; • Our assessment of the quantum of the non-linearity adjustment produced by the Monte Carlo model including the comparison to the non-linearity produced by running narrative discrete scenarios; • Our assessment of the appropriateness of the Group's models to generate the ECL and staging outcomes including the appropriateness and validity of the data used in the models and to generate the staging and consequent ECL. • Our evaluation of management's enhanced modelling approach to the assessment of the potential impact on ECL from climate change;

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Credit Impairment (continued)	**Economic scenarios** – In collaboration with our economists and modelling specialists, we challenged the completeness and appropriateness of the macroeconomic variables used as inputs to the ECL models. 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 reviewed and challenged the appropriateness of the underlying coding and assumptions used in the Monte Carlo simulation. We assessed the reasonableness of the non-linearity impact on ECL allowances. We engaged our economists and modelling specialists, to assess and challenge the Group's choice of discrete scenarios to benchmark the output from the Monte Carlo model and determine the sensitivity analysis as set out on page 101 in the annual report. This challenge included the choice of narrative scenarios and we independently challenged the output from these scenarios using independently determined EY weights for each scenario. We also performed a stand-back assessment by benchmarking the resulting non-linearity uplift and overall ECL charge and provision coverage to peers. **Management overlays** – We challenged the completeness and appropriateness of overlays used for risks not captured by the models. We focussed our challenge on sovereign risks and the sustained impact of higher interest rates and inflation. Our procedures included assessing the need for management overlays, and evaluating the assumptions and judgments used to determine each overlay taking current market conditions into account. **Individually assessed ECL allowances** - Our procedures included challenging management's forward-looking economic assumptions of the recovery outcomes identified, cashflow profile and timing, individual probability weightings for each scenario, 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 also considered whether planned exit strategies were viable.	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
Impairment assessment of goodwill and investments in subsidiary undertakings a) Impairment of Goodwill: Accounting policies (page 249); and Note 16 of the financial statements. b) Impairment of investments in subsidiary undertakings: Accounting policies (page 283); and Note 31 of the financial statements. At 31 December 2023, the Group reported Goodwill balance of $1,299 million (2022: $1,323 million). In the Parent Company financial statements, investment in subsidiary undertakings balance comprised $10,066 million (2022: $10,300 million). During the year there were no impairment of Goodwill recognised (2022: $10million), and in the Parent Company financial statements, recognised an impairment of investment of investments in subsidiaries of $298 million net of reversals (2022: reversal of impairment of $249 million). 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. The 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. 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. 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 2023 and the related disclosures, are not materially misstated. We also concluded that the investments in subsidiary undertakings balance reported in the Parent Company financial statements and the associated disclosures, are not materially misstated as at 31 December 2023.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of financial instruments held at fair value with higher risk characteristics Refer to the accounting policies (page 192) and Note 12 to the financial statements. At 31 December 2023, the Group reported financial assets measured at fair value of $212,208 million (2022: $218,831 million), and financial liabilities at fair value of $120,992 million (2022: $136,266 million), of which financial assets of $4,234 million (2022: $4,744 million) and financial liabilities of $1,591 million (2022: $888 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 validation 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 testing on a risk-assessed sample basis: Test complex model-dependent valuations by independently revaluing 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, Level 3 loans at fair value, Level 3 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 macroeconomic environment. 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: • We did not identify material differences arising from our independent testing of complex model-dependent valuations; • Fair values of derivative transactions, debt securities in issue, unlisted equity investments, Level 3 loans, Level 3 debt and other financial instruments valued using pricing information with limited observability were not materially misstated as at 31 December 2023, 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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Privileged Access Management 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, 2021 and 2022 audits, a number of significant infrastructure privileged access management 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 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. The risk has decreased in comparison to prior year due to management's remediation program.	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 2023.	We communicated the results of our audit procedures to the Audit Committee throughout the audit, in respect of the effectiveness of privileged access management controls and explained the results of the additional audit procedures performed and noted an overall improvement in the control environment during the course of the year. As a result of the procedures performed, we have reduced the risk that our audit has not identified a material error in the financial statements, related to infrastructure privileged access management, to an appropriate level.

The key audit matters remain consistent from prior year.

Our application of materiality

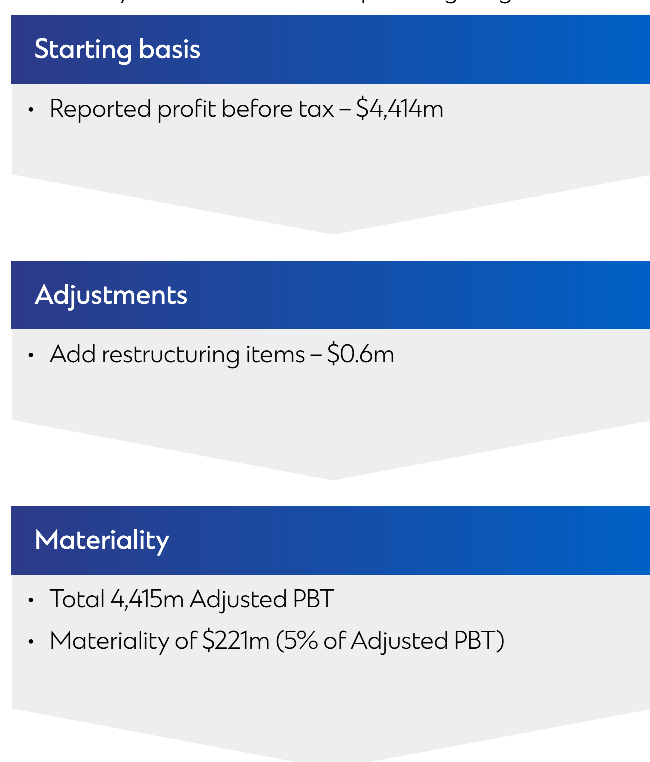
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

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 $221 million (2022: $178 million), which is 5% (2022: 5%) of adjusted PBT. This reflects actual PBT adjusted for non-recurring items relating to restructuring. We believe that adjusted PBT provides us with 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.

During 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 Company to be $155 million (2022: $178 million), which is 5% of adjusted PBT (2022: was aligned to the materiality of the Group). We believe that adjusted PBT provides us with most appropriate measure for the users of the financial statements, given the Company is profit making, it is consistent with the wider industry, it is the standard for regulated entities and we believe it reflects the most relevant measure for users of the financial statements.

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 assessment, together with our evaluation of the Group's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely $111m (2022: $89m). 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 scale 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 $11.4m million to $22.8m million (2022: $8.8 million to $34.1 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 (2022: $8 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.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report and Accounts, including: the Strategic Report, Directors' Report, Statement of Directors' Responsibilities, Risk Review and Capital Review (other than those sections marked as audited), Supplementary information and Glossary, 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, 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 57, 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), regulations and supervisory requirements of the Prudential Regulation Authority (PRA), FRC, Financial Conduct Authority (FCA) and other overseas regulatory requirements, including but not limited to regulations in its major markets such as India, Singapore, the United Arab Emirates and 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 it would have resulted in it 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 principal 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 3 May 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.
- The period of total uninterrupted engagement is four years, covering the years ended 31 December 2020 to 31 December 2023.
- 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
23 February 2024

Consolidated income statement
For the year ended 31 December 2023

	Notes	2023 $million	2022 $million
Interest income		18,380	9,765
Interest expense		(13,773)	(5,314)
Net interest income	3	4,607	4,451
Fees and commission income		3,094	2,863
Fees and commission expense		(656)	(709)
Net fees and commission income	4	2,438	2,154
Net trading income	5	4,100	3,743
Other operating income	6	404	(114)
Operating income		11,549	10,234
Staff costs		(6,286)	(5,748)
Premises costs		(241)	(228)
General administrative expenses		27	(75)
Depreciation and amortisation		(647)	(611)
Operating expenses	7	(7,147)	(6,662)
Operating profit before impairment losses and taxation		4,402	3,572
Credit impairment	8	58	22
Goodwill, property, plant and equipment and other impairment	9	(42)	(107)
Loss from associates and joint ventures	31	(4)	(13)
Profit before taxation		4,414	3,474
Taxation	10	(1,177)	(1,122)
Profit for the year		3,237	2,352
Profit attributable to:			
Non-controlling interests	28	29	(18)
Parent company shareholders		3,208	2,370
Profit for the year		3,237	2,352

The notes on pages 167 to 305 form an integral part of these financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2023

	Notes	2023 $million	2022 $million
Profit for the year		**3,237**	2,352
Other comprehensive income/(loss)			
Items that will not be reclassified to income statement:		**107**	(27)
Own credit gains/(losses) on financial liabilities designated at fair value through profit or loss		**99**	(26)
Equity instruments at fair value through other comprehensive income		**110**	(41)
Actuarial (losses)/gains on retirement benefit obligations	29	**(27)**	23
Taxation relating to components of other comprehensive income	10	**(75)**	17
Items that may be reclassified subsequently to income statement:		**255**	(2,739)
Exchange differences on translation of foreign operations:			
Net losses taken to equity		**(563)**	(1,328)
Net (losses)/gains on net investment hedges	13	**(18)**	54
Debt instruments at fair value through other comprehensive income:			
Net valuation gains/(losses) taken to equity		**300**	(1,285)
Reclassified to income statement	6	**92**	157
Net impact of expected credit loss		**(48)**	120
Cash flow hedges:			
Net movements in cash flow hedge reserve	13	**583**	(592)
Taxation relating to components of other comprehensive income	10	**(91)**	135
Other comprehensive gain/(loss) for the year, net of taxation		**362**	(2,766)
Total comprehensive income/(loss) for the year		**3,599**	(414)
Total comprehensive income/(loss) attributable to:			
Non-controlling interests	28	**(2)**	(56)
Parent company shareholders		**3,601**	(358)
Total comprehensive income/(loss) for the year		**3,599**	(414)

Consolidated balance sheet

As at 31 December 2023

	Notes	Group 2023 $million	Group 2022 $million	Company 2023 $million	Company 2022 $million
Assets					
Cash and balances at central banks	12,34	**64,198**	50,531	**52,758**	38,867
Financial assets held at fair value through profit or loss	12	**97,100**	82,554	**86,412**	75,792
Derivative financial instruments	12,13	**52,554**	65,050	**53,221**	65,481
Loans and advances to banks	12,14	**22,803**	27,383	**10,135**	18,548
Loans and advances to customers	12,14	**156,143**	158,126	**75,883**	80,611
Investment securities	12	**102,474**	113,028	**92,771**	95,372
Other assets	19	**28,507**	37,641	**21,742**	31,715
Due from subsidiary undertakings and other related parties		**5,666**	6,387	**10,053**	13,214
Current tax assets	10	**484**	446	**395**	347
Prepayments and accrued income		**2,072**	2,172	**1,386**	1,598
Interests in associates and joint ventures	31	**81**	143	**–**	–
Investments in subsidiary undertakings	31	**–**	–	**10,066**	10,300
Goodwill and intangible assets	16	**4,210**	4,052	**2,359**	2,279
Property, plant and equipment	17	**1,030**	994	**521**	430
Deferred tax assets	10	**502**	741	**379**	579
Assets classified as held for sale	20	**755**	1,486	**68**	592
Total assets		**538,579**	550,734	**418,149**	435,725
Liabilities					
Deposits by banks	12	**23,616**	24,150	**18,280**	17,900
Customer accounts	12	**237,902**	243,075	**121,648**	137,422
Repurchase agreements and other similar secured borrowing	12,15	**12,033**	1,991	**11,977**	1,723
Financial liabilities held at fair value through profit or loss	12	**65,819**	67,408	**64,467**	66,189
Derivative financial instruments	12,13	**55,173**	68,858	**55,531**	69,203
Debt securities in issue	12,21	**36,481**	36,982	**34,740**	34,992
Other liabilities	22	**24,477**	25,925	**19,213**	20,990
Due to parent companies, subsidiary undertakings & other related parties		**31,166**	28,102	**47,317**	39,933
Current tax liabilities	10	**445**	556	**188**	329
Accruals and deferred income		**4,288**	3,890	**2,453**	2,140
Subordinated liabilities and other borrowed funds	12,26	**11,454**	13,269	**10,896**	12,729
Deferred tax liabilities	10	**582**	577	**477**	486
Provisions for liabilities and charges	23	**235**	335	**171**	249
Retirement benefit obligations	29	**177**	166	**133**	124
Liabilities included in disposal groups held for sale	20	**787**	1,307	**5**	345
Total liabilities		**504,635**	516,591	**387,496**	404,754
Equity					
Share capital and share premium account	27	**21,643**	22,393	**21,643**	22,393
Other reserves		**(6,509)**	(6,965)	**(3,403)**	(4,252)
Retained earnings		**12,988**	12,801	**7,671**	8,080
Total parent company shareholders' equity		**28,122**	28,229	**25,911**	26,221
Other equity instruments	27	**4,742**	4,750	**4,742**	4,750
Total equity excluding non-controlling interests		**32,864**	32,979	**30,653**	30,971
Non-controlling interests	28	**1,080**	1,164	**–**	–
Total equity		**33,944**	34,143	**30,653**	30,971
Total equity and liabilities		**538,579**	550,734	**418,149**	435,725

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 year after tax is $2,585 million (2022: Profit after tax $2,372 million).

The notes on pages 167 to 305 form an integral part of these financial statements

These financial statements were approved by the Court of Directors and authorised for issue on 23 February 2024 and signed on its behalf by:

Bill Winters, Director

Diego De Giorgi, Director

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Share capital and share premium account $million	Capital and merger reserves[1] $million	Own credit adjustment reserve $million	Fair value through other comprehensive income reserve – debt $million	Fair value through other comprehensive income reserve – equity $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders' equity $million	Other equity instruments $million	Non-controlling interests $million	Total $million
As at 1 January 2022	22,393	40	(3)	112	175	(11)	(4,544)	11,278	29,440	4,749	1,248	35,437
Profit/(loss) for the year	–	–	–	–	–	–	–	2,370	2,370	–	(18)	2,352
Other comprehensive (loss)/income[9]	–	–	(23)	(963)	(9)	(502)	(1,249)	18[2]	(2,728)	–	(38)	(2,766)
Distributions	–	–	–	–	–	–	–	–	–	–	(87)	(87)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	1,000	–	1,000
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	(999)	–	(999)
Share option expenses	–	–	–	–	–	–	–	152	152	–	–	152
Dividends on ordinary shares	–	–	–	–	–	–	–	(575)	(575)	–	–	(575)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(311)	(311)	–	–	(311)
Deemed distribution to parent[3]	–	–	–	–	–	–	–	(159)	(159)	–	–	(159)
Other movements	–	–	–	–	–	–	12[4]	28[5]	40	–	59[6]	99
As at 31 December 2022	**22,393**	**40**	**(26)**	**(851)**	**166**	**(513)**	**(5,781)**	**12,801**	**28,229**	**4,750**	**1,164**	**34,143**
Profit for the year	–	–	–	–	–	–	–	3,208	3,208	–	29	3,237
Other comprehensive income/(loss)[9]	–	–	73	337	66	500	(550)	(33)[2]	393	–	(31)	362
Distributions	–	–	–	–	–	–	–	–	–	–	(103)	(103)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	992	–	992
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	(1,000)	–	(1,000)
Share option expenses	–	–	–	–	–	–	–	174	174	–	–	174
Dividends on ordinary shares	–	–	–	–	–	–	–	(2,599)	(2,599)	–	–	(2,599)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(363)	(363)	–	–	(363)
Deemed distribution to parent[3]	–	–	–	–	–	–	–	(174)	(174)	–	–	(174)
Share buyback[10]	(750)	–	–	–	–	–	–	–	(750)	–	–	(750)
Other movements[7]	–	–	–	–	(41)	–	71[4]	(26)	4	–	21[8]	25
As at 31 December 2023	**21,643**	**40**	**47**	**(514)**	**191**	**(13)**	**(6,260)**	**12,988**	**28,122**	**4,742**	**1,080**	**33,944**

1 Includes capital reserve of $35 million, capital redemption reserve of $5 million
2 Comprises actuarial gain/(loss) on Group defined benefit schemes
3 Relates to deemed distribution to parent company arising from share-based payment net of taxation of $174 million (2022: $159 million)
4 Movement related to Translation adjustment
5 Movement relating to $21 million NCI on Power2SME Pte. Ltd. and $8 million on CurrencyFair Limited
6 Movements related to non-controlling interest from Trust Bank Singapore Limited ($47 million), Power2SME Pte. Ltd. ($9 million) and Zodia Markets Holdings Limited ($3 million)
7 Movements in Reserves relating to Ventures Group due to change in ownership
8 Movement from non-controlling interest of $28 million primarily from Trust Bank Singapore offset by release of non-controlling interest relating to Venture group ($7 million) due to change in ownership
9 All the amounts are net of tax
10 At an Extraordinary General Meeting of the Company duly convened and held at 1 Basinghall Avenue, London, EC2V 5DD on 26 June 2023, the capital of the Company was reduced by (i) cancelling and extinguishing 7,500 7.014% non-cumulative preference shares of US$5 each in the capital of the Company (the "Preference Shares") and (ii) reducing the amount standing to the credit of the Company's share premium account by US$749,962,500, and a repayment of capital of US$750,000,000 be paid to the holder of the Preference Shares.

Note 27 includes a description of each reserve.

The notes on pages 167 to 305 form an integral part of these financial statements

Cash flow statement
For the year ended 31 December 2023

	Notes	Group		Company	
		2023 $million	2022 (Restated)[1] $million	2023 $million	2022 (Restated)[1] $million
Cash flows from operating activities:					
Profit before taxation		**4,414**	3,474	**3,088**	2,996
Adjustments for non-cash items and other adjustments included within income statement	33	**(107)**	1,900	**(790)**	381
Change in operating assets[1]	33	**4,406**	7,630	**23,104**	(2,793)
Change in operating liabilities	33	**(4,503)**	6,954	**(13,891)**	4,521
Contributions to defined benefit schemes	29	**(60)**	(46)	**(46)**	(36)
UK and overseas taxes paid	10	**(1,229)**	(782)	**(658)**	(359)
Net cash from operating activities		**2,921**	19,130	**10,807**	4,710
Cash flows from investing activities:					
Internally generated capitalised software	16	**(649)**	(761)	**(378)**	(501)
Purchase of property, plant and equipment	17	**(100)**	(139)	**(53)**	(59)
Disposal of property, plant and equipment	17	**15**	30	**1**	14
Acquisition of investment in subsidiaries, associates and joint ventures	31	**(1)**	(25)	**–**	–
Dividends received from subsidiaries, associates and joint ventures	31	**4**	6	**2,060**	1,046
Disposal of subsidiaries, associates and joint ventures		**486**	–	**–**	–
Disposal of assets held for sale and associated liabilities		**108**	–	**108**	–
Purchase of investment securities		**(124,780)**	(156,905)	**(91,970)**	(114,671)
Disposal and maturity of investment securities		**136,837**	138,165	**97,216**	98,999
Net cash from/(used in) from investing activities		**11,920**	(19,629)	**6,984**	(15,172)
Cash flows from financing activities:					
Cancellation of shares including share buyback	27	**(750)**	–	**(750)**	–
Premises and equipment lease liability principal payment		**(97)**	(129)	**(45)**	(78)
Issue of Additional Tier 1 capital, net of expenses	27	**992**	1,000	**992**	1,000
Redemption of Tier 1 capital	27	**(1,000)**	(999)	**(1,000)**	(999)
Gross proceeds from issue of subordinated liabilities	33	**18**	750	**–**	750
Interest paid on subordinated liabilities	33	**(714)**	(424)	**(583)**	(378)
Repayment of subordinated liabilities	33	**(2,160)**	(1,008)	**(2,160)**	(1,008)
Proceeds from issue of senior debts	33	**5,597**	5,316	**4,820**	4,091
Repayment of senior debts	33	**(2,546)**	(1,490)	**(1,806)**	(298)
Interest paid on senior debts	33	**(235)**	(1)	**(235)**	(1)
Net cash inflow from non-controlling interests	28	**21**	59	**–**	–
Distributions and Dividends paid to non-controlling interests, preference shareholders and AT1 securities	11,28	**(466)**	(398)	**(363)**	(311)
Dividends paid to ordinary shareholders	11	**(2,599)**	(575)	**(2,599)**	(575)
Net cash (used in)/from financing activities		**(3,939)**	2,101	**(3,729)**	2,193
Net increase/(decrease) in cash and cash equivalents		**10,902**	1,602	**14,062**	(8,269)
Cash and cash equivalents at beginning of the year[1]		**78,255**	78,824	**40,264**	49,394
Effect of exchange rate movements on cash and cash equivalents		**(797)**	(2,171)	**(338)**	(861)
Cash and cash equivalents at end of the year[1]	34	**88,360**	78,255	**53,988**	40,264

1 Refer to note 33 and 34 for details of the restatement

For Bank Group, Interest received was $18,174 million (31 December 2022: $8,897 million) , interest paid was $13,773 million (31 December 2022: $4,356 million).

For Bank Company Interest received was $12,518 million (31 December 2022: $5,355 million), interest paid was $10,787 million (31 December 2022: $3,394 million).

Company statement of changes in equity
For the year ended 31 December 2023

	Share capital and share premium account $million	Capital and merger reserves[1] $million	Own credit adjustment reserve $million	Fair value through other comprehensive income reserve – debt $million	Fair value through other comprehensive income reserve – equity $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders' equity $million	Other equity instruments $million	Total $million
As at 1 January 2022	22,393	40	1	(90)	148	(39)	(2,149)	6,594	26,898	4,749	31,647
Profit for the year	–	–	–	–	–	–	–	2,372	2,372	–	2,372
Other comprehensive (loss)/income[4]	–	–	(25)	(950)	(1)	(483)	(704)	6[2]	(2,157)	–	(2,157)
Shares issued, net of expenses	–	–	–	–	–	–	–	–	–	–	–
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	1,000	1,000
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	(999)	(999)
Share option expenses	–	–	–	–	–	–	–	98	98	–	98
Dividends on ordinary shares	–	–	–	–	–	–	–	(575)	(575)	–	(575)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(311)	(311)	–	(311)
Deemed distribution to parent[3]	–	–	–	–	–	–	–	(104)	(104)	–	(104)
Other movements	–	–	–	–	–	–	–	–	–	–	–
As at 31 December 2022	22,393	40	(24)	(1,040)	147	(522)	(2,853)	8,080	26,221	4,750	30,971
Profit for the year	–	–	–	–	–	–	–	2,585	2,585	–	2,585
Other comprehensive income/(loss)[4]	–	–	73	324	67	471	(86)	(21)[2]	828	–	828
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	992	992
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	(1,000)	(1,000)
Share option expenses	–	–	–	–	–	–	–	114	114	–	114
Dividends on ordinary shares	–	–	–	–	–	–	–	(2,599)	(2,599)	–	(2,599)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	(363)	(363)	–	(363)
Deemed distribution to parent[3]	–	–	–	–	–	–	–	(113)	(113)	–	(113)
Share buyback[5]	(750)	–	–	–	–	–	–	–	(750)	–	(750)
Other movements	–	–	–	–	–	–	–	(12)	(12)	–	(12)
As at 31 December 2023	21,643	40	49	(716)	214	(51)	(2,939)	7,671	25,911	4,742	30,653

1 Includes capital reserve of $35 million, capital redemption reserve of $5 million
2 Comprises actuarial gain/(loss) on Group defined benefit schemes
3 Relates to deemed distribution to parent company arising from share-based payment net of taxation of $113 million (31 December 2022: $104 million)
4 All the amounts are net of tax

5 At an Extraordinary General Meeting of the Company duly convened and held at 1 Basinghall Avenue, London, EC2V 5DD on 26 June 2023, the capital of the Company was reduced by (i) cancelling and extinguishing 7,500 7.014% non-cumulative preference shares of US$5 each in the capital of the Company (the "Preference Shares") and (ii) reducing the amount standing to the credit of the Company's share premium account by US$749,962,500, and a repayment of capital of US$750,000,000 be paid to the holder of the Preference Shares.

Note 27 includes a description of each reserve.

The notes on pages 167 to 305 form an integral part of these financial statements.

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Notes to the financial statements

1. Accounting policies

Statement of compliance

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

The parent company financial statements present information about the Company as a separate entity.

The Group financial statements have been prepared and approved by the directors in accordance with UK- adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU IFRS). There are no significant differences between UK-adopted international accounting standards and 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 following parts of the Risk review and Capital review form part of these financial statements:

a) Risk review: Disclosures from the start of Risk profile section (page 60) to the end of other principal risks in the same section (page 120) excluding:

- Liquidity coverage ratio (LCR), (page 110)
- Stressed coverage, (page 110)
- Net stable funding ratio (NSFR), (page 111)
- Liquidity pool, (page 111)
- Interest Rate Risk in the Banking Book, (page 118)
- Operational risk, (page 119)
- Other principal risks, (page 120)

b) Capital review: from the start of 'Capital Requirements Directive (CRD) capital base' to the end of 'movement in total capital', excluding capital ratios and risk-weighted assets (RWA)

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:

- Expected credit loss calculations (Note 8)
- Financial instruments measured at fair value (Note 12)
- Investments in subsidiary undertakings (Note31)

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 16)
- Retirement benefit obligations (Note 29)
- Share-based payments (Note 30)

1. Accounting policies continued

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 PLC Group has assessed the impact of climate risk on the financial report. This is set out within the Sustainability Review chapter in the PLC Annual Report 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 in 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.

The areas of impact where judgements and the use of estimates have been applied were credit risk and the impact on lending portfolios; 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). At PLC Group level, the setting of net zero targets for our high carbon sectors, which as of this annual report covers 11 of the 12 high carbon sectors as mandated by the Net Zero Banking Alliance, manages transition risk. Net zero targets enable the portfolio managers to work with our clients on their transition, deploy capital to those clients which are engaged and have adequate transition pathways, and exit clients that refuse to work with the Group on moving from a high carbon present to a low carbon future. All of these actions manage the Group's transition risk and engage clients before transition risk manifests itself into credit losses.

Physical risk is already included within the majority of our mortgage lending decisions, 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 Environmental, Sustainability or Governance (ESG) triggers may affect the cash flows received by the Group under the contractual terms of the instrument.

The PLC Group Climate Risk team have performed a 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. The Climate risk impact assessment on IFRS 9 business as usual ECL has been conducted based on newly developed internal climate risk models for four Corporate sectors (Oil and Gas, Power, Steel and Mining) and Sovereigns, whilst the top-down approach developed in 2022 was used for the remaining portfolios. The impact assessment resulted in a marginal ECL increase across CCIB and CPBB, which will not be recorded as an overlay for the Group or the PLC Group at the 2023 year end.

The PLC Group's corporate plan has a 5 year outlook and considers the high carbon sectors the Group finances. The majority of the PLC Group high carbon sector targets are production/physical intensities which allow continued levels of lending as long as the products the client produce have a decreasing carbon cost. For Coal Mining and Oil and Gas, these sectors have absolute targets which represent a decreasing carbon budget. Coal Mining is an immaterial book, whilst for Oil and Gas lending is being actively monitored towards lower carbon counterparties and technologies. The corporate plan is shorter term than many of the climate scenario outlooks but seeks to capture the nearer term performance as required by recoverability models. The PLC Group has for the second time in the 2024 corporate plan included anticipated ECL charges linked to climate for four sectors (Oil and Gas, Metals and Mining, Power and Transport excluding Aviation) 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.

The PLC Group has further progressively strengthened its scenario analysis capabilities with the modelling of Climate Risk impact over a 30-year period across multiple dimensions including scenario data and pathways. This has been limited by availability of client-specific data, and modelling limitations which have required judgements to be made around scenarios chosen, regression and proxies used. 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 bespoke 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.

1. Accounting policies continued

Comparatives

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

- Cash flow statement
- Note 2 Segmental information
- Note 33 Cash flow statement
- Note 34 Cash and cash equivalents

New accounting standards adopted by the Group

There were no new accounting standards or interpretations that had a material effect on the Group's Financial Statements in 2023.

New accounting standards in issue but not yet effective

IAS 21 Amendment - Lack of Exchangeability

The IAS 21 amendment was issued in August 2023 and is effective for annual reporting periods beginning on or after January 1, 2025. This amendment is not yet endorsed for use in the United Kingdom. The amendment provides guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendment requires disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The Group will apply the IAS 21 Amendment for annual reporting periods beginning on January 1, 2025 and is currently assessing the impact on the Group's financial statements but do not expect this to be material.

Going concern

These financial statements were approved by the Court of directors on 23 February 2024. The directors have made an assessment of the Group's ability to continue as a going concern. This assessment has been made having considered the current macroeconomic and geopolitical headwinds, including:

- A review of the Group Strategy and Corporate plan
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual revised budget.
- Consideration of stress testing performed, including the PCL Group's Recovery Plan (RP) which include the application of stressed scenarios. Under the tests and through the range of scenarios, the results of these exercises and the RP 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 PLC Group, including the capital and leverage ratios, and ICAAP which summarises the PLC Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, PLC Group's funding and liquidity was considered in the context of the risk appetite metrics, including the PLC Group's LCR ratio
- The PLC 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 PLC Group's debt in issue, including redemptions and issuances during the year, debt falling due for repayment in the next 12 months and further planned debt issuances, including the appetite in the market for the PLC Group's debt
- A detailed review of all PLC Group's principal and emerging risks

Based on the analysis performed, the directors confirm they are satisfied that the Group has adequate resources to continue in business for a period of at least 12 months from 23 February 2024. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

Changes in accounting policies

The Group has changed its accounting policy regarding the determination of the cost of its portfolio of Investment Securities held at amortised cost and Debt securities and other eligible bills, other than those included within financial instruments held at fair value through profit or loss. Refer to Note 12 Financial Instruments.

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.

Restructuring items excluded from underlying results

The Group's reported 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 loss of $117 million primarily relates to the exits in AME. The Group is also reclassifying the movement in Debit Valuation Adjustment (DVA) into restructuring and other items.

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

Profit before taxation (PBT)

	2023					
	Underlying $million	Restructuring $million	DVA $million	Net gain on businesses disposed off[1] $million	Goodwill and Other impairment $million	Reported $million
Operating income	11,408	151	27	(37)	–	11,549
Operating expenses	(6,869)	(278)	–	–	–	(7,147)
Operating profit/(loss) before impairment losses and taxation	4,539	(127)	27	(37)	–	4,402
Credit impairment	46	12	–	–	–	58
Other impairment	(40)	(2)	–	–	–	(42)
Loss from associates and joint ventures	(4)	–	–	–	–	(4)
Profit/(loss) before taxation	4,541	(117)	27	(37)	–	4,414

	2022[2]					
	Underlying $million	Restructuring $million	DVA $million	Net gain on business disposed off $million	Goodwill and Other impairment $million	Reported $million
Operating income	10,017	164	33	20	–	10,234
Operating expenses	(6,433)	(229)	–	–	–	(6,662)
Operating profit/(loss) before impairment losses and taxation	3,584	(65)	33	20	–	3,572
Credit impairment	25	(3)	–	–	–	22
Other impairment	(85)	(12)	–	–	(10)	(107)
Loss from associates and joint ventures	(13)	–	–	–	–	(13)
Profit/(loss) before taxation	3,511	(80)	33	20	(10)	3,474

1 Net gain on businesses disposed of for sale includes a loss of $37million in relation to a sale of a portfolio of Aviation loans
2 Restructuring, DVA and other items for relevant periods in 2022 have been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA from underlying operating performance

2. Segmental information continued
Underlying performance by client segment

	2023				
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & Other Items (Segment) $million	Total $million
Operating income	7,972	3,456	137	(157)	11,408
External	6,026	2,124	138	3,120	11,408
Inter-segment	1,946	1,332	(1)	(3,277)	–
Operating expenses	(4,103)	(1,989)	(329)	(448)	(6,869)
Operating profit/(loss) before impairment losses and taxation	3,869	1,467	(192)	(605)	4,539
Credit impairment	153	(128)	(13)	34	46
Other impairment	(35)	(4)	(24)	23	(40)
(Loss)/profit from associates and joint ventures	–	–	(24)	20	(4)
Underlying profit/(loss) before taxation	3,987	1,335	(253)	(528)	4,541
Restructuring	(91)	(31)	(4)	9	(117)
Goodwill and other impairment	–	–	–	–	–
DVA	27	–	–	–	27
Other Items[1]	(37)	–	–	–	(37)
Reported profit/(loss) before taxation	3,886	1,304	(257)	(519)	4,414
Total assets	285,036	49,137	2,208	202,198	538,579
Total liabilities	330,747	70,953	1,535	101,400	504,635

	2022[2]				
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & Other Items (Segment) $million	Total $million
Operating income	6,917	2,828	3	269	10,017
External	6,321	2,274	3	1,419	10,017
Inter-segment	596	554	–	(1,150)	–
Operating expenses	(3,755)	(1,873)	(242)	(563)	(6,433)
Operating profit/(loss) before impairment losses and taxation	3,162	955	(239)	(294)	3,584
Credit impairment	186	(18)	(2)	(141)	25
Other impairment	(9)	(6)	(20)	(50)	(85)
(Loss)/profit from associates and joint ventures	–	–	(16)	3	(13)
Underlying profit/(loss) before taxation	3,339	931	(277)	(482)	3,511
Restructuring	(26)	(31)	(1)	(22)	(80)
Goodwill and other impairment	–	–	–	(10)	(10)
DVA	33	–	–	–	33
Other Items	–	–	–	20	20
Reported profit/(loss) before taxation	3,346	900	(278)	(494)	3,474
Total assets	299,628	47,435	900	202,771	550,734
Total liabilities	348,587	66,777	517	100,710	516,591

1 Other items includes loss of $37 million in relation to the sale of a portfolio of Aviation loans
2 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance

2. Segmental information continued

Operating income by client segment

	2023				
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & Other Items (Segment) $million	Total $million
Underlying operating income	7,972	3,456	137	(157)	11,408
Restructuring	70	45	–	36	151
Other items[1]	(37)	–	–	–	(37)
DVA	27	–	–	–	27
Reported operating income	8,032	3,501	137	(121)	11,549

	2022[2]				
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & Other Items (Segment) $million	Total $million
Underlying operating income	6,917	2,828	3	269	10,017
Restructuring	93	47	–	24	164
Other items	–	–	–	20	20
DVA	33	–	–	–	33
Reported operating income	7,043	2,875	3	313	10,234

1 Other items includes loss of $37 million in relation to the sale of a portfolio of Aviation loans
2 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance

Underlying performance by region

	2023				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & Other Items (Region) $million	Total $million
Operating income	5,331	2,764	1,682	1,631	11,408
Operating expenses	(2,812)	(1,597)	(1,659)	(801)	(6,869)
Operating profit before impairment losses and taxation	2,519	1,167	23	830	4,539
Credit impairment	(64)	91	28	(9)	46
Other impairment	(39)	(15)	(12)	26	(40)
(Loss)/profit from associates and joint ventures	–	–	(24)	20	(4)
Underlying profit before taxation	2,416	1,243	15	867	4,541
Restructuring	(45)	16	(20)	(68)	(117)
Goodwill and other impairment	–	–	–	–	–
DVA	(6)	26	7	–	27
Other Items[1]	(14)	(18)	(5)	–	(37)
Reported profit/(loss) before taxation	2,351	1,267	(3)	799	4,414
Total assets	162,185	37,408	308,279	30,707	538,579
Total liabilities	148,595	37,288	217,279	101,473	504,635

2. Segmental information continued

	2022[2]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & Other Items (Region) $million	Total $million
Operating income	4,614	2,431	2,579	393	10,017
Operating expenses	(2,653)	(1,552)	(1,456)	(772)	(6,433)
Operating profit/(loss) before impairment losses and taxation	1,961	879	1,123	(379)	3,584
Credit impairment	60	(115)	88	(8)	25
Other impairment	(4)	2	2	(85)	(85)
Loss from associates and joint ventures	–	–	–	(13)	(13)
Underlying profit/(loss) before taxation	2,017	766	1,213	(485)	3,511
Restructuring	(4)	25	(35)	(66)	(80)
Goodwill and other impairment	–	–	–	(10)	(10)
DVA	11	8	14	–	33
Other Items	–	–	–	20	20
Reported profit/(loss) before taxation	2,024	799	1,192	(541)	3,474
Total assets	152,356	37,515	324,039	36,824	550,734
Total liabilities	134,639	37,912	256,031	88,009	516,591

1 Other items includes loss of $37 million in relation to a sale of a portfolio of Aviation loans
2 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance

Operating income by region

	2023				
	Asia $million	**Africa & Middle East $million**	**Europe & Americas $million**	**Central & Other Items (Region) $million**	**Total $million**
Underlying operating income	**5,331**	**2,764**	**1,682**	**1,631**	**11,408**
Restructuring	**5**	**122**	**12**	**12**	**151**
Other items[1]	**(14)**	**(18)**	**(5)**	**–**	**(37)**
DVA	**(6)**	**26**	**7**	**–**	**27**
Reported operating income	**5,316**	**2,894**	**1,696**	**1,643**	**11,549**

	2022[2]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & Other Items (Region) $million	Total $million
Underlying operating income	4,614	2,431	2,579	393	10,017
Restructuring	27	145	(7)	(1)	164
Other items	–	–	–	20	20
DVA	11	8	14	–	33
Reported operating income	4,652	2,584	2,586	412	10,234

1 Other items includes loss of $37million in relation to a sale of a portfolio of Aviation loans
2 Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance

2. Segmental information continued

Additional segmental information (reported)

	2023				
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & Other Items (Segment) $million	Total $million
Net interest income	3,259	2,346	9	(1,007)	4,607
Net fees and commission income	1,397	876	40	125	2,438
Net trading and other income	3,376	279	88	761	4,504
Operating income	8,032	3,501	137	(121)	11,549

	2022				
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & Other Items (Segment) $million	Total $million
Net interest income	2,428	1,773	3	247	4,451
Net fees and commission income	1,310	944	2	(102)	2,154
Net trading and other income	3,305	158	(2)	168	3,629
Operating income	7,043	2,875	3	313	10,234

Operating income by Region

	2023				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & Other Items (Region) $million	Total $million
Net interest income	2,551	1,578	(516)	994	4,607
Net fees and commission income	1,070	493	566	309	2,438
Net trading and other income	1,695	823	1,646	340	4,504
Operating income	5,316	2,894	1,696	1,643	11,549

	2022				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & Other Items (Region) $million	Total $million
Net interest income	2,416	1,292	273	470	4,451
Net fees and commission income	1,063	517	567	7	2,154
Net trading and other income	1,173	775	1,746	(65)	3,629
Operating income	4,652	2,584	2,586	412	10,234

Operating income by Key Countries

	2023					
	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Net interest income	1,156	934	152	510	(760)	176
Net fees and commission income	658	181	34	175	363	409
Net trading and other income	879	313	82	481	1,513	67
Operating income	2,693	1,428	268	1,166	1,116	652

2. Segmental information continued

	2022					
	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Net interest income	1,093	765	106	330	(79)	340
Net fees and commission income	715	188	34	204	110	369
Net trading and other income	336	369	76	315	1,577	102
Operating income	2,144	1,322	216	849	1,608	811

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 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.

	2023 $million	2022 $million
Balances at central banks	**2,813**	745
Loans and advances to banks	**1,175**	635
Loans and advances to customers	**9,399**	5,756
Debt securities	**3,650**	2,037
Other eligible bills	**1,204**	518
Accrued on impaired assets (discount unwind)	**139**	74
Interest income	**18,380**	9,765
Of which: financial instruments held at fair value through other comprehensive income	**2,550**	1,508
Deposits by banks	**626**	358
Customer accounts	**10,739**	3,999
Debt securities in issue	**1,771**	367
Subordinated liabilities and other borrowed funds	**602**	562
Interest expense on IFRS 16 lease liabilities	**35**	28
Interest expense	**13,773**	5,314
Net interest income	**4,607**	4,451

4. Net fees and commission

Accounting policy

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.

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 nonlending service when the transaction has been completed and the terms of the contract with the customer entitle the Group to the fee. Fees are usually received shortly after the service is provided.

Syndication fees are recognised when the syndication is complete. 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 at the time the fee is received since in most of our retail markets there are contractual circumstances under which fees are waived, so income recognition is constrained until the uncertainties associated with the annual fee are resolved. 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.

Upfront bancassurance consideration amounts are amortised on a straight-line basis over the contractual period to which the consideration relates.

4. Net fees and commission continued

	2023 $million	2022 $million
Fees and commissions income	3,094	2,863
Of which:		
Financial instruments that are not fair valued through profit or loss	1,139	1,013
Trust and other fiduciary activities	239	243
Fees and commissions expense	(656)	(709)
Of which:		
Financial instruments that are not fair valued through profit or loss	(84)	(225)
Trust and other fiduciary activities	(17)	(14)
Net fees and commission	2,438	2,154

	2023				
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & other items $million	Total $million
Transaction Banking	1,196	22	–	–	1,218
Trade	694	17	–	–	711
Cash Management	502	5	–	–	507
Financial Markets	658	–	–	–	658
Lending and Portfolio Management	118	5	–	–	123
Principal Finance	(1)	–	–	–	(1)
Wealth Management	–	678	–	–	678
Retail Products	–	382	23	–	405
Treasury	–	–	–	4	4
Others	–	(12)	32	(11)	9
Net fees and commission income	1,971	1,075	55	(7)	3,094
Net fees and commission expense	(574)	(199)	(15)	132	(656)
Net fees and commission	1,397	876	40	125	2,438

	2022				
	Corporate, Commercial& Institutional Banking $million	Consumer Private & Business Banking $million	Ventures $million	Central & other items $million	Total $million
Transaction Banking	1,021	21	–	–	1,042
Trade	501	16	–	–	517
Cash Management	520	5	–	–	525
Financial Markets	717	–	–	–	717
Lending and Portfolio Management	104	4	–	–	108
Principal Finance	–	–	–	–	–
Wealth Management	–	711	–	–	711
Retail Products	–	337	3	–	340
Treasury	–	–	–	1	1
Others	7	(40)	13	(36)	(56)
Net fees and commission income	1,849	1,033	16	(35)	2,863
Net fees and commission expense	(539)	(89)	(14)	(67)	(709)
Net fees and commission	1,310	944	2	(102)	2,154

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 $ 474 million (31 December 2022: $549 million). Following renegotiation of the contract in 2023, the life of the contract was extended for a further 3 years. Accordingly, the income will be earned evenly over a longer period for the next 8.5 years (31 December 2022: 6.5 years). For the twelve months ended 31 December 2023, $60 million of fee income was released from deferred income (31 December 2022: $66 million).

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.

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.

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

	2023 $million	2022 $million
Net trading income	4,100	3,743
Significant items within net trading income include:		
Gains on instruments held for trading[1]	2,762	3,489
Gains on financial assets mandatorily at fair value through profit or loss	3,976	951
Gains on financial assets designated at fair value through profit or loss	2	–
Losses on financial liabilities designated at fair value through profit or loss	(2,445)	(726)

1 Includes $104 million loss (31 December 2022 $202 million loss) from the transaction of foreign currency monetary assets and liabilities

6. Other operating income

	2023 $million	2022 $million
Other operating income includes:		
Rental income from operating lease assets	4	5
Net loss on disposal of fair value through other comprehensive income debt instruments	(92)	(157)
Net (loss)/gain on disposal of amortised cost financial assets[1]	(86)	3
Net gain/(loss) on sale of businesses[2]	448	(1)
Dividend income	10	11
Others[3]	120	25
Other operating income	**404**	**(114)**

1 Includes $37 million loss on disposal of debt finance portfolio

2 2023 includes gain of $416 million on disposal from sale of subsidiary SC Ventures Holding Limited to a fellow group undertaking of Standard Chartered PLC, $18 million on disposal of associate (Metaco SA), $8 million gain from the sale of one of the AME region exit markets, Jordan and $7 million gain on sale of subsidiary (Kozagi)

3 2023 mainly includes $59 million of Research & Development expenditure credits relating to prior years. $16 million interest income from tax refund in India and $12 million gain on disposal of premises

7. Operating expenses

	2023 $million	2022 $million
Staff costs:		
Wages and salaries	**4,926**	4,562
Social security costs	**172**	150
Other pension costs (Note 29)	**312**	275
Share-based payment costs (Note 30)	**175**	156
Other staff costs	**701**	605
	6,286	5,748

Other staff costs include redundancy expenses of $81 million (31 December 2022: $26 million). Further costs in this category include training, travel costs and other staff related costs.

Details of directors' pay, benefits, pensions and benefits and interests in shares are disclosed in Note 37 Remuneration of Directors' (page 293).

Transactions with directors, officers and other related parties are disclosed in Note 35.

	2023 $million	2022 $million
Premises and equipment expenses	**241**	228
General administrative expenses:		
UK bank levy	**111**	102
Provision for regulatory matters	**–**	14
Other general administrative expenses	**(138)**	(41)
	(27)	75
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	**131**	140
Equipment	**72**	86
	203	226
Intangibles:		
Software	**440**	379
Acquired on business combinations	**4**	6
	647	611
Total operating expenses	**7,147**	6,662

Operating expenses include research expenditure of $687 million (31 December 2022: $689 million), which was recognized as an expense in the year.

The UK bank levy is applied to 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 expected credit loss 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;
- Determining estimates of forward looking macroeconomic forecasts;
- 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 expected credit loss can be found in the credit risk section, under IFRS 9 Methodology (page 98).

Estimates of forecasts of key macroeconomic variables underlying the expected credit loss calculation can be found within the Risk review, Key assumptions and judgements in determining expected credit loss (page 99).

Expected credit losses

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 expected credit loss 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. 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 expected credit losses recorded.

8. Credit impairment continued

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)

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 (see page 103 to 105).

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 81);
- 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 present value of expected cash shortfalls (discounted at the instrument's original effective interest rate) under a range of scenarios, including the realisation of any collateral held where appropriate.

The Group's definition of default is aligned with the regulatory definition of default as set out in the UK's onshored Capital Requirements Regulation (Article 178) and related guidelines

Expert credit judgement

For Corporate, Commercial & Institutional Banking, Consumer, Private and Business 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 (which is a qualitative trigger for significant increase in credit risk- see page 104), the credit assessment and oversight of the loan will normally be performed by Stressed Assets Group (SAG). 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, SAG 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 Retail Banking portfolio or small business loans, which comprise a large number of homogenous 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.

8. Credit impairment continued

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.

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

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.

8. Credit impairment continued

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.

	2023 $million	2022 $million
Net credit impairment on loans and advances to banks and customers	55	(118)
Net credit impairment against profit or loss during the year relating to debt securities[1]	(50)	126
Net credit impairment relating to financial guarantees and loan commitments	(63)	(29)
Net credit impairment relating to other financial assets	–	(1)
Credit impairment[1]	**(58)**	(22)

1 Includes impairment of $1 million (31 December 2022: $13 million) on originated credit-impaired debt securities

9. Goodwill, property, plant and equipment and other impairment

Accounting policy

Refer to the below referenced notes for the relevant accounting policy

	2023 $million	2022 $million
Impairment of goodwill (Note 16)	–	10
Impairment of property, plant and equipment (Note 17)	(1)	5
Impairment of other intangible assets (Note 16)	35	57
Other	8	35
Property, plant and equipment and other impairment	**42**	97
Goodwill, property, plant and equipment and other impairment	**42**	107

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.

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

	2023 $million	2022 $million
The charge for taxation based upon the profit for the year comprises:		
Current tax:		
United Kingdom corporation tax at 23.5 per cent (2022: 19 per cent):		
Current tax charge on income for the year	**(111)**	111
Adjustments in respect of prior years (including double tax relief)	**16**	–
Foreign tax:		
Current tax charge on income for the year	**1,200**	1,036
Adjustments in respect of prior years	**6**	11
	1,111	1,158
Deferred tax:		
Origination/reversal of temporary differences	**76**	(11)
Adjustments in respect of prior years	**(10)**	(25)
	66	(36)
Tax on profits on ordinary activities	**1,177**	1,122
Effective tax rate	**26.7%**	32.3%

The tax charge for the year of $1,177 million (31 December 2022: $1,122 million) on a profit before tax of $4,414 million (31 December 2022: $3,474 million) reflects the impact of non-deductible expenses, non-creditable withholding taxes and other taxes, and countries with tax rates higher or lower than the UK, the most significant of which is India. These are partly offset by tax exempt gain on disposal of subsidiaries as part of internal restructuring.

10. Taxation continued

Tax rate: The tax charge for the year is higher than the charge at the rate of corporation tax in the UK, 23.5 per cent. The differences are explained below:

	2023		2022	
	$million	%	$million	%
Profit on ordinary activities before tax	**4,414**		3,474	
Tax at 23.5 per cent (2022: 19 per cent)	**1,037**	**23.5**	660	19.0
Lower tax rates on overseas earnings	**(264)**	**(6.0)**	(116)	(3.3)
Higher tax rates on overseas earnings	**302**	**6.8**	390	11.2
Tax at domestic rates applicable where profits earned	**1,075**	**24.3**	934	26.9
Non-creditable withholding taxes and other taxes[1]	**70**	**1.6**	150	4.3
Tax exempt income	**(20)**	**(0.5)**	(3)	(0.1)
Non-deductible expenses	**146**	**3.3**	53	1.5
Bank levy	**26**	**0.6**	19	0.5
Non-taxable (gains)/losses on investments	**(98)**	**(2.2)**	1	–
Payments on financial instruments in reserves	**(65)**	**(1.5)**	(43)	(1.2)
Goodwill impairment	**–**	**–**	2	0.1
Deferred tax not recognised	**34**	**0.8**	30	0.9
Deferred tax rate changes	**(3)**	**–**	(11)	(0.3)
Adjustments to tax charge in respect of prior years	**12**	**0.3**	(14)	(0.4)
Other items[1]	**–**	**–**	4	0.1
Tax on profit on ordinary activities	**1,177**	**26.7**	1,122	32.3

1 The comparatives have been reclassified by moving the effect of other taxes from Other items to Non-creditable withholding taxes and other taxes in order to provide more clarity to the reader. The 2022 comparatives have been reclassified as follows to align with the presentation in the current period: Non-creditable withholding taxes and other taxes from $70 million to $150 million and Other items from $84 million to $4 million.

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 reported 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.

	2023			2022		
	Current tax $million	Deferred tax $million	Total $million	Current tax $million	Deferred tax $million	Total $million
Tax recognised in other comprehensive income						
Items that will not be reclassified to income statement	**–**	**(75)**	**(75)**	–	17	17
Own credit adjustment	**–**	**(26)**	**(26)**	–	2	2
Equity instruments at fair value through other comprehensive income	**–**	**(56)**	**(56)**	–	27	27
Retirement benefit obligations	**–**	**7**	**7**	–	(12)	(12)
Items that may be reclassed subsequently to income statement	**–**	**(91)**	**(91)**	–	135	135
Debt instruments at fair value through other comprehensive income	**–**	**(8)**	**(8)**	–	44	44
Cashflow hedges	**–**	**(83)**	**(83)**	–	91	91
Total tax credit/(charge) recognised in equity	**–**	**(166)**	**(166)**	–	152	152

10. Taxation continued

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

	Group		Company	
	2023 $million	2022 $million	2023 $million	2022 $million
Current tax comprises:				
Current tax assets	446	648	347	487
Current tax liabilities	(556)	(336)	(329)	(168)
Net current tax opening balance	(110)	312	18	319
Movements in income statement	(1,111)	(1,158)	(487)	(633)
Movements in other comprehensive income	–	–	–	–
Taxes paid	1,229	782	658	359
Other movements	31	(46)	18	(27)
Net current tax balance as at 31 December	39	(110)	207	18
Current tax assets	484	446	395	347
Current tax liabilities	(445)	(556)	(188)	(329)
Total	39	(110)	207	18

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

Group

	At 1 January 2023 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2023 $million
Deferred tax comprises:					
Accelerated tax depreciation	(306)	(4)	(8)	–	(318)
Impairment provisions on loans and advances	222	(19)	–	–	203
Tax losses carried forward	89	32	(51)	–	70
Equity instruments at fair value through other comprehensive income	(74)	4	–	(56)	(126)
Debt instruments at fair value through other comprehensive income	53	(14)	(3)	(8)	28
Cashflow hedges	88	(2)	–	(83)	3
Own credit adjustment	–	(26)	–	(26)	(52)
Retirement benefit obligations	2	2	(9)	7	2
Share-based payments	26	–	4	–	30
Other temporary differences	64	15	1	–	80
Net deferred tax assets/liabilities	164	(12)	(66)	(166)	(80)

10. Taxation continued

	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	(275)	(8)	(23)	–	(306)
Impairment provisions on loans and advances	243	(35)	14	–	222
Tax losses carried forward	149	16	(76)	–	89
Equity instruments at fair value through other comprehensive income[1]	(97)	(5)	1	27	(74)
Debt instruments at fair value through other comprehensive income[1]	(19)	5	23	44	53
Cashflow hedges	(2)	(1)	–	91	88
Own credit adjustment	(3)	1	–	2	–
Retirement benefit obligations	18	(3)	(1)	(12)	2
Share-based payments	25	–	1	–	26
Other temporary differences	(27)	(6)	97	–	64
Net deferred tax assets/liabilities	12	(36)	36	152	164

1 2022 has been reclassified to separately disclose Equity instruments at fair value through other comprehensive income and Debt instruments at fair value through other comprehensive income. No change in overall balance

Deferred tax comprises assets and liabilities as follows:

	2023			2022		
	Total $million	**Asset $million**	**Liability $million**	Total $million	Asset $million	Liability $million
Deferred tax comprises:						
Accelerated tax depreciation	**(318)**	**12**	**(330)**	(306)	12	(318)
Impairment provisions on loans and advances	**203**	**192**	**11**	222	244	(22)
Tax losses carried forward	**70**	**22**	**48**	89	70	19
Equity instruments at fair value through other comprehensive income[1]	**(126)**	**(1)**	**(125)**	(74)	–	(74)
Debt instruments at fair value through other comprehensive income[1]	**28**	**28**	**–**	53	42	11
Cashflow hedges	**3**	**12**	**(9)**	88	86	2
Own credit adjustment	**(52)**	**–**	**(52)**	–	–	–
Retirement benefit obligations	**2**	**9**	**(7)**	2	15	(13)
Share-based payments	**30**	**3**	**27**	26	–	26
Other temporary differences	**80**	**225**	**(145)**	64	272	(208)
	(80)	**502**	**(582)**	164	741	(577)

1 2022 has been reclassified to separately disclose Equity instruments at fair value through other comprehensive income and Debt instruments at fair value through other comprehensive income. No change in overall balance

10. Taxation continued

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

Company

	At 1 January 2023 $million	Exchange & other adjustments $million	(Charge)/ credit to profit $million	(Charge)/ credit to equity $million	At 31 December 2023 $million
Deferred tax comprises:					
Accelerated tax depreciation	(270)	(3)	9	–	(264)
Impairment provisions on loans and advances	135	(2)	(12)	–	121
Tax losses carried forward	67	32	(29)	–	70
Equity instruments at fair value through other comprehensive income	(65)	(4)	–	(54)	(123)
Debt instruments at fair value through other comprehensive income	61	–	–	(12)	49
Cashflow hedges	86	(2)	–	(79)	5
Own credit adjustment	–	(25)	–	(27)	(52)
Retirement benefit obligations	1	1	(11)	4	(5)
Share-based payments	10	–	1	–	11
Other temporary differences	68	(3)	25	–	90
Net deferred tax assets/liabilities	93	(6)	(17)	(168)	(98)

	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	(254)	(6)	(10)	–	(270)
Impairment provisions on loans and advances	176	(21)	(20)	–	135
Tax losses carried forward	114	17	(64)	–	67
Equity instruments at fair value through other comprehensive income[1]	(79)	(4)	1	17	(65)
Debt instruments at fair value through other comprehensive income[1]	(7)	(1)	2	67	61
Cashflow hedges	(3)	–	–	89	86
Own credit adjustment	(3)	–	–	3	–
Retirement benefit obligations	14	(3)	(1)	(9)	1
Share-based payments	9	1	–	–	10
Other temporary differences	(42)	10	100	–	68
Net deferred tax assets/liabilities	(75)	(7)	8	167	93

1 2022 has been reclassified to separately disclose Equity instruments at fair value through other comprehensive income and Debt instruments at fair value through other comprehensive income. No change in overall balance

10. Taxation continued

Deferred tax comprises assets and liabilities as follows:

	2023			2022		
	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred tax comprises:						
Accelerated tax depreciation	(264)	12	(276)	(270)	6	(276)
Impairment provisions on loans and advances	121	113	8	135	180	(45)
Tax losses carried forward	70	22	48	67	51	16
Equity instruments at fair value through other comprehensive income[1]	(123)	(1)	(122)	(65)	–	(65)
Debt instruments at fair value through other comprehensive income[1]	49	50	(1)	61	47	14
Cashflow hedges	5	12	(7)	86	86	–
Own credit adjustment	(52)	–	(52)	–	–	–
Retirement benefit obligations	(5)	4	(9)	1	14	(13)
Share-based payments	11	3	8	10	–	10
Other temporary differences	90	164	(74)	68	195	(127)
	(98)	379	(477)	93	579	(486)

1 2022 has been reclassified to separately disclose Equity instruments at fair value through other comprehensive income and Debt instruments at fair value through other comprehensive income. No change in overall balance

Group

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. The Group's total deferred tax assets include $70 million relating to tax losses carried forward, of which $48 million arises in legal entities with offsetting deferred tax liabilities. The remaining deferred tax assets on losses of $22 million are forecast to be recovered before expiry and within five years.

Company

The recoverability of the Company'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. The Company's total deferred tax assets include $70 million relating to tax losses carried forward, of which $48 million arises in legal entities with offsetting deferred tax liabilities. The remaining deferred tax assets on losses of $22 million are forecast to be recovered before expiry and within five years.

Unrecognised deferred tax

Group	Net 2023 $million	Gross 2023 $million	Net 2022 $million	Gross 2022 $million
No account has been taken of the following potential deferred tax assets/(liabilities):				
Withholding tax on unremitted earnings from overseas subsidiaries and associates	(347)	(2,634)	(227)	(1,841)
Tax losses	920	3,683	936	3,727
Held over gains on incorporation of overseas branches	(174)	(621)	(164)	(587)
Other temporary differences	377	1,436	451	1,702

Company	Net 2023 $million	Gross 2023 $million	Net 2022 $million	Gross 2022 $million
No account has been taken of the following potential deferred tax assets/(liabilities):				
Withholding tax on unremitted earnings from overseas subsidiaries and associates	(241)	(1,694)	(128)	(978)
Tax losses	827	3,215	862	3,352
Held over gains on incorporation of overseas branches	(174)	(621)	(164)	(587)
Other temporary differences	369	1,397	450	1,697

11. Dividends

Accounting policy

The Court considers a number of factors which include 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

	2023		2022	
	Cents per share	$million	Cents per share	$million
2022 final dividend declared and paid during the year	8	1,661	–	–
2023/2022 interim dividend declared and paid during the year	5	938	3	575

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.

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

	2023 $million	2022 $million
Non-cumulative redeemable preference shares:		
7.014 per cent preference shares of $5 each	45	53
Floating rate preference shares of $5 each[1]	50	20
	95	73
Additional Tier 1 securities: Fixed rate resetting perpetual subordinated contingent convertible securities	268	238
	363	311

1 Floating rate is based on Secured Overnight Financing Rate (SOFR), average rate paid for floating preference shares is 6.62% (2022: 2.71%)

12. Financial instruments

Classification and measurement

Accounting policy

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.

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 model 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 • All other business lines	• Derivatives • Equity shares • Trading portfolios • Financial Markets reverse repos • Financial Markets (FM Bond and Loan Syndication)

12. 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.

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.

12. 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

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. 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 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.

12. Financial instruments continued

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

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.

Derecognition of financial instruments

Financial assets which are subject to commercial refinancing where the loan is priced to the market with no payment related concessions regardless of form of legal documentation or nature of lending will be derecognised. Where the Group's rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. For all other modifications for example forborne loans or restructuring, whether or not a change in the cash flows is 'substantially different' is judgemental and will be considered on a case-by-case basis, taking into account all the relevant facts and circumstances.

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 'Non funded 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.

12. Financial instruments continued

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

Group

Assets	Notes	Assets at fair value: 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[1]		–	–	–	–	–	–	64,198	64,198
Financial assets held at fair value through profit or loss									
Loans and advances to banks[2]		2,265	–	–	–	–	2,265	–	2,265
Loans and advances to customers[2]		3,001	–	187	–	–	3,188	–	3,188
Reverse repurchase agreements and other similar secured lending	15	185	–	67,964	–	–	68,149	–	68,149
Debt securities, alternative tier one and other eligible bills		21,452	–	604	–	–	22,056	–	22,056
Equity shares		1,322	–	120	–	–	1,442	–	1,442
		28,225	–	68,875	–	–	97,100	–	97,100
Derivative financial instruments	13	50,883	1,671	–	–	–	52,554	–	52,554
Loans and advances to banks[2]	14	–	–	–	–	–	–	22,803	22,803
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	1,653	1,653
Loans and advances to customers[2]	14	–	–	–	–	–	–	156,143	156,143
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	13,827	13,827
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	62,120	62,120	39,920	102,040
Equity shares		–	–	–	–	434	434	–	434
		–	–	–	–	62,554	62,554	39,920	102,474
Other assets	19	–	–	–	–	–	–	20,714	20,714
Assets held for sale	20	–	–	–	–	–	–	693	693
Total at 31 December 2023		79,108	1,671	68,875	–	62,554	212,208	304,471	516,679

1 Cash and balances at central banks includes both cash held in restricted accounts and on demand or placements which are contractually due to mature overnight only. Other placements with central banks are reported as part of Loans and advances to customers

2 Further analysed in Risk review and Capital review (pages 58 to 145)

12. Financial instruments continued

Assets	Notes	Assets at fair value: 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[1]		–	–	–	–	–	–	50,531	50,531
Financial assets held at fair value through profit or loss									
Loans and advances to banks[2]		859	–	–	–	–	859	–	859
Loans and advances to customers[2]		3,531	–	534	–	–	4,065	–	4,065
Reverse repurchase agreements and other similar secured lending	15	–	–	62,333	–	–	62,333	–	62,333
Debt securities, alternative tier one and other eligible bills		12,619	–	792	–	–	13,411	–	13,411
Equity shares		1,743	–	143	–	–	1,886	–	1,886
		18,752	–	63,802	–	–	82,554	–	82,554
Derivative financial instruments	13	62,840	2,210	–	–	–	65,050	–	65,050
Loans and advances to banks[2]	14	–	–	–	–	–	–	27,383	27,383
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	878	878
Loans and advances to customers[2]	14	–	–	–	–	–	–	158,126	158,126
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	15,586	15,586
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	70,624	70,624	41,801	112,425
Equity shares		–	–	–	–	603	603	–	603
		–	–	–	–	71,227	71,227	41,801	113,028
Other assets	19	–	–	–	–	–	–	27,210	27,210
Assets held for sale	20	–	–	–	2	–	2	1,388	1,390
Total at 31 December 2022		81,592	2,210	63,802	2	71,227	218,833	306,439	525,272

1 Cash and balances at central banks includes both cash held in restricted accounts and on demand or placements which are contractually due to mature overnight only. Other placements with central banks are reported as part of Loans and advances to customers

2 Further analysed in Risk review and Capital review (pages 58 to 145)

12. Financial instruments continued

Company

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[1]		–	–	–	–	–	–	52,758	52,758
Financial assets held at fair value through profit or loss									
Loans and advances to banks[2]		2,244	–	–	–	–	2,244	–	2,244
Loans and advances to customers[2]		2,566	–	56	–	–	2,622	–	2,622
Reverse repurchase agreements and other similar secured lending	15	185	–	64,619	–	–	64,804	–	64,804
Debt securities, alternative tier one and other eligible bills		13,713	–	1,714	–	–	15,427	–	15,427
Equity shares		1,312	–	3	–	–	1,315	–	1,315
		20,020	–	66,392	–	–	86,412	–	86,412
Derivative financial instruments	13	51,627	1,594	–	–	–	53,221	–	53,221
Loans and advances to banks[2]	14	–	–	–	–	–	–	10,135	10,135
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	554	554
Loans and advances to customers[2]	14	–	–	–	–	–	–	75,883	75,883
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	12,212	12,212
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	54,300	54,300	38,062	92,362
Equity shares		–	–	–	–	409	409	–	409
		–	–	–	–	54,709	54,709	38,062	92,771
Other assets	19	–	–	–	–	–	–	16,990	16,990
Assets held for sale	20	–	–	–	–	–	–	52	52
Total at 31 December 2023		71,647	1,594	66,392	–	54,709	194,342	193,880	388,222

1 Cash and balances at central banks includes both cash held in restricted accounts and on demand or placements which are contractually due to mature overnight only. Other placements with central banks are reported as part of Loans and advances to customers
2 Further analysed in Risk review and Capital review (pages 58 to 145)

12. 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[1]		–	–	–	–	–	–	38,867	38,867
Financial assets held at fair value through profit or loss									
Loans and advances to banks[2]		837	–	–	–	–	837	–	837
Loans and advances to customers[2]		3,113	–	83	–	–	3,196	–	3,196
Reverse repurchase agreements and other similar secured lending	15	–	–	59,057	–	–	59,057	–	59,057
Debt securities, alternative tier one and other eligible bills		9,282	–	1,679	–	–	10,961	–	10,961
Equity shares		1,738	–	3	–	–	1,741	–	1,741
		14,970	–	60,822	–	–	75,792	–	75,792
Derivative financial instruments	13	63,355	2,126	–	–	–	65,481	–	65,481
Loans and advances to banks[2]	14	–	–	–	–	–	–	18,548	18,548
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	184	184
Loans and advances to customers[2]	14	–	–	–	–	–	–	80,611	80,611
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	15,071	15,071
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	57,007	57,007	38,042	95,049
Equity shares		–	–	–	–	323	323	–	323
		–	–	–	–	57,330	57,330	38,042	95,372
Other assets	19	–	–	–	–	–	–	23,625	23,625
Assets held for sale	20	–	–	–	2	–	2	544	546
Total at 31 December 2022		78,325	2,126	60,822	2	57,330	198,605	200,237	398,842

1 Cash and balances at central banks includes both cash held in restricted accounts and on demand or placements which are contractually due to mature overnight only. Other placements with central banks are reported as part of Loans and advances to customers
2 Further analysed in Risk review and Capital review (pages 58 to 145)

12. Financial instruments continued
Group

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		**–**	**–**	**1,321**	**1,321**	**–**	**1,321**
Customer accounts		**39**	**–**	**9,127**	**9,166**	**–**	**9,166**
Repurchase agreements and other similar secured borrowing	15	**1,438**	**–**	**37,994**	**39,432**	**–**	**39,432**
Debt securities in issue	21	**–**	**–**	**9,850**	**9,850**	**–**	**9,850**
Short positions		**6,050**	**–**	**–**	**6,050**	**–**	**6,050**
		7,527	**–**	**58,292**	**65,819**	**–**	**65,819**
Derivative financial instruments	13	**53,209**	**1,964**	**–**	**55,173**	**–**	**55,173**
Deposits by banks		**–**	**–**	**–**	**–**	**23,616**	**23,616**
Customer accounts		**–**	**–**	**–**	**–**	**237,902**	**237,902**
Repurchase agreements and other similar secured borrowing	15	**–**	**–**	**–**	**–**	**12,033**	**12,033**
Debt securities in issue	21	**–**	**–**	**–**	**–**	**36,481**	**36,481**
Other liabilities	22	**–**	**–**	**–**	**–**	**24,109**	**24,109**
Subordinated liabilities and other borrowed funds	26	**–**	**–**	**–**	**–**	**11,454**	**11,454**
Liabilities included in disposal groups held for sale	20	**–**	**–**	**–**	**–**	**726**	**726**
Total at 31 December 2023		**60,736**	**1,964**	**58,292**	**120,992**	**346,321**	**467,313**

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		–	–	586	586	–	586
Customer accounts		29	–	6,526	6,555	–	6,555
Repurchase agreements and other similar secured borrowing	15	–	–	50,402	50,402	–	50,402
Debt securities in issue	21	–	–	7,563	7,563	–	7,563
Short positions		2,302	–	–	2,302	–	2,302
		2,331	–	65,077	67,408	–	67,408
Derivative financial instruments	13	66,283	2,575	–	68,858	–	68,858
Deposits by banks		–	–	–	–	24,150	24,150
Customer accounts		–	–	–	–	243,075	243,075
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	1,991	1,991
Debt securities in issue	21	–	–	–	–	36,982	36,982
Other liabilities	22	–	–	–	–	25,567	25,567
Subordinated liabilities and other borrowed funds	26	–	–	–	–	13,269	13,269
Liabilities included in disposal groups held for sale	20	–	–	5	5	1,230	1,235
Total at 31 December 2022		68,614	2,575	65,082	136,271	346,264	482,535

12. Financial instruments continued
Company

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		–	–	1,321	1,321	–	1,321
Customer accounts		–	–	8,852	8,852	–	8,852
Repurchase agreements and other similar secured borrowing	15	1,438	–	37,736	39,174	–	39,174
Debt securities in issue	21	–	–	9,554	9,554	–	9,554
Short positions		5,566	–	–	5,566	–	5,566
		7,004	–	57,463	64,467	–	64,467
Derivative financial instruments	13	53,614	1,917	–	55,531	–	55,531
Deposits by banks		–	–	–	–	18,280	18,280
Customer accounts		–	–	–	–	121,648	121,648
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	11,977	11,977
Debt securities in issue	21	–	–	–	–	34,740	34,740
Other liabilities	22	–	–	–	–	18,879	18,879
Subordinated liabilities and other borrowed funds	26	–	–	–	–	10,896	10,896
Liabilities included in disposal groups held for sale	20	–	–	–	–	–	–
Total at 31 December 2023		**60,618**	**1,917**	**57,463**	**119,998**	**216,420**	**336,418**

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		–	–	573	573	–	573
Customer accounts		–	–	6,325	6,325	–	6,325
Repurchase agreements and other similar secured borrowing	15	–	–	50,179	50,179	–	50,179
Debt securities in issue	21	–	–	7,271	7,271	–	7,271
Short positions		1,841	–	–	1,841	–	1,841
		1,841	–	64,348	66,189	–	66,189
Derivative financial instruments	13	66,729	2,474	–	69,203	–	69,203
Deposits by banks		–	–	–	–	17,900	17,900
Customer accounts		–	–	–	–	137,422	137,422
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	1,723	1,723
Debt securities in issue	21	–	–	–	–	34,992	34,992
Other liabilities	22	–	–	–	–	20,661	20,661
Subordinated liabilities and other borrowed funds	26	–	–	–	–	12,729	12,729
Liabilities included in disposal groups held for sale	20	–	–	–	–	335	335
Total at 31 December 2022		68,570	2,474	64,348	135,392	225,762	361,154

12. Financial instruments continued

Interest rate benchmark reform

During 2023, significant progress was made in support of LIBOR transition.

New LIBOR-referencing business had ceased and a full suite of Risk Free Rate-referencing derivative and cash products were standard offerings across the Group.

Having completed the remediation of all non-USD LIBOR exposures at the end of 2021 with no reliance on synthetic rates, the Programme focused on remediating legacy USD LIBOR stock ahead of the USD LIBOR cessation date (30 June 2023).

The Group made significant progress towards completing its remediation of legacy exposures over the course of 2023. Clients with legacy USD LIBOR loans were engaged to remediate their contracts via active conversion to alternative rates, or other suitable transition mechanisms such as the inclusion of robust fallbacks. For derivatives, the Group adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol for all its trading entities and continued to engage clients to do the same or to negotiate remediation bilaterally. The Group also successfully participated in CCP conversion events, including both tranches of the London Clearing House (LCH) conversions for USD LIBOR and also the SGD/THB conversion, as well as the CME Eurodollar futures and the Hong Kong Exchanges and Clearing (HKEX) USD LIBOR events. This significantly reduced our overall notional exposure to USD LIBOR, as centrally cleared derivatives and bilateral derivatives with fallbacks represented a substantial portion of the Group's overall USD LIBOR notional exposure.

As of 31 December 2023, a number of contracts remain subject to remediation but these are considered immaterial for the Group. The largest population of remaining exposures are syndicated loans, either on a standalone basis, or where the loans have been hedged with derivatives. These contracts currently operate under a synthetic USD LIBOR rate.

Risks which the Group is exposed to due to LIBOR 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 un-remediated contracts, and manage the risks of the transition until fully complete.

Particular attention will continue to be paid to: legal risk of any contracts that may remain outstanding after the end of synthetic LIBOR (currently scheduled for end of September 2024); conduct risk arising from continued remediation; financial and accounting risk in terms of the financial impact of IBOR transition for the outstanding contracts, and also 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, as well as other risks inherent in the reform.

At 31 December 2022 the Group had the following notional principal exposures to interest rate benchmarks that were subject to interest rate benchmark reform.

12. Financial instruments continued

Group

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

Company

IBOR exposures by benchmark at 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	610	–	–	–	–	610
Loans and advances to customers	15,958	–	–	–	–	15,958
Debt securities, AT1 and other eligible bills	1,577	–	16	–	–	1,593
	18,145	–	16	–	–	18,161
Liabilities						
Deposits by banks	3,930	–	6	–	–	3,936
Customer accounts	2,285	–	–	34	–	2,319
Repurchase agreements and other secured borrowing	471	–	–	–	–	471
Debt securities in issue	254	–	–	–	–	254
Subordinated liabilities	–	–	–	–	–	–
	6,940	–	6	34	–	6,980
Derivatives – Foreign exchange contracts						
Currency swaps and options	152,394	–	3,132	919	–	156,445
Derivatives – Interest rate contracts	–	–	–	–	–	–
Swaps	704,546	–	9,535	10,910	–	724,991
Forward rate agreements and options	18,814	–	–	9	–	18,823
Exchange traded futures and options	31,216	–	–	–	–	31,216
Equity and stock index options	49	–	–	–	–	49
Credit derivative contracts	4,782	–	78	72	–	4,932
Total IBOR derivative exposure	911,801	–	12,745	11,910	–	936,456
Total IBOR exposure	936,886	–	12,767	11,944	–	961,597
Loans commitments off balance sheet	2,167	–	–	–	–	2,167

12. 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.

Group

	2023					
				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	**100,321**	**(47,767)**	**52,554**	**(43,684)**	**(7,960)**	**910**
Reverse repurchase agreements and other similar secured lending	**95,461**	**(11,832)**	**83,629**	**–**	**(83,629)**	**–**
At 31 December 2023	**195,782**	**(59,599)**	**136,183**	**(43,684)**	**(91,589)**	**910**
Liabilities						
Derivative financial instruments	**102,940**	**(47,767)**	**55,173**	**(43,684)**	**(8,378)**	**3,111**
Repurchase agreements and other similar secured borrowing	**63,297**	**(11,832)**	**51,465**	**–**	**(51,465)**	**–**
At 31 December 2023	**166,237**	**(59,599)**	**106,638**	**(43,684)**	**(59,843)**	**3,111**

	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	119,241	(54,191)	65,050	(52,827)	(8,304)	3,919
Reverse repurchase agreements and other similar secured lending	94,352	(15,555)	78,797	–	(78,797)	–
At 31 December 2022	213,593	(69,746)	143,847	(52,827)	(87,101)	3,919
Liabilities						
Derivative financial instruments	123,049	(54,191)	68,858	(52,827)	(11,372)	4,659
Repurchase agreements and other similar secured borrowing	67,948	(15,555)	52,393	–	(52,393)	–
At 31 December 2022	190,997	(69,746)	121,251	(52,827)	(63,765)	4,659

12. Financial instruments continued
Company

	2023					
				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	100,988	(47,767)	53,221	(45,556)	(7,289)	376
Reverse repurchase agreements and other similar secured lending	89,402	(11,832)	77,570	–	(77,570)	–
At 31 December 2023	190,390	(59,599)	130,791	(45,556)	(84,859)	376
Liabilities						
Derivative financial instruments	103,298	(47,767)	55,531	(45,556)	(7,505)	2,470
Repurchase agreements and other similar secured borrowing	62,983	(11,832)	51,151	–	(51,151)	–
At 31 December 2023	166,281	(59,599)	106,682	(45,556)	(58,656)	2,470

	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	119,672	(54,191)	65,481	(53,810)	(7,710)	3,961
Reverse repurchase agreements and other similar secured lending	89,867	(15,555)	74,312	–	(74,312)	–
At 31 December 2022	209,539	(69,746)	139,793	(53,810)	(82,022)	3,961
Liabilities						
Derivative financial instruments	123,394	(54,191)	69,203	(53,810)	(10,231)	5,162
Repurchase agreements and other similar secured borrowing	67,457	(15,555)	51,902	–	(51,902)	–
At 31 December 2022	190,851	(69,746)	121,105	(53,810)	(62,133)	5,162

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 the right of offset may not have 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

Financial liabilities designated at fair value through profit or loss

	2023 $million	2022 $million
Carrying balance aggregate fair value	58,292	65,077
Amount contractually obliged to repay at maturity	59,576	66,138
Difference between aggregate fair value and contractually obliged to repay at maturity	(1,284)	(1,061)
Cumulative change in fair value accredited to credit risk difference	87	(31)

The net fair value loss on financial liabilities designated at fair value through profit or loss was $2,445 million for the year (31 December 2022: net loss of $726 million).

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

12. Financial instruments continued

Valuation of financial instruments

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

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

Significant accounting estimates and judgements

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

- Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments.
- When establishing the exit price of a financial instrument using a valuation technique, the Group estimates valuation adjustments in determining the fair value (page 207).
- 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 218).
- 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.

12. Financial instruments continued

Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3 (page 210)

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

12. Financial instruments continued

- Financial instruments held at amortised cost

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

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

12. Financial instruments continued

Fair value adjustments

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

	01.01.23 $million	Movement during the year $million	31.12.23 $million	01.01.22 $million	Movement during the year $million	31.12.22 $million
Bid-offer valuation adjustment	89	2	91	87	2	89
Credit Valuation adjustment	135	(37)	98	6	129	135
Debit Valuation adjustment	(91)	(27)	(118)	–	(91)	(91)
Model valuation adjustment	3	1	4	3	–	3
Funding Valuation adjustment	44	(8)	36	–	44	44
Other fair value adjustments	19	1	20	13	6	19
Total	199	(68)	131	109	90	199
Income deferrals						
Day 1 and other deferrals	160	(97)	63	84	76	160
Total	160	(97)	63	84	76	160

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
- **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.

12. Financial instruments continued

- **Model valuation adjustment:** Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model.
- **Funding valuation adjustment (FVA):** The Group makes FVA adjustments against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs or benefits that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions.
- **Other fair value adjustments:** The Group calculates the fair value on the interest rate callable products by calibrating to a set of market prices with differing maturity, expiry and strike of the trades.
- **Day one and other deferrals:** In certain circumstances the initial fair value is based on a valuation technique which differs to the transaction price at the time of initial recognition. However, these gains can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated. Other deferrals primarily represent adjustments taken to reflect the specific terms and conditions of certain derivative contracts which affect the termination value at the measurement date.

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

Fair value hierarchy – financial instruments held at fair value

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.

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.

12. Financial instruments continued

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

Group

Assets	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,265	–	2,265
Loans and advances to customers	–	2,016	1,172	3,188
Reverse repurchase agreements and other similar secured lending	–	66,784	1,365	68,149
Debt securities and other eligible bills	11,626	9,210	1,220	22,056
Of which:				
Issued by central banks & governments	11,178	5,994	–	17,172
Issued by corporates other than financial institutions[1]	–	927	318	1,245
Issued by financial institutions[1]	448	2,289	902	3,639
Equity shares	1,243	114	85	1,442
Derivative financial instruments	940	51,538	76	52,554
Of which:				
Foreign exchange	114	45,585	24	45,723
Interest rate	37	5,426	3	5,466
Credit	–	405	47	452
Equity and stock index options	–	47	2	49
Commodity	789	75	–	864
Investment securities				
Debt securities and other eligible bills	25,288	36,761	71	62,120
Of which:				
Issued by central banks & governments	19,475	14,530	51	34,056
Issued by corporates other than financial institutions[1]	–	1,019	–	1,019
Issued by financial institutions[1]	5,813	21,212	20	27,045
Equity shares	183	6	245	434
Total financial assets at 31 December 2023	39,280	168,694	4,234	212,208
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	1,253	68	1,321
Customer accounts	–	8,934	232	9,166
Repurchase agreements and other similar secured borrowing	–	39,432	–	39,432
Debt securities in issue	–	8,824	1,026	9,850
Short positions	2,151	3,796	103	6,050
Derivative financial instruments	740	54,271	162	55,173
Of which:				
Foreign exchange	113	46,304	12	46,429
Interest rate	46	7,107	5	7,158
Credit	–	448	126	574
Equity and stock index options	–	108	19	127
Commodity	581	304	–	885
Other liabilities	–	–	–	–
Total financial liabilities at 31 December 2023	2,891	116,510	1,591	120,992

1 Includes covered bonds of $6,377 million, securities issued by Multilateral Development Banks/International Organisations of $6,300 million and State-owned agencies and development banks of $3,186 million

The fair value of financial assets and financial liabilities classified as Level 2 in the fair value hierarchy that are subject to complex modelling techniques is $707 million and $125 million respectively.

There were no significant changes to valuation or levelling approaches in 2023.

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

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

1 Includes covered bonds of $6,082 million, securities issued by Multilateral Development Banks/International Organisations of $8,563 million and State-owned agencies and development banks of $5,578 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 20 together with their fair value hierarchy

The fair value of financial assets and financial liabilities classified as Level 2 in the fair value hierarchy that are subject to complex modelling techniques is $554 million and $26 million respectively.

12. Financial instruments continued

Company

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	–	2,244	–	2,244
Loans and advances to customers	–	1,598	1,024	2,622
Reverse repurchase agreements and other similar secured lending	–	63,712	1,092	64,804
Debt securities and other eligible bills	8,376	6,937	114	15,427
Of which:				
Issued by central banks & governments	7,951	3,850	–	11,801
Issued by corporates other than financial institutions[1]	–	427	20	447
Issued by financial institutions[1]	425	2,660	94	3,179
Equity shares	1,203	112	–	1,315
Derivative financial instruments	932	52,217	72	53,221
Of which:				
Foreign exchange	107	41,092	21	41,220
Interest rate	37	10,478	2	10,517
Credit	–	432	47	479
Equity and stock index options	–	21	2	23
Commodity	788	194	–	982
Investment securities				
Debt securities and other eligible bills	21,960	32,340	–	54,300
Of which:				
Issued by central banks & governments	16,376	9,855	–	26,231
Issued by corporates other than financial institutions[1]	–	1,001	–	1,001
Issued by financial institutions[1]	5,584	21,484	–	27,068
Equity shares	182	1	226	409
Total financial assets at 31 December 2023	32,653	159,161	2,528	194,342
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	1,253	68	1,321
Customer accounts	–	8,722	130	8,852
Repurchase agreements and other similar secured borrowing	–	39,174	–	39,174
Debt securities in issue	–	8,693	861	9,554
Short positions	1,956	3,507	103	5,566
Derivative financial instruments	737	54,732	62	55,531
Of which:				
Foreign exchange	110	42,525	16	42,651
Interest rate	46	11,161	5	11,212
Credit	–	525	32	557
Equity and stock index options	–	64	9	73
Commodity	581	457	–	1,038
Other liabilities	–	–	–	–
Total financial liabilities at 31 December 2023	2,693	116,081	1,224	119,998

1 Includes covered bonds of $6,149 million, securities issued by Multilateral Development Banks/International Organisations of $6,118 million and State-owned agencies and development banks of $3,153 million.

The fair value of financial assets and financial liabilities classified as Level 2 in the fair value hierarchy that are subject to complex modelling techniques is $489 million and $68 million respectively.

There were no significant changes to valuation or levelling approaches in 2023.

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

12. 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	–	837	–	837
Loans and advances to customers	–	2,297	899	3,196
Reverse repurchase agreements and other similar secured lending	–	57,069	1,988	59,057
Debt securities and other eligible bills	5,703	4,789	469	10,961
Of which:				
Issued by central banks & governments	5,475	1,838	–	7,313
Issued by corporates other than financial institutions[1]	86	417	100	603
Issued by financial institutions[1]	142	2,534	369	3,045
Equity shares	1,738	3	–	1,741
Derivative financial instruments	883	64,559	39	65,481
Of which:				
Foreign exchange	131	51,427	16	51,574
Interest rate	32	11,980	21	12,033
Credit	–	351	1	352
Equity and stock index options	–	68	1	69
Commodity	720	733	–	1,453
Investment securities				
Debt securities and other eligible bills	24,485	32,522	–	57,007
Of which:				
Issued by central banks & governments	16,239	10,441	–	26,680
Issued by corporates other than financial institutions[1]	–	1,064	–	1,064
Issued by financial institutions[1]	8,246	21,017	–	29,263
Equity shares	101	2	220	323
Total financial assets at 31 December 2022[2]	32,910	162,078	3,615	198,603
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	454	119	573
Customer accounts	–	6,258	67	6,325
Repurchase agreements and other similar secured borrowing	–	50,179	–	50,179
Debt securities in issue	–	7,009	262	7,271
Short positions	141	1,660	40	1,841
Derivative financial instruments	636	68,457	110	69,203
Of which:				
Foreign exchange	95	53,146	25	53,266
Interest rate	29	13,696	9	13,734
Credit	–	412	25	437
Equity and stock index options	–	75	51	126
Commodity	512	1,128	–	1,640
Other liabilities	–	–	–	–
Total financial liabilities at 31 December 2022[2]	777	134,017	598	135,392

1 Includes covered bonds of $6,468 million, securities issued by Multilateral Development Banks/International Organisations of $9,199 million and State-owned agencies and development banks of $5,503 million.
2 The above table does not include held for sale assets of $2 million and liabilities of $nil. These are reported in Note 20 together with their fair value hierarchy

The fair value of financial assets and financial liabilities classified as Level 2 in the fair value hierarchy that are subject to complex modelling techniques is $398 million and $48 million respectively.

12. Financial instruments continued

Fair value hierarchy – financial instruments measured at amortised cost

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

Group

		Fair value			
	Carrying value $million	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	64,198	–	64,198	–	64,198
Loans and advances to banks	22,803	–	22,746	–	22,746
of which – reverse repurchase agreements and other similar secured lending	1,653	–	1,653	–	1,653
Loans and advances to customers	156,143	–	47,454	106,336	153,790
of which – reverse repurchase agreements and other similar secured lending	13,827	–	13,827	–	13,827
Investment securities[2]	39,920	–	37,795	33	37,828
Other assets[1]	20,714	–	20,714	–	20,714
Assets held for sale	693	101	541	51	693
At 31 December 2023	304,471	101	193,448	106,420	299,969
Liabilities					
Deposits by banks	23,616	–	23,671	–	23,671
Customer accounts	237,902	–	234,937	–	234,937
Repurchase agreements and other similar secured borrowing	12,033	–	12,033	–	12,033
Debt securities in issue	36,481	–	36,355	–	36,355
Subordinated liabilities and other borrowed funds	11,454	–	12,545	–	12,545
Other liabilities[1]	24,109	–	24,109	–	24,109
Liabilities held for sale	726	54	672	–	726
At 31 December 2023	346,321	54	344,322	–	344,376

		Fair value			
	Carrying value $million	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	50,531	–	50,531	–	50,531
Loans and advances to banks	27,383	–	27,383	–	27,383
of which – reverse repurchase agreements and other similar secured lending	878	–	833	–	833
Loans and advances to customers	158,126	–	58,045	100,025	158,070
of which – reverse repurchase agreements and other similar secured lending	15,586	–	15,727	–	15,727
Investment securities[2]	41,801	–	39,704	25	39,729
Other assets[1]	27,210	–	27,210	–	27,210
Assets held for sale	1,388	344	946	98	1,388
At 31 December 2022	306,439	344	203,819	100,148	304,311
Liabilities					
Deposits by banks	24,150	–	24,175	–	24,175
Customer accounts	243,075	–	243,160	–	243,160
Repurchase agreements and other similar secured borrowing	1,991	–	1,991	–	1,991
Debt securities in issue	36,982	–	36,982	–	36,982
Subordinated liabilities and other borrowed funds	13,269	–	13,215	–	13,215
Other liabilities[1]	25,567	–	25,566	1	25,567
Liabilities held for sale	1,230	398	832	–	1,230
At 31 December 2022	346,264	398	345,921	1	346,320

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 $12,667 million at 31 December 2023 and $13,781 million at 31 December 2022

12. Financial instruments continued
Company

	Carrying value $million	Fair value Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	52,758	–	52,758	–	52,758
Loans and advances to banks	10,135	–	10,104	–	10,104
of which – reverse repurchase agreements and other similar secured lending	554	–	554	–	554
Loans and advances to customers	75,883	–	21,435	52,113	73,548
of which – reverse repurchase agreements and other similar secured lending	12,212	–	12,212	–	12,212
Investment securities[2]	38,062	–	35,872	33	35,905
Other assets[1]	16,990	–	16,990	–	16,990
Assets held for sale	52	–	–	52	52
At 31 December 2023	193,880	–	137,159	52,198	189,357
Liabilities					
Deposits by banks	18,280	–	18,335	–	18,335
Customer accounts	121,648	–	121,525	–	121,525
Repurchase agreements and other similar secured borrowing	11,977	–	11,977	–	11,977
Debt securities in issue	34,740	–	34,976	–	34,976
Subordinated liabilities and other borrowed funds	10,896	–	11,457	–	11,457
Other liabilities[1]	18,879	–	18,879	–	18,879
Liabilities held for sale	–	–	–	–	–
At 31 December 2023	216,420	–	217,149	–	217,149

	Carrying value $million	Fair value Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Assets					
Cash and balances at central banks[1]	38,867	–	38,867	–	38,867
Loans and advances to banks	18,548	–	18,548	–	18,548
of which – reverse repurchase agreements and other similar secured lending	184	–	184	–	184
Loans and advances to customers	80,611	–	33,590	47,064	80,654
of which – reverse repurchase agreements and other similar secured lending	15,071	–	15,071	–	15,071
Investment securities[2]	38,042	–	35,944	25	35,969
Other assets[1]	23,625	–	23,625	–	23,625
Assets held for sale	544	–	–	544	544
At 31 December 2022	200,237	–	150,574	47,633	198,207
Liabilities					
Deposits by banks	17,900	–	17,925	–	17,925
Customer accounts	137,422	–	137,394	–	137,394
Repurchase agreements and other similar secured borrowing	1,723	–	1,723	–	1,723
Debt securities in issue	34,992	–	34,997	–	34,997
Subordinated liabilities and other borrowed funds	12,729	–	12,675	–	12,675
Other liabilities[1]	20,661	–	20,661	–	20,661
Liabilities held for sale	335	–	–	335	335
At 31 December 2022	225,762	–	225,375	335	225,710

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 $11,991 million as at 31 December 2023 and $12,321 million as at 31 December 2022

12. Financial instruments continued

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

Loans and advances to customers by client segment[1]

Group

	2023					
	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	1,525	83,008	84,533	1,513	80,659	82,172
Consumer, Private & Business Banking	425	47,190	47,615	426	47,197	47,623
Ventures	–	230	230	–	230	230
Central & other items	209	23,556	23,765	209	23,556	23,765
At 31 December 2023	2,159	153,984	156,143	2,148	151,642	153,790

	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	1,955	85,524	87,479	1,998	85,382	87,380
Consumer, Private & Business Banking	440	45,573	46,013	448	45,608	46,056
Ventures	–	64	64	–	63	63
Central & other items	230	24,340	24,570	230	24,341	24,571
At 31 December 2022	2,625	155,501	158,126	2,676	155,394	158,070

1 Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value $13,827million and fair value $13,827million (31 December 2022: $15,586 million and fair value $15,727million)

Company

	2023					
	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	1,192	60,809	62,001	1,192	58,543	59,735
Consumer, Private & Business Banking	231	12,272	12,503	231	12,203	12,434
Central & other items	209	1,170	1,379	209	1,170	1,379
At 31 December 2023	1,632	74,251	75,883	1,632	71,916	73,548

	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	1,609	64,311	65,920	1,652	64,311	65,963
Consumer, Private & Business Banking	225	11,436	11,661	231	11,430	11,661
Central & other items	230	2,800	3,030	230	2,800	3,030
At 31 December 2022	2,064	78,547	80,611	2,113	78,541	80,654

1 Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value $12,212million and fair value $12,212 million (31 December 2022: $15,071 million and fair value $15,071 million)

12. 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:

Group

Instrument	Value as at 31 December 2023 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to customers	1,172	–	Discounted cash flows	Price/yield	1.7% - 100%	14.0%
				Credit spreads	0.1% - 0.8%	0.6%
Reverse repurchase agreements and other similar secured lending	1,365	–	Discounted cash flows	Repo curve	5.1% - 7.6%	6.3%
				Price/yield	(2.75)% - 10.3%	(1.2)%
Debt securities, alternative tier one and other eligible securities	1,240	–	Discounted cash flow	Price/yield	(14.1)% - 25.8%	10.1%
				Recovery rates	0.1% - 1.0%	0.2%
			Internal pricing model	Equity-Equity correlation	44.1% - 100%	80.7%
				Equity-FX correlation	(35.9)% - 45.5%	14.2%
Government bonds and treasury bills	51	–	Discounted cash flows	Price/yield	17.7% - 21.8%	20.6%
Equity shares (includes private equity investments)	330	–	Comparable pricing/yield	EV/Revenue multiples	9.3x - 30.9x	15.8x
				P/E multiples	13.2x - 51.8x	44.8x
				P/B multiples	0.5x - 2.7x	2.6x
				P/S multiples	1.5x - 1.6x	1.5x
				Liquidity discount	20.0% - 20.0%	20.0%
			Discounted cash flows	Discount rates	9.2% - 35.6%	22.2%
			Option pricing model	Equity value based on EV/Revenue multiples	8.4x - 42.5x	27.5x
				Equity value based on EV/EBITDA multiples	3.1x - 3.1x	3.1x
				Equity value based on volatility	50.0% - 65.0%	61.9%
Derivative financial instruments of which:						
Foreign exchange	24	12	Option pricing model	Foreign exchange option implied volatility	0.5% - 51%	24.5%
			Discounted cash flows	Interest rate curves	3.6% - 5.8%	3.8%
				Foreign exchange curves	0.6% - 64.2%	12.7%
Interest rate	3	5	Discounted cash flows	Interest rate curves	3.6% - 8.5%	5.2%
Credit	47	126	Discounted cash flows	Price/yield	1.8% - 16.3%	8.7%
Equity and stock index	2	19	Internal pricing model	Equity-Equity correlation	44.1% - 100%	55.0%
				Equity-FX correlation	(35.9)% - 45.4%	13.3%
Deposits by banks	–	68	Discounted cash flows	Credit spreads	0.6% - 3.4%	2.0%
Customer accounts	–	232	Discounted cash flows	Interest rate curves	2.9% - 8.6%	6.1%
				Price/yield	6.3% - 15.1%	10.5%
			Internal pricing model	Equity-Equity correlation	44.1% - 100%	80.7%
				Equity-FX correlation	(35.9)% - 45.5%	14.2%
Debt securities in issue	–	1,026	Discounted cash flows	Price/yield	6.6% - 20.9%	17.9%
				Interest rate curves	2.9% - 5.3%	4.4%
				Equity-Equity correlation	44.1% - 100%	80.7%
			Internal pricing model	Bond option implied volatility	2.9% - 5.3%	4.4%
				Equity-FX correlation	(35.9)% - 45.5%	14.2%
Short positions	–	103	Discounted cash flows	Price/yield	7.1% - 7.1%	7.1%
Total	**4,234**	**1,591**				

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 2023. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

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

12. Financial instruments continued

Instrument	Value as at 31 December 2022 Assets $million	Value as at 31 December 2022 Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	21	–	Discounted cash flows	Credit spreads	2.9%	2.9%
Loans and advances to customers	1,308	–	Discounted cash flows	Price/yield	0.3% - 18.2%	5.4%
				Recovery rates	5.0% - 100%	91.3%
Reverse repurchase agreements and other similar secured lending	1,988	–	Discounted cash flows	Repo curve	2.3% - 8.0%	6.2%
				Price/yield	1.9% - 7.2%	4.7%
Debt securities, alternative tier one and other eligible securities	807	–	Discounted cash flows	Price/yield	5.5% - 48.5%	8.3%
				Recovery rates	0.0% - 1.0%	0.2%.
Equity shares (includes private equity investments)	576	–	Comparable pricing/yield	EV/EBITDA multiples	N/A	N/A
				P/E Revenue multiples	8.2x - 23.2x	12.9X
				P/E multiples	13.4x - 29.7x	14.5X
				P/B multiples	0.3x - 3.3x	1.2X
				P/S multiples	2.1x-2.2x	2.2X
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	7.5% - 16.4%	8.0%
			Option pricing model	Equity value based on EV/Revenue multiples	4.8x - 76.1x	32.9x
				Equity value based on EV/EBITDA multiples	2.6x	2.6x
				Equity value based on volatility	60.0%	60.0%
Derivative financial instruments of which:						
Foreign exchange	17	14	Option pricing model	Foreign exchange option implied volatility	(21.0)% - 21%	(2.7)%
			Discounted cash flows	Foreign exchange curves	(4.6)% - 81.8%	19.8%
Interest rate	24	12	Discounted cash flows	Interest rate curves	(2.1)% - 50.2%	10.6%
			Option pricing model	Bond option implied volatility	N/A	N/A
Credit	1	37	Discounted cash flows	Credit spreads	0.1% - 2.3%	1.2%
				Price/yield	7.2% - 9.7%	7.4%
Equity and stock index	2	55	Internal pricing model	Equity-Equity correlation	30.0% - 96.0%	67.0%
				Equity-FX correlation	(70.0)% - 85.0%	37.0%
Deposits by banks	–	133	Discounted cash flows	Credit spreads	0.9% - 3.4%	2.0%
				Price/yield	6.0%	6.0%
Customer accounts	–	170	Discounted cash flows	Credit spreads	5.5% - 19.1%	11.4%
				Price/yield	22.8%-22.9%	22.9%
Debt securities in issue	–	427	Discounted cash flows	Credit spreads	2.0% - 7.0%	5.3%
				Price/yield	6.8% - 12.4%	9.1%
			Internal pricing model	Equity-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%
Total	4,744	888				

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

12. Financial instruments continued

Company

Instrument	Value as at 31 December 2023 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to customers	**1,024**	–	Discounted cash flows	Price/yield	1.7% - 100%	14.3%
				Credit spreads	0.1% - 0.8%	0.6%
Reverse repurchase agreements and other similar secured lending	**1,092**	–	Discounted cash flows	Repo curve	5.1% - 7.6%	6.5%
				Price/yield	(2.7)% - 10.3%	(1.2)%
Debt securities, alternative tier one and other eligible securities	**114**	–	Discounted cash flows	Price/yield	(2.8)% - 25.8%	10.0%
				Recovery rates	0.1% - 0.1%	0.1%
Equity shares (includes private equity investments)	**226**	–	Comparable pricing/ yield	P/E multiples	51.8x	43.1x
				P/B multiples	0.6x - 2.7x	2.6x
				P/S multiples	N/A	N/A
				Liquidity discount	20.0% - 20.0%	20.0%
			Discounted cash flows	Discount rates	12.6% - 18.5%	16.9%
			Option pricing model	Equity value based on EV/Revenue multiples	10.7x	10.7x
				Equity value based on EV/EBITDA multiples	N/A	N/A
				Equity value based on volatility	N/A	N/A
Derivative financial instruments of which:						
Foreign exchange	**21**	**16**	Option pricing model	Foreign exchange option implied volatility	0.5% - 51%	35.2%
			Discounted cash flows	Interest rate curves	3.6% - 5.8%	3.8%
				Foreign exchange curves	0.6% - 64.2%	20.7%
Interest rate	**2**	**5**	Discounted cash flows	Interest rate curves	3.6% - 7.5%	5.0%
Credit	**47**	**32**	Discounted cash flows	Price/yield	1.8% - 16.3%	8.9%
Equity and stock index	**2**	**9**	Internal pricing model	Equity-Equity correlation	44.1% - 100%	80.7%
				Equity-FX correlation	(35.9)% - 45.5%	14.2%
Deposits by banks	–	**68**	Discounted cash flows	Credit spreads	0.6% - 3.4%	2.0%
Customer accounts	–	**130**	Discounted cash flows	Interest rate curves	6.4% - 8.6%	7.1%
				Price/yield	6.3% - 15.1%	9.7%
Debt securities in issue	–	**861**	Discounted cash flows	Price/yield	6.6% - 18.2%	18.0%
				Interest rate curves	2.9% - 5.3%	4.4%
			Internal pricing model	Equity-Equity correlation	44.1% - 100%	80.7%
				Equity-FX correlation	(35.9)% - 45.5%	14.2%
				Bond option implied volatility	2.9% - 5.3%	4.4%
Short positions	–	**103**	Discounted cash flows	Price/yield	7.1% - 7.1%	7.1%
Total	**2,528**	**1,224**				

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 2023. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

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

12. Financial instruments continued

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 customers	899	–	Discounted cash flows	Price/yield	2.8% - 11.5%	4.9%
				Recovery rates	26.5% - 100%	93.0%
Reverse repurchase agreements and other similar secured lending	1,988	–	Discounted cash flows	Repo curve	2.3% - 8.0%	6.2%
				Price/yield	1.9%.-7.2%	4.7%
Debt securities, alternative tier one and other eligible securities	469	–	Discounted cash flows	Price/yield	6.8% - 48.5%	8.5%
				Recovery rates	0.0% - 1.0%	0.2%
Equity shares (includes private equity investments)	220	–	Comparable pricing/yield	EV/EBITDA multiples	N/A	N/A
				EV/Revenue multiples	N/A	N/A
				P/E multiples	N/A	N/A
				P/B multiples	0.7x - 2.3x	1.2x
				P/S multiples	N/A	N/A
				Liquidity discount	20.0%	20.0%
			Discounted cash flows	Discount rates	7.5% - 16.4%	7.9%
			Option pricing model	Equity value based on EV/ Revenue multiples	12.2x	12.2x
				Equity value based on EV/EBITDA multiples	N/A	N/A
				Equity value based on volatility	N/A	N/A
Derivative financial instruments of which:						
Foreign exchange	16	25	Option pricing model	Foreign exchange option implied volatility	(21.0)% - 21.0%	(3.6)%
			Discounted cash flows	Foreign exchange curves	(4.6)% - 81.8%	15.8%
Interest rate	21	9	Discounted cash flows	Interest rate curves	(2.1)% - 50.2%	7.8%
			Option pricing model	Bond option implied volatility	N/A	N/A
Credit	1	25	Discounted cash flows	Credit spreads	0.1% - 2.3%	1.2%
				Price/yield	7.2% - 9.7%	8.5%
Equity and stock index	1	51	Internal pricing model	Equity-Equity correlation	30.0% - 96.0%	67.0%
				Equity-FX correlation	(70.0)% - 85.0%	37.0%
Deposits by banks	–	119	Discounted cash flows	Credit spreads	0.9% - 3.4%	2.0%
				Price/yield	6.0%	6.0%
Customer accounts	–	67	Discounted cash flows	Price/yield	22.8% - 22.9%	22.9%
Debt securities in issue	–	262	Discounted cash flows	Credit spreads	2.0%	2.0%
			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%
Total	3,615	598				

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

12. Financial instruments continued

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

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

12. Financial instruments continued

Level 3 movement tables – financial assets

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

Group

	Held at fair value through profit or loss						Investment securities		
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	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2023	21	1,308	1,988	807	92	44	–	484	4,744
Total (losses)/gains recognised in income statement	–	(15)	(49)	(260)	(8)	13	–	–	(319)
Net trading income	–	(15)	(49)	(272)	(8)	13	–	–	(331)
Other operating income	–	–	–	12	–	–	–	–	12
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	1	42	43
Fair value through OCI reserve	–	–	–	–	–	–	–	43	43
Exchange difference	–	–	–	–	–	–	1	(1)	–
Purchases	22	1,046	4,838	1,051	1	189	21	1	7,169
Sales	(22)	(1,133)	(3,943)	(516)	–	(118)	(23)	(5)	(5,760)
Settlements	–	(16)	(1,469)	–	–	(25)	–	–	(1,510)
Transfers out[1]	(21)	(224)	–	(6)	–	(27)	(5)	(284)	(567)
Transfers in[2]	–	206	–	144	–	–	77	7	434
At 31 December 2023	–	1,172	1,365	1,220	85	76	71	245	4,234
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2023	–	(3)	3	(3)	(8)	(11)	–	–	(22)

1 Transfers out includes debt securities, alternative tier one and other eligible bills , equity shares, derivative financial instruments and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2.

2 Transfers in primarily relates to debt securities, alternative tier one and other eligible bills, equity shares and loans and advances where the valuation parameters became unobservable during the year

12. Financial instruments continued

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

Assets	Held at fair value through profit or loss						Investment securities		
	Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2022	9	410	1,555	312	98	67	40	392	2,883
Total (losses)/gains recognised in income statement	(16)	(79)	2	18	(6)	23	–	–	(58)
Net trading income	(16)	(79)	2	18	(6)	23	–	–	(58)
Other operating income	–	–	–	–	–	–	–	–	–
Total (losses)/gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	(1)	5	4
Fair value through OCI reserve	–	–	–	–	–	–	–	7	7
Exchange difference	–	–	–	–	–	–	(1)	(2)	(3)
Purchases	37	1,149	6,416	743	10	121	–	84	8,560
Sales	(30)	(237)	(5,485)	(342)	(2)	(74)	–	(6)	(6,176)
Settlements	–	(58)	(500)	(1)	–	(76)	(39)	–	(674)
Transfers out[1]	–	(106)	–	–	(8)	(29)	–	–	(143)
Transfers in[2]	21	229	–	77	–	12	–	9	348
At 31 December 2022	21	1,308	1,988	807	92	44	–	484	4,744
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2022	–	–	–	–	(6)	(8)	–	–	(14)

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

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

12. Financial instruments continued

Level 3 movement tables – financial assets

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

Company

	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	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2023	–	899	1,988	469	39	–	220	3,615
Total (losses)/gains recognised in income statement	–	(4)	(52)	(267)	13	–	–	(310)
Net trading income	–	(4)	(52)	(267)	13	–	–	(310)
Other operating income	–	–	–	–	–	–	–	–
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	42	42
Fair value through OCI reserve	–	–	–	–	–	–	42	42
Exchange difference	–	–	–	–	–	–	–	–
Purchases	–	957	4,568	208	171	–	1	5,905
Sales	–	(798)	(3,943)	(289)	(111)	–	(5)	(5,146)
Settlements	–	(9)	(1,469)	–	(17)	–	–	(1,495)
Transfers out[1]	–	(216)	–	(8)	(23)	–	(32)	(279)
Transfers in[2]	–	195	–	1	–	–	–	196
At 31 December 2023	–	1,024	1,092	114	72	–	226	2,528
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2023	–	–	–	–	(9)	–	–	(9)

1 Transfers out includes debt securities, alternative tier one and other eligible bills, derivative financial instruments, equity shares and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2.

2 Transfers in primarily relates to debt securities, alternative tier one and other eligible bills and loans and advances where the valuation parameters became unobservable during the year

12. Financial instruments continued

Assets	Held at fair value through profit or loss					Investment securities		
	Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 1 January 2022	9	82	1,555	203	69	286	208	2,412
Total (losses)/gains recognised in income statement	(16)	(45)	2	75	23	–	–	39
Net trading income	(16)	(45)	2	75	23	–	–	39
Other operating income	–	–	–	–	–	–	–	–
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	19	19
Fair value through OCI reserve	–	–	–	–	–	–	20	20
Exchange difference	–	–	–	–	–	–	(1)	(1)
Purchases	37	823	6,416	297	99	295	1	7,968
Sales	(30)	(85)	(5,485)	(107)	(61)	–	(8)	(5,776)
Settlements	–	(6)	(500)	–	(73)	(15)	–	(594)
Transfers out[1]	–	(99)	–	–	(28)	(566)	–	(693)
Transfers in[2]	–	229	–	1	10	–	–	240
At 31 December 2022	–	899	1,988	469	39	–	220	3,615
Total unrealised losses recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2022	–	–	–	–	(7)	–	–	(7)

1 Transfers out includes derivative financial instruments, debt securities, alternative tier one and other eligible bills and loans and advances where the valuation parameters became observable during the year and were transferred to Level 1 and Level 2.

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

12. Financial instruments continued

Level 3 movement tables – financial liabilities

Group

	2023					
	Deposits by banks $million	**Customer accounts $million**	**Debt securities in issue $million**	**Derivative financial instruments $million**	**Short positions $million**	**Total $million**
At 1 January 2023	**133**	**170**	**427**	**118**	**40**	**888**
Total (gains)/losses recognised in income statement – net trading income	**–**	**(20)**	**32**	**(53)**	**3**	**(38)**
Issues	**293**	**509**	**1,466**	**404**	**100**	**2,772**
Settlements	**(353)**	**(442)**	**(1,178)**	**(297)**	**(40)**	**(2,310)**
Transfers out[1]	**(5)**	**(9)**	**(85)**	**(13)**	**–**	**(112)**
Transfers in[2]	**–**	**24**	**364**	**3**	**–**	**391**
At 31 December 2023	**68**	**232**	**1,026**	**162**	**103**	**1,591**
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2023	**–**	**(21)**	**6**	**(47)**	**–**	**(62)**

	2022					
	Deposits by banks $million	Customer Accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Short positions $million	Total $million
At 1 January 2022	22	365	781	96	–	1,264
Total (gains)/losses recognised in income statement – net trading income	(11)	(50)	(148)	155	(3)	(57)
Issues	144	906	737	174	140	2,101
Settlements	(22)	(1,099)	(981)	(291)	(97)	(2,490)
Transfers out[1]	–	–	(38)	(23)	–	(61)
Transfers in[2]	–	48	76	7	–	131
At 31 December 2022	133	170	427	118	40	888
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)

1 Transfers out during the year primarily relates to debt securities in issue, bank deposits, customer accounts 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 relates to customer accounts, debt securities in issue and derivative financial instruments where the valuation parameters became unobservable during the year

12. Financial instruments continued

Company

	2023					
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Short positions $million	Total $million
At 1 January 2023	119	67	262	110	40	598
Total losses/(gains) recognised in income statement – net trading income	–	2	26	(16)	3	15
Issues	281	260	993	154	100	1,788
Settlements	(327)	(203)	(699)	(177)	(40)	(1,446)
Transfers out[1]	(5)	–	(85)	(9)	–	(99)
Transfers in[2]	–	4	364	–	–	368
At 31 December 2023	**68**	**130**	**861**	**62**	**103**	**1,224**
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2023	–	–	–	(10)	–	(10)

	2022					
	Deposits by banks $million	Customer Accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Short positions $million	Total $million
At 1 January 2022	22	292	614	105	–	1,033
Total (gains)/losses recognised in income statement – net trading income	(11)	(33)	(137)	153	–	(28)
Issues	130	612	263	146	40	1,191
Settlements	(22)	(804)	(517)	(280)	–	(1,623)
Transfers out[1]	–	–	(38)	(20)	–	(58)
Transfers in[2]	–	–	77	6	–	83
At 31 December 2022	119	67	262	110	40	598
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	–	–	–	(4)	–	(4)

1 Transfers out during the year primarily relates to debt securities in issue, bank deposits 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 relates to debt securities in issue and customer accounts where the valuation parameters became unobservable during the year

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.

12. Financial instruments continued

Group

	Held at fair value through profit or loss			Held at 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	**1,172**	**1,186**	**1,140**	**–**	**–**	**–**
Reverse repurchase agreements and other similar secured lending	**1,365**	**1,367**	**1,362**	**–**	**–**	**–**
Debt securities, alternative tier one and other eligible bills	**1,220**	**1,265**	**1,153**	**71**	**77**	**65**
Equity shares	**85**	**94**	**77**	**245**	**270**	**221**
Derivative financial instruments	**(86)**	**(44)**	**(127)**	**–**	**–**	**–**
Customers accounts	**(232)**	**(218)**	**(246)**	**–**	**–**	**–**
Deposits by banks	**(68)**	**(68)**	**(68)**	**–**	**–**	**–**
Short positions	**(103)**	**(101)**	**(105)**	**–**	**–**	**–**
Debt securities in issue	**(1,026)**	**(951)**	**(1,100)**	**–**	**–**	**–**
At 31 December 2023	**2,327**	**2,530**	**2,086**	**316**	**347**	**286**
Financial instruments held at fair value						
Loans and advances	1,329	1,348	1,268	–	–	–
Reverse repurchase agreements and other similar secured lending	1,988	2,003	1,969	–	–	–
Debt securities, alternative tier one and other eligible bills	807	818	783	–	–	–
Equity shares	92	101	83	484	528	441
Derivative financial instruments	(74)	(41)	(107)	–	–	–
Customers accounts	(170)	(164)	(176)	–	–	–
Deposits by banks	(133)	(128)	(138)	–	–	–
Short positions	(40)	(39)	(41)	–	–	–
Debt securities in issue	(427)	(395)	(458)	–	–	–
At 31 December 2022	3,372	3,503	3,183	484	528	441

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	2023 $million	2022 $million
Held at fair value through profit or loss	Possible increase	**203**	131
	Possible decrease	**(241)**	(189)
Fair value through other comprehensive income	Possible increase	**31**	44
	Possible decrease	**(30)**	(43)

12. Financial instruments continued

Company

	Held at fair value through profit or loss			Held at 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	1,024	1,037	999	–	–	–
Reverse repurchase agreements and other similar secured lending	1,092	1,094	1,090	–	–	–
Debt securities, alternative tier one and other eligible bills	114	118	110	–	–	–
Equity shares	–	–	–	226	249	203
Derivative financial instruments	10	15	5	–	–	–
Customers accounts	(130)	(122)	(138)	–	–	–
Deposits by banks	(68)	(68)	(68)	–	–	–
Short positions	(103)	(101)	(105)	–	–	–
Debt securities in issue	(861)	(788)	(934)	–	–	–
At 31 December 2023	1,078	1,185	959	226	249	203
Financial instruments held at fair value						
Loans and advances	899	913	872	–	–	–
Reverse repurchase agreements and other similar secured lending	1,988	2,003	1,969	–	–	–
Debt securities, alternative tier one and other eligible bills	469	471	454	–	–	–
Equity shares	–	–	–	220	239	201
Derivative financial instruments	(71)	(34)	(107)	–	–	–
Customers accounts	(67)	(66)	(68)	–	–	–
Deposits by banks	(119)	(116)	(122)	–	–	–
Short positions	(40)	(39)	(41)	–	–	–
Debt securities in issue	(262)	(236)	(288)	–	–	–
At 31 December 2022	2,797	2,896	2,669	220	239	201

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	2023 $million	2022 $million
Held at fair value through profit or loss	Possible increase	107	99
	Possible decrease	(119)	(128)
Fair value through other comprehensive income	Possible increase	23	19
	Possible decrease	(23)	(19)

13. Derivative financial instruments

Accounting policy

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 applied 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 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 of the hedge should be within 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.

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.

Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons, the cumulative gain or loss will be immediately reclassified to profit or loss.

13. Derivative financial instruments continued

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.

Derivatives

Group

	2023			2022		
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	3,315,302	36,523	36,348	2,901,200	45,187	45,162
Currency swaps and options	967,868	9,200	10,081	999,374	11,391	12,589
	4,283,170	45,723	46,429	3,900,574	56,578	57,751
Interest rate derivative contracts:						
Swaps	4,412,137	51,193	52,496	3,213,891	58,440	60,124
Forward rate agreements and options	309,630	2,001	2,382	95,480	2,140	2,838
	4,721,767	53,194	54,878	3,309,371	60,580	62,962
Exchange traded futures and options	321,138	39	47	324,225	279	258
Credit derivative contracts	272,695	452	574	246,802	406	433
Equity and stock index options	6,771	49	127	4,912	86	158
Commodity derivative contracts	112,846	864	885	83,738	1,312	1,487
Gross total derivatives	9,718,387	100,321	102,940	7,869,622	119,241	123,049
Offset	–	(47,767)	(47,767)	–	(54,191)	(54,191)
Total derivatives	9,718,387	52,554	55,173	7,869,622	65,050	68,858

Company

	2023			2022		
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	3,857,570	31,658	31,966	3,322,275	39,464	40,402
Currency swaps and options	1,001,366	9,562	10,685	1,027,838	12,110	12,864
	4,858,936	41,220	42,651	4,350,113	51,574	53,266
Interest rate derivative contracts:						
Swaps	4,979,421	56,121	56,504	3,548,036	63,668	64,723
Forward rate agreements and options	312,356	2,124	2,428	98,617	2,277	2,944
	5,291,777	58,245	58,932	3,646,653	65,945	67,667
Exchange traded futures and options	321,138	39	47	324,225	279	258
Credit derivative contracts	278,156	479	557	246,922	352	437
Equity and stock index options	4,486	23	73	3,223	69	126
Commodity derivative contracts	117,875	982	1,038	89,095	1,453	1,640
Gross total derivatives	10,872,368	100,988	103,298	8,660,231	119,672	123,394
Offset	–	(47,767)	(47,767)	–	(54,191)	(54,191)
Total derivatives	10,872,368	53,221	55,531	8,660,231	65,481	69,203

13. Derivative financial instruments continued

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

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

The Group may enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment, including derivatives 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 107).

The Derivatives and Hedging sections of the Risk review and Capital review (page 110) 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.

Group

	2023			2022		
	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	47,257	1,115	1,224	56,127	2,052	1,509
Currency swaps	115	10	6	114	14	4
	47,372	1,125	1,230	56,241	2,066	1,513
Derivatives designated as cash flow hedges:						
Interest rate swaps	35,467	99	535	22,820	25	576
Forward foreign exchange contracts	11,862	416	183	11,889	97	385
Currency swaps	1,007	21	4	1,336	5	50
	48,336	536	722	36,045	127	1,011
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	4,402	10	12	3,130	17	51
Total derivatives held for hedging	100,110	1,671	1,964	95,416	2,210	2,575

Company

	2023			2022		
	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	45,062	1,075	1,207	54,273	1,978	1,507
Currency swaps	115	10	6	114	14	4
	45,177	1,085	1,213	54,387	1,992	1,511
Derivatives designated as cash flow hedges:						
Interest rate swaps	33,330	81	535	20,880	24	576
Forward foreign exchange contracts	11,097	416	165	11,829	93	385
Currency swaps	199	4	1	47	– –	2
	44,626	501	701	32,756	117	963
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	3,339	8	3	1,939	17	–
Total derivatives held for hedging	93,142	1,594	1,917	89,082	2,126	2,474

13. Derivative financial instruments continued

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 and interest cashflows mismatch between the hedging instruments and underlying hedged items. The amortisation of fair value hedge adjustments for hedged items no longer designated is recognised in net interest income.

At 31 December 2023 the Group held the following interest rate and cross-currency swaps as hedging instruments in fair value hedges of interest and currency risk.

Hedging instruments and ineffectiveness
Group

	2023				
		Carrying amount			
Interest rate[1]	**Notional $million**	**Asset $million**	**Liability $million**	**Change in fair value used to calculate hedge ineffectiveness $million**	**Ineffectiveness recognised in profit or loss $million**
Interest rate swaps – debt securities/subordinated notes issued	**26,617**	**311**	**1,107**	**574**	**3**
Interest rate swaps – loans and advances	**537**	**5**	**1**	**1**	**–**
Interest rate swaps – debt securities and other eligible bills	**20,103**	**799**	**116**	**(382)**	**(14)**
Interest and currency risk[1]					
Cross-currency swaps – debt securities/subordinated notes issued	**70**	**–**	**6**	**(2)**	**–**
Cross-currency swaps – debt securities and other eligible bills	**45**	**10**	**–**	**10**	**–**
Total at 31 December 2023	**47,372**	**1,125**	**1,230**	**201**	**(11)**

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

	2022				
		Carrying amount			
Interest rate[1]	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – debt securities/subordinated notes issued	24,373	100	1,489	(1,439)	2
Interest rate swaps – loans and advances	299	22	–	21	(1)
Interest rate swaps – debt securities and other eligible bills	31,455	1,930	20	2,711	11
Interest and currency risk[1]					
Cross-currency swaps – debt securities/subordinated notes issued	72	–	4	(6)	2
Cross-currency swaps – debt securities and other eligible bills	42	14	–	9	3
Total at 31 December 2022	56,241	2,066	1,513	1,296	17

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

13. Derivative financial instruments continued

Hedged items in fair value hedges

	2023					
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in the value used for calculating hedge ineffectiveness	Cumulative balance of fair value adjustments from de-designated hedge relationships[1]
	Asset $million	Liability $million	Asset $million	Liability $million	$million	$million
Debt securities /subordinated notes issued	–	27,465	–	674	(569)	(50)
Debt securities and other eligible bills	18,977	–	(520)	–	358	591
Loans and advances to customers	534	–	(4)	–	(1)	11
Total at 31 December 2023	19,511	27,465	(524)	674	(212)	552

	2022					
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in fair value used for calculating hedge ineffectiveness	Cumulative balance of fair value adjustments from de-designated hedge relationships[1]
	Asset $million	Liability $million	Asset $million	Liability $million	$million	$million
Debt securities /subordinated notes issued	–	25,892	–	1,339	1,450	28
Debt securities and other eligible bills	28,861	–	(1,819)	–	(2,708)	383
Loans and advances to customers	277	–	(22)	–	(21)	1
Total at 31 December 2022	29,138	25,892	(1,841)	1,339	(1,279)	412

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

Income statement impact of fair value hedges

	2023 $million Income/ (expense)	2022 $million Income/ (expense)
Change in fair value of hedging instruments	201	1,296
Change in fair value of hedged risks attributable to hedged items	(212)	(1,279)
Net ineffectiveness (loss)/gain to net trading income	(11)	17
Amortisation gain to net interest income	193	117

Hedging instruments and ineffectiveness
Company

	2023				
		Carrying amount		Change in fair value used to calculate hedge ineffectiveness	Ineffectiveness recognised in profit or loss
Interest rate[1]	Notional $million	Asset $million	Liability $million	$million	$million
Interest rate swaps – debt securities/subordinated notes issued	26,617	311	1,107	575	3
Interest rate swaps – loans and advances	509	4	1	–	–
Interest rate swaps – debt securities and other eligible bills	17,936	760	99	(367)	(13)
Interest and currency risk[1]					
Cross-currency swaps – debt securities/subordinated notes issued	70	–	6	(2)	–
Cross-currency swaps – debt securities and other eligible bills	45	10	–	10	–
Total at 31 December 2023	45,177	1,085	1,213	216	(10)

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

13. Derivative financial instruments continued

Interest rate[1]	2022				
		Carrying amount			
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Ineffectiveness recognised in profit or loss $million
Interest rate swaps – debt securities/subordinated notes issued	24,373	101	1,489	(1,440)	3
Interest rate swaps – loans and advances	270	19	–	19	(1)
Interest rate swaps – debt securities and other eligible bills	29,630	1,858	18	2,582	10
Interest and currency risk[1]					
Cross-currency swaps – debt securities/subordinated notes issued	72	–	4	(6)	2
Cross-currency swaps – debt securities and other eligible bills	42	14	–	9	3
Total at 31 December 2022	54,387	1,992	1,511	1,164	17

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

Hedged Items in fair value hedges

	2023					
	Carrying amount		**Accumulated amount of fair value hedge adjustments included in the carrying amount**			
	Asset $million	**Liability $million**	**Asset $million**	**Liability $million**	**Change in the value used for calculating hedge ineffectiveness $million**	**Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million**
Debt securities /subordinated notes issued	**–**	**27,465**	**–**	**674**	**(570)**	**(50)**
Debt securities and other eligible bills	**16,867**	**–**	**(510)**	**–**	**344**	**564**
Loans and advances to customers	**507**	**–**	**(2)**	**–**	**–**	**11**
Total at 31 December 2023	**17,374**	**27,465**	**(512)**	**674**	**(226)**	**525**

	2022					
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount			
	Asset $million	Liability $million	Asset $million	Liability $million	Change in fair value used for calculating hedge ineffectiveness $million	Cumulative balance of fair value adjustments from de-designated hedge relationships[1] $million
Debt securities /subordinated notes issued	–	25,892	–	1,339	1,450	28
Debt securities and other eligible bills	27,141	–	(1,751)	–	(2,578)	373
Loans and advances to customers	251	–	(19)	–	(19)	1
Total at 31 December 2022	27,392	25,892	(1,770)	1,339	(1,147)	402

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

Income statement impact of fair value hedges

	2023 $million Income/ (expense)	2022 $million Income/ (expense)
Change in fair value of hedging instruments	**216**	1,164
Change in fair value of hedged risks attributable to hedged items	**(226)**	(1,147)
Net ineffectiveness (loss)/gain to net trading income	**(10)**	17
Amortisation gain to net interest income	**192**	120

13. Derivative financial instruments continued

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). Hedge ineffectiveness for cash flow hedges is mainly driven by payment frequency mismatch between the hedging instrument and the underlying hedged item.

The hedged risk is determined as the variability of future cash flows arising from changes in the designated benchmark interest and/or foreign exchange rates.

Hedging instruments and ineffectiveness

Group

	2023						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Gain recognised in OCI $million	Ineffectiveness gain recognised in net trading income $million	Amount reclassified from reserves to net trading income $million
Interest rate risk							
Interest rate swaps	**35,467**	**99**	**535**	**501**	**499**	**2**	**–**
Currency risk							
Forward foreign exchange contract	**11,862**	**416**	**183**	**107**	**106**	**1**	**–**
Cross-currency swaps	**1,007**	**21**	**4**	**–**	**–**	**–**	**–**
Total as at 31 December 2023	**48,336**	**536**	**722**	**608**	**605**	**3**	**–**

	2022						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Loss recognised in OCI $million	Ineffectiveness (loss)/gain recognised in net trading income $million	Amount reclassified from reserves to net trading income $million
Interest rate risk							
Interest rate swaps	22,820	25	576	(552)	(551)	(1)	–
Currency risk							
Forward foreign exchange contract	11,889	97	385	(141)	(141)	–	–
Cross-currency swaps	1,336	5	50	(9)	(10)	1	–
Total as at 31 December 2022	36,045	127	1,011	(702)	(702)	–	–

13. Derivative financial instruments continued

Hedged items in cash flow hedges

	2023		
	Change in fair value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	(389)	(74)	25
Debt securities and other eligible bills	(19)	(28)	(12)
Loans and advances to customers	(197)	77	–
Intragroup borrowing currency hedge	–	–	–
Total at 31 December 2023	**(605)**	**(25)**	**13**

	2022		
	Change in fair value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	390	(450)	31
Debt securities and other eligible bills	110	(67)	(22)
Loans and advances to customers	204	(83)	(12)
Intragroup lending currency hedge	(2)	–	–
Total at 31 December 2022	702	(600)	(3)

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

	2023 Income/ (expense) $million	2022 Income/ (expense) $million
Cash flow hedge reserve balance as at 1 January	(513)	(11)
Gains/(losses) recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments	605	(702)
(Losses)/gains reclassified to income statement when hedged item affected net profit	(22)	110
Taxation credit relating to cash flow hedges	(83)	90
Cash flow hedge reserve balance as at 31 December	**(13)**	(513)

13. Derivative financial instruments continued

Hedging instruments and ineffectiveness

Company

	2023						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	Gain recognised in OCI $million	Ineffectiveness gain recognised in net trading income $million	Amount reclassified from reserves to net trading income $million
Interest rate risk							
Interest rate swaps	**33,330**	**81**	**535**	**478**	**476**	**2**	**–**
Currency risk							
Forward foreign exchange contract	**11,097**	**416**	**165**	**107**	**106**	**1**	**–**
Cross-currency swaps	**199**	**4**	**1**	**–**	**–**	**–**	**–**
Total as at 31 December 2023	**44,626**	**501**	**701**	**585**	**582**	**3**	**–**

	2022						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $million	(Loss) recognised in OCI $million	Ineffectiveness (loss) recognised in net trading income $million	Amount reclassified from reserves to net trading income $million
Interest rate risk							
Interest rate swaps	20,880	24	576	(534)	(533)	(1)	–
Currency risk							
Forward foreign exchange contract	11,829	93	385	(147)	(147)	–	–
Cross-currency swaps	47	–	2	(2)	(2)	–	–
Total as at 31 December 2022	32,756	117	963	(683)	(682)	(1)	–

Hedged items in cash flow hedges

	2023		
	Change in fair value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	**(389)**	**(74)**	**25**
Debt securities and other eligible bills	**(19)**	**(28)**	**(12)**
Loans and advances to customers	**(174)**	**60**	**–**
Intragroup lending currency hedge	**–**	**–**	**–**
Total at 31 December 2023	**(582)**	**(42)**	**13**

	2022		
	Change in fair value used for calculating hedge ineffectiveness $million	Cash flow hedge reserve $million	Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships $million
Customer accounts	390	(443)	31
Debt securities and other eligible bills	105	(61)	(22)
Loans and advances to customers	189	(69)	(11)
Intragroup lending currency hedge	(2)	–	–
Total at 31 December 2022	682	(573)	(2)

13. Derivative financial instruments continued

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

	2023 Income/ (expense) $million	2022 Income/ (expense) $million
Cash flow hedge reserve balance as at 1 January	(522)	(39)
Gains/(losses) recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments	582	(682)
(Losses)/gains reclassified to income statement when hedged item affected net profit	(32)	110
Taxation credit relating to cash flow hedges	(79)	89
Cash flow hedge reserve balance as at 31 December	(51)	(522)

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.

Hedging instruments and ineffectiveness

Group

	2023						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $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[1]	4,402	10	12	(18)	(18)	–	–

	2022						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $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[1]	3,130	17	51	54	54	–	–

1 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

	2023		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	18	(2)	–

	2022		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	(54)	(34)	–

13. Derivative financial instruments continued

Impact of net investment hedges on other comprehensive income

	2023 Income/ (expense) $million	2022 Income/ (expense) $million
(Losses) / gains recognised in other comprehensive income	(18)	54

Hedging instruments and ineffectiveness
Company

	2023						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $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[1]	3,339	8	3	(16)	(16)	–	–

	2022						
		Carrying amount					
	Notional $million	Asset $million	Liability $million	Change in fair value used to calculate hedge ineffectiveness $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[1]	1,939	17	–	51	51	–	–

1 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

	2023		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	16	5	–

	2022		
	Change in the value used for calculating hedge ineffectiveness $million	Translation reserve $million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied $million
Net investments	(51)	17	–

Impact of net investment hedges on other comprehensive income

	2023 Income/ (expense) $million	2022 Income/ (expense) $million
(Losses)/gains recognised in other comprehensive income	(16)	51

13. Derivative financial instruments continued

Maturity of hedging instruments
Group

		2023			
Fair value 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	2,914	6,142	28,697	9,504
Cross-currency swap					
Notional	$million	–	115	–	–
Average fixed interest rate (to USD)	GBP	–	1.33%	–	–
	CNH	–	3.17%	–	–
Average exchange rate	GBP/USD	–	0.66	–	–
	HKD/USD	–	6.37	–	–
Cash flow hedges					
Interest rate swap					
Notional	$million	1,990	25,831	7,239	407
Average fixed interest rate	USD	5.09%	3.39%	4.68%	3.16%
Cross-currency swap					
Notional	$million	74	735	198	–
Average fixed interest rate	INR	–	7.85%	10.02%	–
	KRO	–	4.11%	3.11%	–
	THO	–	2.17%	2.36%	–
	IDR	–	6.43%	–	–
Average exchange rate	INR/USD	–	82.90	82.69	–
	KRO/USD	–	1,275.24	1,220.50	–
	THO/USD	–	33.72	33.72	–
	IDR/USD	–	15,715.00	–	–
Forward foreign exchange contracts					
Notional	$million	2,194	9,668	–	–
Average exchange rate	JPY/USD	130.49	136.05	–	–
	BRL/USD	–	5.17	–	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	4,402	–	–	–
Average exchange rate	INR/USD	82.91	–	–	–
	SGD/USD	1.33	–	–	–
	AED/USD	3.67	–	–	–

13. Derivative financial instruments continued

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	451	7,406	36,788	11,482
Cross-currency swap					
Notional	$million	–	–	114	–
Average fixed interest rate (to USD)	GBP	–	–	1.33%	–
	HKD	–	–	3.17%	–
Average exchange rate	GBP/USD	–	–	0.66	–
	HKD/USD	–	–	6.37	–
Cash flow hedges					
Interest rate swap					
Notional	$million	195	8,831	13,582	212
Average fixed interest rate	USD	3.80%	2.16%	1.60%	2.14%
Cross-currency swap					
Notional	$million	–	594	742	–
Average fixed interest rate	INO	–	8.67%	11.50%	–
Average exchange rate	INO/USD	–	78.32	79.90	–
Forward foreign exchange contracts					
Notional	$million	1,246	10,643	–	–
Average exchange rate	CLO/USD				
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	3,130	–	–	–
Average exchange rate	INR/USD	80.55	–	–	–
	SGD/USD	1.40	–	–	–
	AED/USD	3.67	–	–	–

13. Derivative financial instruments continued

Maturity of hedging instruments

Company

Fair value hedges		2023 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	2,914	6,142	26,502	9,504
Cross-currency swap					
Notional	$million	–	115	–	–
Average fixed interest rate (to USD)	GBP	–	1.33%	–	–
	CNH	–	3.17%	–	–
Average exchange rate	GBP/USD	–	0.66	–	–
	HKD/USD	–	6.37	–	–
Cash flow hedges					
Interest rate swap					
Notional	$million	1,965	25,058	5,900	407
Average fixed interest rate	USD	5.09%	2.59%	4.56%	2.65%
Cross-currency swap					
Notional	$million	–	199	–	–
Average fixed interest rate	KRO	–	3.13%	–	–
	PHP	–	6.30%	–	–
	IDR	–	6.43%	–	–
Average exchange rate	KRO/USD	–	1,318.70	–	–
	PHP/USD	–	55.54	–	–
	IDR/USD	–	15,715.00	–	–
Forward foreign exchange contracts					
Notional	$million	2,194	8,903	–	–
Average exchange rate	JPY/USD	130.49	136.05	–	–
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	3,339	–	–	–
Average exchange rate	INR/USD	82.91	–	–	–
	AED/USD	3.67	–	–	–

13. Derivative financial instruments continued

Fair value hedges		2022 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	451	7,251	35,089	11,482
Cross-currency swap					
Notional	$million	–	–	114	–
Average fixed interest rate (to USD)	GBP	–	–	1.33%	–
	HKD	–	–	3.17%	–
Average exchange rate	GBP/USD	–	–	0.66	–
	HKD/USD	–	–	6.37	–
Cash flow hedges					
Interest rate swap					
Notional	$million	195	6,891	13,582	212
Average fixed interest rate	USD	3.80%	2.44%	1.60%	2.14%
Cross-currency swap					
Notional	$million	–	47	–	–
Average fixed interest rate	KRO		5.58%		
Average exchange rate	KRO/USD		1,356.70		
Forward foreign exchange contracts					
Notional	$million	1186	10643	0	0
Average exchange rate	JPY/USD	135.18	133.26	–	0
Net investment hedges					
Foreign exchange derivatives					
Notional	$million	1939	–	–	–
Average exchange rate	INR/USD	80.55			
	AED/USD	3.67	–	–	–

Interest rate benchmark reform
As at 31 December 2023, there are no derivative instruments designated in fair value or cash flow hedge accounting relationships that were linked to IBOR reference rates (31 December 2022: $45,540 million for Group and $41,569 million for Company).

14. Loans and advances to banks and customers

Accounting policy

Refer to Note 12 Financial instruments for the relevant accounting policy

	Group		Company	
	2023 $million	2022 $million	**2023 $million**	2022 $million
Loans and advances to banks	**22,821**	27,394	**10,141**	18,552
Expected credit loss	**(18)**	(11)	**(6)**	(4)
	22,803	27,383	**10,135**	18,548
Loans and advances to customers	**159,552**	162,158	**78,181**	83,457
Expected credit loss	**(3,409)**	(4,032)	**(2,298)**	(2,846)
	156,143	158,126	**75,883**	80,611
Total loans and advances to banks and customers[1]	**178,946**	185,509	**86,018**	99,159

1 Includes $2.2 billion (31 December 2022: $1 billion) of assets pledged as collateral.

Analysis of loans and advances to customers by client segments and related impairment provisions as set out within the Risk review and Capital review (page 58 to 145).

15. 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.

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.

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

Group

	2023 $million	2022 $million
Banks	27,706	24,154
Customers	55,923	54,643
	83,629	78,797
Of which:		
Fair value through profit or loss	68,149	62,333
Banks	26,053	23,276
Customers	42,096	39,057
Held at amortised cost	15,480	16,464
Banks	1,653	878
Customers	13,827	15,586

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

	2023 $million	2022 $million
Securities and collateral received (at fair value)	87,153	113,744
Securities and collateral which can be repledged or sold (at fair value)	87,084	113,624
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	33,652	44,628

Company

	2023 $million	2022 $million
Banks	23,965	21,383
Customers	53,605	52,929
	77,570	74,312
Of which:		
Fair value through profit or loss	64,804	59,057
Banks	23,411	21,199
Customers	41,393	37,858
Held at amortised cost	12,766	15,255
Banks	554	184
Customers	12,212	15,071

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

	2023 $million	2022 $million
Securities and collateral received (at fair value)	80,899	108,433
Securities and collateral which can be repledged or sold (at fair value)	80,852	108,314
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	32,774	44,419

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

Repurchase agreements and other similar secured borrowing

Group

	2023 $million	2022 $million
Banks	4,968	6,536
Customers	46,497	45,857
	51,465	52,393
Of which:		
Fair value through profit or loss	39,432	50,402
Banks	4,137	5,422
Customers	35,295	44,980
Held at amortised cost	12,033	1,991
Banks	831	1,114
Customers	11,202	877

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

	2023				
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	4,069	7,312	10,181	–	21,562
Off-balance sheet					
Repledged collateral received	–	–	–	33,652	33,652
At 31 December 2023	4,069	7,312	10,181	33,652	55,214

	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	1,629	3,624	4,799	–	10,052
Off-balance sheet					
Repledged collateral received	–	–	–	44,628	44,628
At 31 December 2022	1,629	3,624	4,799	44,628	54,680

Company

	2023 $million	2022 $million
Banks	4,824	6,215
Customers	46,327	45,687
	51,151	51,902
Of which:		
Fair value through profit or loss	39,174	50,179
Banks	4,030	5,307
Customers	35,144	44,872
Held at amortised cost	11,977	1,723
Banks	794	908
Customers	11,183	815

15. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

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

	2023				
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	**3,985**	**7,293**	**10,181**	**–**	**21,459**
Off-balance sheet					
Repledged collateral received	**–**	**–**	**–**	**32,774**	**32,774**
At 31 December 2023	**3,985**	**7,293**	**10,181**	**32,774**	**54,233**

	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	1,407	3,624	4,799	–	9,830
Off-balance sheet					
Repledged collateral received	–	–	–	44,419	44,419
At 31 December 2022	1,407	3,624	4,799	44,419	54,249

16. Goodwill and intangible assets

Accounting policy

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in Investments in associates. 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 discounting 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 generates 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 251).

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 and, the appropriate long term growth rates to use and discount rates which factor in country risk-free rates and applicable risk premiums. These estimates are periodically assessed for appropriateness. 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.

16. Goodwill and intangible assets continued

Computer software

Acquired computer software licences are capitalised, 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 asset 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 assets 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 of asset, 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 that is internally generated, 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, including customisation 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.

Group

	2023				2022			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	1,323	143	3,962	5,428	1,379	148	3,569	5,096
Exchange translation differences	(24)	(8)	23	(9)	(44)	(5)	1	(48)
Additions	–	–	649	649	–	–	761	761
Impairment charge[1]	–	–	(50)	(50)	(10)	–	(18)	(28)
Amounts written off	–	–	(5)	(5)	–	–	(346)	(346)
Assets held for sale	–	–	–	–	(2)	–	(5)	(7)
At 31 December	1,299	135	4,579	6,013	1,323	143	3,962	5,428
Provision for amortisation								
At 1 January	–	119	1,257	1,376	–	118	1,178	1,296
Exchange translation differences	–	(8)	6	(2)	–	(5)	(6)	(11)
Amortisation	–	4	440	444	–	6	379	385
Impairment (charge)/ release[1]	–	–	(15)	(15)	–	–	39	39
Amounts written off	–	–	–	–	–	–	(329)	(329)
Assets held for sale	–	–	–	–	–	–	(4)	(4)
At 31 December	–	115	1,688	1,803	–	119	1,257	1,376
Net book value	1,299	20	2,891	4,210	1,323	24	2,705	4,052

1 Computer software impairment includes $14.3 million (31 December 2022: $50 million) charge relating to write off on SaaS (Software as a Service) applications capitalised in previous years

At 31 December 2023, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $3,237 million (31 December 2022: $3,237 million), of which Nil million was recognised in 2023 (31 December 2022: $10 million).

16. Goodwill and intangible assets continued

Company

	2023				2022			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	72	29	3,183	3,284	79	30	2,997	3,106
Exchange translation differences	–	(1)	35	34	–	(1)	1	–
Additions	–	–	378	378	–	–	501	501
Impairment charge[1]	–	–	(23)	(23)	(6)	–	(17)	(23)
Amounts written off	–	–	(5)	(5)	–	–	(297)	(297)
Assets held for sale	–	–	–	–	(1)	–	(2)	(3)
At 31 December	72	28	3,568	3,668	72	29	3,183	3,284
Provision for amortisation								
At 1 January	–	18	987	1,005	–	18	967	985
Exchange translation differences	–	(1)	11	10	–	(2)	(3)	(5)
Amortisation	–	–	302	302	–	2	271	273
Impairment (charge)/release[1]	–	–	(8)	(8)	–	–	37	37
Amounts written off	–	–	–	–	–	–	(285)	(285)
At 31 December	–	17	1,292	1,309	–	18	987	1,005
Net book value	72	11	2,276	2,359	72	11	2,196	2,279

1 Computer software impairment includes $5 million release (31 December 2022: $50 million charge) relating to write off on SaaS (Software as a Service) applications capitalised in previous years

Goodwill

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 2028. 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 the 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.

Group

	2023			2022		
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						
Africa & Middle East	65			69		
Pakistan	31	35.5	3.2	35	30.9	5.9
Bahrain	34	12.4	0.5	34	16.6	0.7
Asia	284			281		
Singapore	284	13.9	2.1	281	12.3	2.3
Global CGUs	950			973		
Global Private Banking	83	15.4	1.9	83	14.4	2.0
Global Corporate, Commercial & Institutional Banking	867	16.1	2.3	890	14.5	2.5
	1,299			1,323		

16. Goodwill and intangible assets continued
In the current year there are no CGUs that are sensitive to any individual movement on key estimates (cashflow, discount rate and GDP growth rate).

Company
Acquired intangibles primarily comprise those recognised as part of the acquisitions of American Express Bank, Tradewinds, Australia and New Zealand Project Finance and Grindlays.

Significant items of goodwill arising on acquisitions have been allocated to the following cash generating units for the purposes of impairment testing:

Cash-generating unit	2023 $million	2022 $million
Country CGUs		
Bahrain	**17**	17
Global CGUs		
Global Corporate, Commercial & Institutional Banking	**55**	55
	72	72

Acquired intangibles
Acquired Intangibles primarily comprises of the intellectual property acquired from Standard chartered Bank Hongkong Limited.

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

	Group		Company	
	2023 $million	2022 $million	2023 $million	2022 $million
Acquired intangibles comprise:				
Brand names	**–**	1	**–**	–
Customer relationships	**1**	1	**2**	2
Licences	**19**	22	**10**	9
Net book value	**20**	24	**12**	11

17. Property, plant and equipment

Accounting policy
All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

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

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. The accounting policy for leased assets is set out in Note 18

17. Property, plant and equipment continued

Group

	2023				
	Premises $million	Equipment $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation					
At 1 January	549	519	780	7	1,855
Exchange translation differences	(24)	(18)	(3)	(1)	(46)
Additions[1]	25	75	124	–	224
Disposals and fully depreciated assets written off[2]	(33)	(99)	(1)	–	(133)
Assets held for sale	15	–	–	–	15
As at 31 December	532	477	900	6	1,915
Depreciation					
Accumulated at 1 January	207	348	302	4	861
Exchange translation differences	(9)	(15)	(23)	(1)	(48)
Charge for the year	30	71	101	1	203
Impairment release	–	–	(1)	–	(1)
Attributable to assets sold, transferred or written off[2]	(31)	(98)	(1)	–	(130)
Assets held for sale	1	(1)	–	–	–
Accumulated at 31 December	198	305	378	4	885
Net book amount at 31 December	334	172	522	2	1,030

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 $100 million on page 164
2 Disposals for property, plant and equipment during the year of $15 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed Group

	2022				
	Premises $million	Equipment $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation					
At 1 January	663	566	879	8	2,116
Exchange translation differences	(31)	(47)	(78)	(1)	(157)
Additions[1]	55	84	247	–	386
Disposals and fully depreciated assets written off[2]	(82)	(66)	(263)	–	(411)
Assets held for sale	(56)	(18)	(5)	–	(79)
As at 31 December	549	519	780	7	1,855
Depreciation					
Accumulated at 1 January	298	366	376	5	1,045
Exchange translation differences	(16)	(26)	(22)	(2)	(66)
Charge for the year	32	85	108	1	226
Impairment charge	1	–	4	–	5
Attributable to assets sold, transferred or written off[2]	(80)	(65)	(162)	–	(307)
Assets held for sale	(28)	(12)	(2)	–	(42)
Accumulated at 31 December	207	348	302	4	861
Net book amount at 31 December	342	171	478	3	994

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 $139million on page 164
2 Disposals for property, plant and equipment during the year of $30 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed Group

17. Property, plant and equipment continued

Company

	2023				
	Premises $million	Equipment $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation					
At 1 January	205	311	377	1	894
Exchange translation differences	(2)	(2)	(3)	–	(7)
Additions[1]	7	46	112	–	165
Disposals, transfers and fully depreciated assets written off[2]	(27)	(52)	–	–	(79)
Assets held for sale	17	–	–	–	17
As at 31 December	200	303	486	1	990
Depreciation					
Accumulated at 1 January	75	191	197	1	464
Exchange translation differences	–	–	(15)	–	(15)
Charge for the year	9	45	43	–	97
Impairment release	–	–	(1)	–	(1)
Attributable to assets sold, transferred or written off[2]	(26)	(52)	–	–	(78)
Assets held for sale	2	–	–	–	2
Accumulated at 31 December	60	184	224	1	469
Net book amount at 31 December	140	119	262	–	521

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 $53 million on page 164
2 Disposals for property, plant and equipment during the year of $1 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

	2022				
	Premises $million	Equipment $million	Leased premises assets $million	Leased equipment assets $million	Total $million
Cost or valuation					
At 1 January	314	309	596	1	1,220
Exchange translation differences	(19)	(12)	(17)	–	(48)
Additions[1]	12	47	24	–	83
Disposals and fully depreciated assets written off[2]	(75)	(31)	(226)	–	(332)
Assets held for sale	(27)	(2)	–	–	(29)
As at 31 December	205	311	377	1	894
Depreciation					
Accumulated at 1 January	150	182	260	1	593
Exchange translation differences	(7)	(9)	(8)	–	(24)
Charge for the year	13	49	61	–	123
Impairment charge/(release)	1	–	(2)	–	(1)
Attributable to assets sold, transferred or written off[2]	(74)	(30)	(114)	–	(218)
Assets held for sale	(8)	(1)	–	–	(9)
Accumulated at 31 December	75	191	197	1	464
Net book amount at 31 December	130	120	180	–	430

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 $59million on page 164
2 Disposals for property, plant and equipment during the year of $14 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. Leased assets

Accounting policy

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 $131 million for Group and $62 million for Company.

The total expense during the year in respect of leases with a term less than or equal to 12 months Nil million for Group.

The right-of-use asset balances and depreciation charges are disclosed in Note 17. The lease liability balances are disclosed in Note 22 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:

Group

	2023				
	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	**123**	**103**	**208**	**308**	**742**

	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	130	119	260	238	747

18. Leased assets continued
Company

	2023				
	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	60	48	89	201	398

	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	63	57	133	111	364

19. Other assets
Group
Other assets include:

	2023 $million	2022 $million
Financial assets held at amortised cost (Note 12):		
Cash collateral[1]	8,378	11,372
Acceptances and endorsements	3,967	3,777
Unsettled trades and other financial assets	8,369	12,061
	20,714	27,210
Non-financial assets:		
Commodities[2]	7,405	10,174
Other assets	388	257
	28,507	37,641

1 Cash collateral are margins placed to collateralize net derivative mark-to-market (MTM) positions
2 Commodities and emissions certificates are carried at fair value less costs to sell, $3.6 billion (31 December 2022: $5.5 billion) are classified as Level 1 and $3.8 billion are classified as Level 2 (31 December 2022: $4.6 billion)

Company
Other assets include:

	2023 $million	2022 $million
Financial assets held at amortized cost (Note 12):		
Cash collateral[1]	7,505	10,231
Acceptances and endorsements	2,315	2,737
Unsettled trades and other financial assets	7,170	10,657
	16,990	23,625
Non-financial assets:		
Commodities[2]	4,485	7,921
Other assets	267	169
	21,742	31,715

1 Cash collateral are margins placed to collateralize net derivative mark-to-market (MTM) positions
2 Commodities and emissions certificates are carried at fair value less costs to sell, $3.2 billion (31 December 2022: $3.2 billion) are classified as Level 1 and $1.2 billion are classified as Level 2 (31 December 2022: $4.7 billion).

20. Assets held for sale and associated liabilities

Accounting policy

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 12 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 2024.

Group

Assets held for sale

The financial assets reported below are classified under Level 1 $101 million (31 December 2022: $345 million), Level 2 $541 million (31 December 2022: $946 million) and Level 3 $51 million (31 December 2022: $100 million).

	2023 $million	2022 $million
Financial assets held at fair value through profit or loss	–	3
Equity shares	–	2
Derivative Financial Instruments – Assets	–	1
Financial assets held at amortised cost[1]	693	1,388
Cash and balances at central banks	246	423
Loans and advances to banks	24	81
Loans and advances to customers	243	508
Debt securities held at amortised cost	180	376
Goodwill and intangible assets[1]	–	4
Property, plant and equipment[1]	12	36
Others	50	55
	755	1,486

1 Refer to the cash flow statement under cash flow from investing activities for Jordan sale ($108 million) during the year 2023

20. Assets held for sale and associated liabilities continued

Liabilities held for sale

The financial liabilities reported below are classified under Level 1 $54million (31 December 2022: $402million) and Level 2 $672 million (31 December 2022: $833 million).

	2023 $million	2022 $million
Financial liabilities held at fair value through profit or loss	–	5
Derivative financial instruments	–	5
Financial liabilities held at amortised cost	726	1,230
Deposits by banks	3	17
Customer accounts	723	1,213
Other liabilities	50	64
Provisions for liabilities and charges	11	8
	787	1,307

Company

Assets held for sale

The financial assets reported below are classified under Level 1 nil (31 December 2022: $198 million), Level 2 nil (31 December 2022: $248 million) and Level 3 $52 million (31 December 2022: $100 million).

	2023 $million	2022 $million
Financial assets held at fair value through profit or loss	–	2
Equity shares	–	2
Financial assets held at amortised cost	52	544
Cash and balances at central banks	–	96
Loans and advances to banks	–	74
Loans and advances to customers	52	230
Debt securities held at amortised cost	–	144
Goodwill and intangible assets	–	3
Property, plant and equipment	–	20
Others	16	23
	68	592

Liabilities held for sale

The financial liabilities reported below are classified under Level 1 nil (31 December 2022: $325 million) and Level 2 nil (31 December 2022: $10 million).

	2023 $million	2022 $million
Financial liabilities held at amortised cost	–	335
Deposits by banks	–	7
Customer accounts	–	328
Other liabilities	5	10
	5	345

21. Debt securities in issue

Accounting policy

Refer to Note 12 Financial instruments for the relevant accounting policy.

Group

	2023			2022		
	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	13,833	22,648	36,481	20,026	16,956	36,982
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (Note 12)	–	9,850	9,850	–	7,563	7,563
Total debt securities in issue	13,833	32,498	46,331	20,026	24,519	44,545

Company

	2023			2022		
	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	13,733	21,007	34,740	19,926	15,066	34,992
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (Note 12)	–	9,554	9,554	–	7,271	7,271
Total debt securities in issue	13,733	30,561	44,294	19,926	22,337	42,263

In 2023, the Company issued a total of $2.9 billion senior notes for general business purposes of the Group as shown below:

Securities	$million
USD 1,500 million callable fixed-rate senior notes due 2029 (callable 2028)	1,500
USD 750 million callable fixed-rate senior notes due 2028 (callable 2027)	750
USD 653 million callable fixed- rate senior notes due 2030 (callable 2029)	653
Total senior notes issued	**2,903**

In 2022, the Company issued a total of $2.5 billion senior notes for general business purposes of the Group as shown below :

Securities	$million
CNY 1100 million callable fixed-rate senior notes due 2026 (callable 2025)	158
SGD 225 million callable fixed-rate senior notes due 2033 (callable 2032)	190
HKD 800 million callable fixed-rate senior notes due 2025 (callable 2024)	103
$1,000 million callable fixed-rate senior notes due 2028 (callable 2027)	1,000
$1,000 million callable fixed-rate senior notes due 2025 (callable 2024)	1,000
Total senior notes issued	2,451

Where a debt instrument is callable, the issuer has the right to call.

22. Other liabilities

Accounting policy

Refer to Note 12 Financial instruments for the relevant accounting policy for financial liabilities, Note 18 Leased assets for the accounting policy for leases and Note 30 Share-based payments for the accounting policy for cash-settled share-based payments.

Group

	2023 $million	2022 $million
Financial liabilities held at amortized cost (Note 12)		
Acceptances and endorsements[1]	4,026	3,842
Cash collateral[3]	7,960	8,304
Property leases[2]	593	550
Equipment leases[2]	1	2
Unsettled trades and other financial liabilities	11,529	12,869
	24,109	25,567
Non-financial liabilities		
Cash-settled share-based payments	–	2
Other liabilities	368	356
	24,477	25,925

Company

	2023 $million	2022 $million
Financial liabilities held at amortised cost (Note 12)		
Acceptances and endorsements	2,315	2,737
Cash collateral[3]	7,289	7,710
Property leases[2]	295	227
Unsettled trades and other financial liabilities	8,980	9,987
	18,879	20,661
Non-financial liabilities		
Other liabilities	334	329
	19,213	20,990

1 Includes early receipts of funds ($60 million) from customer and corresponding liability is due on January 2024
2 Other financial liabilities include the present value of lease liabilities, as required by IFRS 16 from 1 January 2019; refer to Note 18
3 Cash collateral are margins received against collateralize net derivative mark-to-market (MTM) positions

23. Provisions for liabilities and charges

Accounting policy

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.

Group

	2023			2022		
	Expected credit loss for credit commitments[1] $million	Other provisions[2] $million	Total $million	Expected credit loss for credit commitments[1] $million	Other provisions[2] $million	Total $million
At 1 January	251	84	335	316	80	396
Exchange translation differences	(8)	4	(4)	(36)	(4)	(40)
(Release)/charge against profit	(63)	15	(48)	(29)	27	(2)
Provisions utilised	–	(45)	(45)	–	(19)	(19)
Transfer[3]	–	(3)	(3)	–	–	–
At 31 December	180	55	235	251	84	335

Company

	2023			2022		
	Expected credit loss for credit commitments[1] $million	Other provisions[2] $million	Total $million	Expected credit loss for credit commitments[1] $million	Other provisions[2] $million	Total $million
At 1 January	183	66	249	245	53	298
Exchange translation differences	(2)	–	(2)	(32)	(3)	(35)
(Release)/charge against profit	(49)	(4)	(53)	(30)	13	(17)
Provisions utilised	–	(20)	(20)	–	(3)	(3)
Transfer[3]	–	(3)	(3)	–	6	6
At 31 December	132	39	171	183	66	249

1 Expected credit loss for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations.
2 Other provisions consist mainly of provisions for legal claims and regulatory and enforcement investigations and proceedings.
3 Includes the provisions transferred to held for sale.

24. Contingent liabilities and commitments

Accounting policy

Financial guarantee contracts and loan commitments

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 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.

	Group		Company	
	2023 $million	2022 $million	**2023 $million**	2022 $million
Financial guarantees and trade credits				
Financial guarantees, trade and irrevocable letters of credit	**60,707**	47,799	**49,586**	37,890
	60,707	47,799	**49,586**	37,890
Commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend				
One year and over	**62,083**	54,610	**48,719**	44,162
Less than one year	**17,895**	18,429	**14,113**	13,807
Unconditionally cancellable	**37,921**	34,846	**6,175**	6,036
	117,899	107,885	**69,007**	64,005
Capital commitments				
Contracted capital expenditure approved by the directors but not provided for in these accounts	**215**	11	**–**	–

24. Contingent liabilities and commitments continued

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

	Group		Company	
	2023 $million	2022 $million	2023 $million	2022 $million
Financial guarantees and trade credits (Group)				
Financial guarantees, trade and irrevocable letters of credit	3,031	3,076	12,017	12,465
	3,031	3,076	12,017	12,465
Commitments(Group)				
Undrawn commitments	1,504	1,007	1,916	1,936
	1,504	1,007	1,916	1,936

As set out in Note 25, 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.

25. Legal and regulatory matters

Accounting policy

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

Since 2014, the PLC Group has been named as a defendant in a series of lawsuits that have been filed in the United States District Courts for the Southern and Eastern Districts of New York against a number of banks (including Standard Chartered or its affiliates) on behalf of plaintiffs who are, or are relatives of, victims of attacks in Iraq and Afghanistan. The plaintiffs in each of these lawsuits have alleged that the defendant banks aided and abetted the unlawful conduct of parties with connections to terrorist organisations in breach of the United States Anti-Terrorism Act. None of these lawsuits specify the amount of damages claimed. The PLC Group continues to defend these lawsuits.

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

Bernard Madoff's 2008 confession to running a Ponzi scheme through Bernard L. Madoff Investment Securities LLC (BMIS) gave rise to a number of lawsuits against the PLC 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 PLC Group by the BMIS bankruptcy trustee and the Fairfield funds' liquidators, in each case seeking to recover funds paid to the PLC 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.

26. Subordinated liabilities and other borrowed funds

	2023 $million	2022 $million
Subordinated loan capital – issued by subsidiary undertakings		
$540 million floating rate subordinated notes due 2030 (callable 2025)[1]	540	540
NPR 2.4 billion fixed sub debt rate 10.3 per cent[2,3]	18	–
	558	540
Subordinated loan capital – issued by the Company		
$700 million 8.0 per cent subordinated notes due 2031	342	345
$ 2 billion 2.335 per cent subordinated notes due 2023	–	2,000
$500 million 4.96 per cent subordinated notes due 2043	414	393
$2 billion 4.82 per cent subordinated notes due 2044	1,856	1,821
$250 million 4.82 per cent subordinated notes due 2048	250	250
$1 billion 2.94 per cent subordinated notes due 2029	999	991
$1.5 billion floating rate subordinated notes due 2032	1,250	1,250
$1 billion 3.516 per cent subordinated notes due 2030	965	881
£504 million 6.1368 per cent subordinated notes due 2043	689	630
$2 billion 5.30 per cent subordinated notes due 2035	1,764	1,767
£527 million floating rate subordinated notes due 2039	671	633
€1 billion 2.5 per cent subordinated notes due 2030	1,048	977
$750 million 3.603 per cent subordinated notes due 2033	648	630
	10,896	12,568
Primary capital floating rate notes		
$400 million floating rate undated subordinated notes	–	16
$300 million floating rate undated subordinated notes (Series 2)	–	69
$400 million floating rate undated subordinated notes (Series 3)	–	50
$200 million floating rate undated subordinated notes (Series 4)	–	26
	–	161
Total for Group	11,454	13,269

1 Issued by Standard Chartered Bank Singapore Limited
2 Issued by Standard Chartered Bank Nepal Limited
3 NPR refers to Nepalese Rupee

	2023 $million	2022 $million
USD	9,028	11,028
GBP	1,360	1,264
EUR	1,048	977
NPR	18	–
Total	11,454	13,269

Redemptions and repurchases during the year

Standard Chartered Bank exercised its right to redeem $2 billion 2.335 per cent subordinated notes 2023. Further to that the outstanding balances of floating rate undated subordinate notes were redeemed during the year.

Issuances during the year

On 1st March 2023, Standard Chartered Bank Nepal Limited issued NPR 2.4 billion 10.3 per cent fixed rate dated subordinated notes due 2028.

27. Share capital, other equity instruments and reserves

Accounting policy

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.

Group and Company

	Number of ordinary shares millions	Ordinary share capital[1] millions	Ordinary share premium millions	Preference share premium millions	Total share capital and share premium millions	Other equity instruments millions
At 1 January 2022	20,597	20,597	296	1,500	22,393	4,749
Additional Tier 1 equity issuance	–	–	–	–	–	1,000
Additional Tier 1 redemption	–	–	–	–	–	(999)
At 31 December 2022	**20,597**	**20,597**	**296**	**1,500**	**22,393**	**4,750**
Cancellation of shares including share buy-back[2]	**–**	**–**	**–**	**(750)**	**(750)**	**–**
Additional Tier 1 equity issuance	**–**	**–**	**–**	**–**	**–**	**992**
Additional Tier 1 redemption	**–**	**–**	**–**	**–**	**–**	**(1,000)**
At 31 December 2023	**20,597**	**20,597**	**296**	**750**	**21,643**	**4,742**

1 Issued and fully paid ordinary shares of $1 each
2 Includes preference share capital of $37,500

Ordinary share capital

The authorised share capital of the Company at 31 December 2023 was $26,789 million and TWD 1,225 million (31 December 2022: $26,789 million and TWD 1,225 million) made up of 26,782 million ordinary shares of $1 each, 2.4 million non-cumulative irredeemable preference shares of $0.01 each, 1 million non-cumulative preference shares of $5 each, 15,000 non-cumulative redeemable preference shares of $5 each, 462,500 non-cumulative redeemable 8.125% preference shares of $5 each and 50 million non-cumulative redeemable preference shares of TWD24.50 each.

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

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

Nominal amount of Shares or Stock held	Number of Votes
US$25 or more but less than US$50	1 vote
US$50 or more but less than US$100	2 votes
US$100 or more but less than US$250	3 votes
US$250 or more but less than US$375	4 votes
US$375 or more but less than US$500	5 votes
US$500 or more but less than US$750	6 votes
US$750 or more but less than US$1,000	7 votes
US$1,000 or more but less than US$1,250	8 votes
US$1,250 or more but less than US$1,500	9 votes
US$1,500 or more	10 votes

27. Share capital, other equity instruments and reserves continued

Preference share capital

7,500 non-cumulative redeemable preference shares issued on 8 December 2006 with a nominal value of $5 each and a premium of $99,995, making a paid-up amount per preference share of $100,000. The preference shares are redeemable at the option of the company in whole or in part on 31 Jan 2027 and on any quarterly dividend payment date falling on or around ten-year intervals thereafter. The amount payable on redemption will be the paid-up amount of $100,000 per preference share to be redeemed, plus an amount equal to the accrued but unpaid dividend thereon up to but excluding the redemption date.

Other equity instruments

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

Issuance date	Nominal value	Interest rate[1]	Coupon payment dates[2]	First reset dates[3]
14 January 2021	USD 1,250 million	4.75%	14 January, 14 July each year	14 July 2031
19 August 2021	USD 1,500 million	4.30%	19 February, 19 August each year	19 August 2028
15 August 2022	USD 1,000 million	7.75%	15 February, 15 August each year	15 February 2028
31 March 2023	USD 750 million	7.75%	30 January, 30 July each year	30 July 3037
31 March 2023	GBP 96 million	7.90%	4 April, 4 October each year	4 April 2028
31 March 2023	GBP 99 million	7.90%	4 April, 4 October each year	4 April 2028

1 Interest rates for the period from (and including) the issue date to (but excluding) the first reset date
2 Interest payable semi-annually in arrears
3 Securities are resettable each date falling five years, or an integral multiple of five years, after the first reset date

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable, at the option of the Company in whole but not in part, on the first call date or on any fifth anniversary after the first call date
- The securities are also redeemable for certain regulatory or tax reasons on any date at 100 per cent of their principal amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption. Any redemption is subject to the Company giving notice to the relevant regulator and the regulator granting permission to redeem interest payments on these securities will be accounted for as a dividend
- Interest on the securities is due and payable only at the sole and absolute discretion of the Company, subject to certain additional restrictions set out in the terms and conditions. Accordingly, the Company may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any interest payment date
- The securities will be written down in full should the fully loaded Common Equity Tier 1 ratio of the issuer fall below 7.0 per cent (a Loss Absorption Event).

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

Reserves

The constituents of the reserves are summarised as follows:

The capital reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001. The capital redemption reserve represents the nominal value of preference shares redeemed.

- Own credit adjustment reserve represents the cumulative gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit. Gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit in the year have been taken through other comprehensive income into this reserve. On derecognition of applicable instruments, the balance of any OCA will not be recycled to the income statement, but will be transferred within equity to retained earnings
- Fair value through other comprehensive income (FVOCI) debt reserve represents the unrealised fair value gains and losses in respect of financial assets classified as FVOCI, net of expected credit losses. 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. Gains and losses are recorded in this reserve and never recycled to the income statement

27. Share capital, other equity instruments and reserves continued

- Cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria for these types of hedges. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying hedged item affects profit and loss or when a forecast transaction is no longer expected to occur.
- Translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve and are reclassified to the income statement when the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations.
- Retained earnings represents profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after tax increase relating to equity-settled share options, less dividend distributions and own shares held (treasury shares).

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

As at 31 December 2023, the distributable reserves of Standard Chartered Bank (the Company) were $2.7 billion (2022: $5.2 billion). These comprised of retained earnings. Distribution of reserves is subject to maintaining minimum capital requirements.

28. Non-controlling interests

	$million
At 1 January 2022	1,248
Comprehensive loss for the year	(56)
Loss in equity attributable to non-controlling interests	(38)
Other loss attributable to non-controlling interests	(18)
Distributions	(87)
Other increases[1]	59
At 31 December 2022	**1,164**
Comprehensive loss for the year	**(2)**
Loss in equity attributable to non-controlling interests	**(31)**
Other profits attributable to non-controlling interests	**29**
Distributions	**(103)**
Other increases[2]	**21**
At 31 December 2023	**1,080**

1 Additional investment by minority shareholders in Trust Bank Singapore Limited ($47 million), Power2SME Pte. Ltd. ($9 million), & Zodia Markets Holdings Limited ($3 million)
2 Additional investment by minority shareholders ($28 million) majorly in Trust Bank Singapore Limited offset by release of interest on account of change in ownership ($7 million)

29. Retirement benefit obligations

Accounting policy

The Bank 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 Bank 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 Bank Group has no further payment obligations once the contributions have been paid.
- For **defined benefit** plans, which promise levels of payment where the future cost is not known with certainty:
  - The accounting 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. The table below summarises how these assumptions are set

Assumption	Detail
Discount rate	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 all our geographies.
Inflation	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	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	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

Group

Retirement benefit obligations comprise:

	2023 $million	2022 $million
Defined benefit plans obligation	161	147
Defined contribution plans obligation	16	19
Net obligation	**177**	166

Retirement benefit charge comprises:

	2023 $million	2022 $million
Defined benefit plans	41	28
Defined contribution plans	271	247
Charge against profit (Note 7)	**312**	275

29. Retirement benefit obligations continued

The Group operates over 50 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 on page 273 partially hedge movements in the liabilities resulting from interest rate and inflation changes. Setting aside movements from other drivers such as currency fluctuation, reduction in discount rates in most countries with material pension liabilities over 2023 has led to higher liabilities. This has been partly offset by increases in the value of bonds held as well as good performance of growth assets such as equities, leading to an increase in the pension deficit reported. These movements are shown as actuarial gains and losses in the table below. Contributions into a number of plans in excess of the amounts required to fund benefits accruing have also partially offset the increase in 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 2023.

UK Fund

The Standard Chartered Pension Fund (the 'UK Fund') is the Group's largest pension plan, representing 67 per cent (31 December 2022: 67 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 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 WTW, using assumptions different from those on page 286, 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 $162million (£127 million).

To repair the deficit, three annual cash payments of $42 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 allows 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. Based on the funding positions at the agreed measurement point of mid-year, no payment was made in December 2022 and a reduced payment of $8m (£6m) was made in December 2023. As part of the 2020 valuation, in order to provide security for future contributions an additional $64 million nominal gilts (£50 million) were purchased and transferred into the existing escrow account of $140 million gilts (£110 million), topping it up to $204 million. Under the terms of the 2020 valuation agreement, the $8 million payment made in December 2023 is deductible from the funds held in escrow.

The Bank 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.

Virgin Media vs NTL Pension Trustees II Ltd

Following the June 2023 ruling in the case of Virgin Media vs NTL Pension Trustees II Limited, the Bank has considered the potential impact of this ruling on the UK Fund and is of the view that any potential impact is not expected to be material.

Overseas plans

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

29. Retirement benefit obligations continued

Key assumptions

The principal financial assumptions used at 31 December 2023 were:

	2023			2022		
	UK Fund	**Overseas Plans[1]**	**Unfunded Plans[2]**	UK Funded	Overseas Plans[1]	Unfunded Plans[2]
	%	**%**	**%**	%	%	%
Discount rate	**4.6**	**3.3 – 7.4**	**3.1 – 7.4**	4.8	3.7 – 7.6	3.7 – 7.6
Price inflation	**2.5**	**2.2 – 5.0**	**2.0 – 5.0**	2.6	2.3 – 4.0	2.0 – 4.0
Salary increases	**n/a**	**3.7 – 8.5**	**4.0 – 8.5**	n/a	3.8 – 7.8	3.7 – 7.8
Pension increases	**2.3**	**0.0 - 2.9**	**N/A**	2.4	0.0 - 3.1	0.0 – 2.4
Post-retirement medical rate			**8% in 2023 reducing by 0.5% per annum to 5% in 2029**			7% in 2022 reducing by 0.5% per annum to 5% in 2026

1 The range of assumptions shown is for the main funded defined benefit overseas plans in Germany, India, Jersey, and the US. These comprise around 80 per cent of the total liabilities of funded overseas defined benefit plans

2 The range of assumptions shown is for the main unfunded plans in, India, Thailand, UAE, UK and the US. They comprise around 90 per cent of the total liabilities of 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 assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 27 years (31 December 2022: 27 years) and a female member for 30 years (31 December 2022: 30 years) and a male member currently aged 40 will live for 29 years (31 December 2022: 29 years) and a female member for 32 years (31 December 2022: 31 years) after their 60th birthdays.

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 $35 million for the UK Fund (31 December 2022: $30 million) and $20 million for the other plans (31 December 2022: $15 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 (31 December 2022: $20 million) and $10 million for the other plans (31 December 2022: $10 million)
- If the rate of salary growth relative to inflation increased by 25 basis points, the liability would increase by nil for the UK Fund (31 December 2022: nil) and approximately $5 million for the other plans (31 December 2022: $5 million)
- If longevity expectations increased by one year, the liability would increase by approximately $35 million for the UK Fund (31 December 2022: $35 million) and $10 million for the other plans (31 December 2022: $10 million)

Although this analysis does not take account of the full distribution of cash flows expected under the UK Fund, 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		
	UK Fund	**Overseas**	**Unfunded plans**
Duration of the defined benefit obligation (in years)	**11**	**11**	**9**
Duration of the defined benefit obligation – 2022	11	11	9
Benefits expected to be paid from plans			
Benefits expected to be paid during 2024	**80**	**34**	**18**
Benefits expected to be paid during 2025	**82**	**29**	**16**
Benefits expected to be paid during 2026	**84**	**31**	**17**
Benefits expected to be paid during 2027	**86**	**31**	**16**
Benefits expected to be paid during 2028	**89**	**35**	**17**
Benefits expected to be paid during 2029 to 2033	**478**	**204**	**78**

29. Retirement benefit obligations continued

Fund values:

The fair value of assets and present value of liabilities of the defined benefit plans were:

	UK Fund			Overseas plans		
	Quoted assets $million	Unquoted assets $million	Total assets $million	Quoted assets $million	Unquoted assets $million	Total assets $million
At 31 December 2022						
Equities	2	–	2	97	–	97
Government bonds	206	–	206	104	–	104
Corporate bonds	309	82	391	81	–	81
Hedge funds	–	14	14	–	–	–
Infrastructure	–	177	177	–	–	–
Property	–	126	126	–	–	–
Derivatives	2	–	2	–	–	–
Cash and equivalents	257	–	257	21	–	21
Others	7	4	11	–	63	63
Total fair value of assets[1]	783	403	1,186	303	63	366
At 31 December 2023						
Equities	**2**	**–**	**2**	**44**	**–**	**44**
Government bonds	**443**	**–**	**443**	**119**	**–**	**119**
Corporate bonds	**360**	**113**	**473**	**148**	**–**	**148**
Hedge funds	**–**	**9**	**9**	**–**	**–**	**–**
Infrastructure	**–**	**166**	**166**	**–**	**–**	**–**
Property	**–**	**84**	**84**	**–**	**–**	**–**
Derivatives	**2**	**5**	**7**	**–**	**–**	**–**
Cash and equivalents	**66**	**–**	**66**	**20**	**–**	**20**
Others	**7**	**2**	**9**	**-**	**78**	**78**
Total fair value of assets[1]	**880**	**379**	**1,259**	**331**	**78**	**409**

1 Self-investment is monitored closely and is less than $1 million of Standard Chartered equities and bonds for 2023 (31 December 2022: <$1 million). Self-investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where Standard Chartered is a constituent of the relevant index

	At 31 December 2023			At 31 December 2022		
	Funded plans			Funded plans		
	UK Fund $million	Overseas Plans $million	Unfunded Plans $million	UK Fund $million	Overseas Plans $million	Unfunded Plans $million
Total fair value of assets	**1,259**	**409**	**N/A**	1,186	366	N/A
Present value of liabilities	**(1,219)**	**(429)**	**(181)**	(1,138)	(394)	(167)
Net pension plan asset/(obligation)	**40**	**(20)**	**(181)**	48	(28)	(167)

29. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

2023	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans $million	Total $million
Current service cost[1]	–	15	9	24
Past service cost and curtailments[2]	8	–	–	8
Settlement cost[3]	–	2	–	2
Interest income on pension plan assets	(57)	(25)	–	(82)
Interest on pension plan liabilities	56	25	8	89
Total charge to profit before deduction of tax	**7**	**17**	**17**	**41**
Net (gains)/losses on plan assets[4]	(18)	(50)	–	(68)
(Gains)/losses on liabilities	30	57	8	95
Total (gains)/losses recognised directly in statement of comprehensive income before tax	12	7	8	27
Deferred taxation	(1)	(6)	–	(7)
Total (gains)/losses after tax	**11**	**1**	**8**	**20**

1 Includes administrative expenses paid out of plan assets of $1 million (31 December 2022: $1 million)
2 Includes the cost of discretionary increases paid to UK pensioners
3 Termination benefits paid from the pension plan in Indonesia
4 The actual return on the UK Fund assets was a gain of $75 million and on overseas plan assets was a gain of $75 million

2022	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans $million	Total $million
Current service cost[1]	–	17	6	23
Past service cost and curtailments[2]	–	1	–	1
Settlement cost	–	–	–	–
Interest income on pension plan assets	(33)	(23)	–	(56)
Interest on pension plan liabilities	32	22	6	60
Total charge to profit before deduction of tax	(1)	17	12	28
Net (gains)/losses on plan assets[3]	485	68	–	553
(Gains)/losses on liabilities	(452)	(83)	(41)	(576)
Total (gains)/losses recognised directly in statement of comprehensive income before tax	33	(15)	(41)	(23)
Deferred taxation	7	5	–	12
Total (gains)/losses after tax	40	(10)	(41)	(11)

1 Includes administrative expenses paid out of plan assets of $1 million (31 December 2021: $1 million)
2 Past service costs arose from plan amendments in India, Kenya, Mauritius and Sri Lanka
3 The actual return on the UK Fund assets was a gain of $452 million and on overseas plan assets was a gain of $45 million

29. Retirement benefit obligations continued

Movement in the defined benefit pension plan deficit during the year comprise:

	Funded plans			
	UK Fund $million	Overseas plans $million	Unfunded plans $million	Total $million
Surplus/(deficit) at 1 January 2023	48	(28)	(167)	(147)
Contributions	8	38	14	60
Current service cost	–	(15)	(9)	(24)
Past service cost and curtailments	(8)	–	–	(8)
Settlement costs and transfers impact	–	(2)	–	(2)
Net interest on the net defined benefit asset/liability	1	–	(8)	(7)
Actuarial (losses)/gains	(12)	(7)	(8)	(27)
Asset held for sale	–	(7)	6	(1)
Exchange rate adjustment	3	1	(9)	(5)
Surplus/(deficit) at 31 December 2023[1]	**40**	**(20)**	**(181)**	**(161)**

1 The deficit total of $161 million is made up of plans in deficit of $236 million (31 December 2022: $220 million) net of plans in surplus with assets totalling $75 million (31 December 2022: $73 million)

	Funded plans			
	UK Fund $million	Overseas plans $million	Unfunded plans $million	Total $million
Surplus/(deficit)at 1 January 2022	88	(47)	(228)	(187)
Contributions	–	32	14	46
Current service cost	–	(17)	(6)	(23)
Past service cost and curtailments	–	(1)	–	(1)
Settlement costs and transfers impact	–	–	–	–
Net interest on the net defined benefit asset/liability	1	1	(6)	(4)
Actuarial (losses)/gains	(33)	15	41	23
Assets held for sale	–	(4)	2	(2)
Exchange rate adjustment	(8)	(7)	16	1
Surplus/(deficit) at 31 December 2022[1]	48	(28)	(167)	(147)

1 The deficit total of $147 million is made up of plans in deficit of $220 million (31 December 2022: $305 million) net of plans in surplus with assets totalling $73 million (31 December 2022: $118 million)

The Bank Group's expected contribution to its defined benefit pension plans in 2024 is $ 31 million.

	2023			2022		
	Assets $million	Obligations $million	Total $million	Assets $million	Obligations $million	Total $million
At 1 January	1,552	(1,699)	(147)	2,424	(2,611)	(187)
Contributions[1]	61	(1)	60	47	(1)	46
Current service cost[2]	–	(24)	(24)	–	(23)	(23)
Past service cost and curtailments	–	(8)	(8)	–	(1)	(1)
Settlement costs & transfers	–	(2)	(2)	(5)	5	–
Interest cost on pension plan liabilities	–	(89)	(89)	–	(60)	(60)
Interest income on pension plan assets	82	–	82	56	–	56
Benefits paid out	(120)	120	–	(130)	130	–
Actuarial (losses)/gains[3]	68	(95)	(27)	(553)	576	23
Assets held for sale	(7)	6	(1)	(18)	16	(2)
Exchange rate adjustment	32	(37)	(5)	(269)	270	1
At 31 December	**1,668**	**(1,829)**	**(161)**	1,552	(1,699)	(147)

1 Includes employee contribution of $1 million (31 December 2022: $1 million)
2 Includes administrative expenses paid out of plan assets of $1 million (31 December 2022: $1 million)
3 Actuarial loss on obligation comprises of $28 million loss (31 December 2022: $644 million gain) from financial assumption changes, $1 million loss (31 December 2022: $4 million gain) from demographic assumption changes and $34 million loss (31 December 2022: $74 million loss) from experience

29. Retirement benefit obligations continued

Company

Retirement benefit obligations comprise:

	2023 $million	2022 $million
Defined benefit plans obligation	128	120
Defined contribution plans obligation	5	4
Net obligation	**133**	124

Retirement benefit charge comprises:

	2023 $million	2022 $million
Defined benefit plans	29	17
Defined contribution plans	135	119
Charge against profit	**164**	136

UK Fund

See the Bank Group section on the UK Fund in this note (page 341). There are no differences between Bank Group and Company in respect of the Fund

Overseas Plans

The principal overseas defined benefit arrangements operated by the Company are in Germany, Jersey, India, United Arab Emirates (UAE) and the United States of Americas (US).

All Plans

The disclosures required under IAS 19 have been calculated by qualified independent actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2023.

The financial assumptions used at 31 December 2023 as shown below. Sensitivities are recorded on page 271 of the Bank Group accounts and those for non-UK Fund plans are applicable in proportion to the lower liabilities of the Company.

	2023			2022		
	UK Fund	Overseas Plans[1]	Unfunded Plans[2]	UK Funded	Overseas Plans[1]	Unfunded Plans[2]
	%	%	%	%	%	%
Discount rate	4.6	3.3 – 7.4	4.6 – 7.4	4.8	3.7 – 7.6	4.8 – 7.6
Price inflation	2.5	2.2 – 5.0	2.5 – 5.0	2.6	2.3 – 4.0	2.5 – 4.0
Salary increases	n/a	3.7 – 8.5	4.0 – 8.5	n/a	3.8 – 7.8	4.0 – 7.8
Pension increases	2.3	0.0 - 2.9	0.0 – 2.3	2.4	0.0 - 3.1	0.0 – 2.4
Post-retirement medical rate			8% in 2023 reducing by 0.5% per annum to 5% in 2029			7% in 2022 reducing by 0.5% per annum to 5% in 2026

1 The range of assumptions shown is for the main funded defined benefit overseas plans in Germany, India, Jersey and the US. These comprise around 80 per cent of the total liabilities of funded overseas plans

2 The range of assumptions shown is for the main unfunded plans in India, UAE and the UK. These comprise around 85 per cent of the total liabilities of unfunded plans

29. Retirement benefit obligations continued

Fund values:

The fair value of assets and present value of liabilities of the defined benefit plans were:

	UK Fund			Overseas plans		
	Quoted assets $million	Unquoted assets $million	Total assets $million	Quoted assets $million	Unquoted assets $million	Total assets $million
At 31 December 2022						
Equities	2	–	2	90	–	90
Government bonds	206	–	206	94	–	94
Corporate bonds	309	82	391	79	–	79
Hedge funds	–	14	14	–	–	–
Infrastructure	–	177	177	–	–	–
Property	–	126	126	–	–	–
Derivatives	2	–	2	–	–	–
Cash and equivalents	257	–	257	15	–	15
Others	7	4	11	–	27	27
Total fair value of assets[1]	783	403	1,186	278	27	305
At 31 December 2023						
Equities	2	–	2	39	–	39
Government bonds	443	–	443	111	–	111
Corporate bonds	360	113	473	146	–	146
Hedge funds	–	9	9	–	–	–
Infrastructure	–	166	166	–	–	–
Property	–	84	84	–	–	–
Derivatives	2	5	7	–	–	–
Cash and equivalents	66	–	66	12	–	12
Others	7	2	9	–	32	32
Total fair value of assets[1]	880	379	1,259	308	32	340

1 Self investment is monitored closely and is less than $1 million of Standard Chartered equities and bonds for 2023 (31 December 2022: <$1 million). Self-investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where Standard Chartered is a constituent of the relevant index

	At 31 December 2023			At 31 December 2022		
	Funded plans			Funded plans		
	UK Fund $million	Overseas Plans $million	Unfunded Plans $million	UK Fund $million	Overseas Plans $million	Unfunded Plans $million
Total fair value of assets	1,259	340	N/A	1,186	305	N/A
Present value of liabilities	(1,219)	(338)	(170)	(1,138)	(315)	(158)
Net pension plan asset/(obligation)	40	2	(170)	48	(10)	(158)

29. Retirement benefit obligations continued

The pension cost for defined benefit plans was:

2023	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded Plans $million	Total $million
Current service cost[1]	–	7	6	13
Past service cost and curtailments[2]	8	–	–	8
Settlement cost[3]	–	2	–	2
Interest income on pension plan assets	(57)	(18)	–	(75)
Interest on pension plan liabilities	56	18	7	81
Total charge to profit before deduction of tax	7	9	13	29
Net gains on plan assets[4]	(18)	(13)	–	(31)
Loss on liabilities	30	18	8	56
Total loss recognised directly in statement of comprehensive income before tax	12	5	8	25
Deferred taxation	(1)	(3)	–	(4)
Total loss after tax	11	2	8	21

1 Includes administrative expenses paid out of plan assets of $1 million (31 December 2022: $1 million)
2 Includes the cost of discretionary pension increases paid to UK pensioners.
3 Termination benefits paid from the pension plan in Indonesia.
4 The actual return on the UK Fund assets was a gain of $75 million and on overseas plan assets was a gain of $31 million

2022	Funded plans UK Fund $million	Funded plans Overseas plans $million	Unfunded plans $million	Total $million
Current service cost[1]	–	9	4	13
Past service cost and curtailments	–	1	–	1
Interest income on pension plan assets	(33)	(15)	–	(48)
Interest on pension plan liabilities	32	15	4	51
Total charge to profit before deduction of tax	(1)	10	8	17
Net loss on plan assets[2]	485	89	–	574
Gains on liabilities	(452)	(91)	(41)	(584)
Total losses/(gains) recognised directly in statement of comprehensive income before tax	33	(2)	(41)	(10)
Deferred taxation	7	3	–	10
Total losses/(gains) after tax	40	1	(41)	–

1 Includes administrative expenses paid out of plan assets of $1 million (31 December 2022: $1 million)
2 The actual return on the UK Fund assets was a loss of $452 million and on overseas plan assets was a gain of $74 million

29. Retirement benefit obligations continued

Movement in the defined benefit pension plans and post-retirement medical deficit during the year comprise:

	Funded plans			
	UK Fund $million	Overseas plans $million	Unfunded plans $million	Total $million
Surplus/(deficit) at 1 January 2023	48	(10)	(158)	(120)
Contributions	8	26	12	46
Current service cost	–	(7)	(6)	(13)
Past service cost and curtailments	(8)	–	–	(8)
Settlement costs and transfers impact	–	(2)	–	(2)
Net interest on the net defined benefit asset/liability	1	–	(7)	(6)
Actuarial loss	(12)	(5)	(8)	(25)
Assets held for sale[2]	–	–	(1)	(1)
Exchange rate adjustment	3	–	(2)	1
Surplus/(deficit) at 31 December 2023[1]	**40**	**2**	**(170)**	**(128)**

1 The deficit total of $128 million is made up of plans in deficit of $202 million (31 December 2022: $192 million) net of plans in surplus with assets totalling $74 million (31 December 2022: $72 million)
2 "Assets held for sale" is an adjustment related to an unfunded plan in Jordan, which was sold in August 2023, due to the country being excluded in the opening assets and liabilities but included in the profit & loss and other comprehensive income items shown.

	Funded plans			
	UK Fund $million	Overseas plans $million	Unfunded plans $million	Total $million
Surplus/(deficit) at 1 January 2022	88	(23)	(217)	(152)
Contributions	–	22	14	36
Current service cost	–	(9)	(4)	(13)
Past service cost and curtailments[2]	–	(1)	–	(1)
Settlement costs and transfers impact	–	–	–	–
Net interest on the net defined benefit asset/liability	1	–	(4)	(3)
Actuarial (losses)/gains	(33)	2	41	10
Assets held for sale	–	–	1	1
Exchange rate adjustment	(8)	(1)	11	2
Surplus/(deficit) at 31 December 2022[1]	48	(10)	(158)	(120)

1 The deficit total of $120 million is made up of plans in deficit of $192 million (2021: $266 million) net of plans in surplus with assets totalling $72 million (2021: $114 million)
2 Past service costs and gains arose due to plan amendments in India, Kenya and Sri Lanka

The Company's expected contribution to its defined benefit pension plans in 2024 is $28 million

	2023			2022		
	Assets $million	Obligations $million	Total $million	Assets $million	Obligations $million	Total $million
At 1 January	1,491	(1,611)	(120)	2,336	(2,488)	(152)
Contributions	46	–	46	36	–	36
Current service cost[1]	–	(13)	(13)	–	(13)	(13)
Past service cost and curtailments	–	(8)	(8)	–	(1)	(1)
Settlement costs	–	(2)	(2)	–	–	–
Interest cost on pension plan liabilities	–	(81)	(81)	–	(51)	(51)
Interest income on pension plan assets	75	–	75	48	–	48
Benefits paid out	(114)	114	–	(122)	122	–
Actuarial gains/(losses)[2]	31	(56)	(25)	(574)	584	10
Asset held for sale	–	(1)	(1)	–	1	1
Exchange rate adjustment	70	(69)	1	(233)	235	2
At 31 December	**1,599**	**(1,727)**	**(128)**	1,491	(1,611)	(120)

1 Includes administrative expenses paid out of plan assets of $1 million (31 December 2022: $1 million)
2 Actuarial loss on obligation comprises of $25 million loss (31 December 2022: $633 million gain) from financial assumption changes, $1 million loss (31 December 2022: $4 million gain) from demographic assumption changes and $30 million loss (31 December 2022: $55 million loss) from experience

30. 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 2024 in respect of 2023 performance, which vest in 2025-2027, is recognised as an expense over the period from 1 January 2023 to the vesting dates in 2025-2027. 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 to parent 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 are determined using an estimation of expected dividends.
- Sharesave Plan valuations are 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.

	Total $million	Total $million
Deferred share awards	**99**	84
Other share awards	**75**	66
Total share-based payments[1,2]	**174**	150

1 No forfeiture during the year
2 Includes $(1) million (2022: $(6) million) of share-based payments reported in 'other staff costs'. This reflects Bank Group's requirement under IFRS 2 to account for cash-settled awards made to employees of Bank Group settled by Standard Chartered PLC with payments linked to PLC's share price as equity-settled awards

30. Share-based payments continued

2011 Standard Chartered Share Plan (the '2011 Plan') and 2021 Standard Chartered Share Plan (the '2021 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 from 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.
  - replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers. These vest in the quarter most closely following the date when the award would have vested at the previous employer. 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, these 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 eight 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 2023, 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 relative TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The value of the remaining components is based on the expected performance against the RoTE and strategic measures in the scorecard and the resulting estimated number of shares expected to vest at each reporting date. These combined values are used to determine the accounting charge.

No dividend equivalents accrue for the LTIP awards made in 2023, 2022 or 2021 and the fair value takes this into account, calculated by reference to market consensus dividend yield.

	2023	2022
Grant date	**13 March**	14 March
Share price at grant date (£)	**7.40**	4.88
Vesting period (years)	**3-7**	3-7
Expected divided yield (%)	**3.1**	3.4
Fair value (RoTE) (£)	**1.91, 1.85**	1.24, 1.20
Fair value (TSR) (£)	**1.08, 1.04**	0.70, 0.68
Fair value (Strategic) (£)	**2.54, 2.46**	1.65, 1.60

Deferred 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 2021, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

30. Share-based payments continued

Deferred share awards – variable remuneration

	2023					
Grant date	**18 September**		**19 June**		**13 March**	
Share price at grant date (£)		7.43		6.75		7.40
Vesting period (years)	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**
1-3 years	N/A	7.43	3.3	6.75	3.1	7.40
1-5 years	3.0	6.51	3.3, 3.3	6.23, 5.83	3.1, 3.1	6.85, 6.65
3-7 years	–	–	–	–	3.1,3.1,3.1,3.1	6.65, 6.75, 6.35, 6.16

	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

Deferred share awards – buy-outs

	2023							
Grant date	**20-Nov**		**18-Sep**		**19-Jun**		**13-Mar**	
Share price at grant date (£)	6.60		7.43		6.75		7.40	
Vesting period (years)	**Expected dividend yield (%)**	**Fair Value (£)**	**Expected dividend yield (%)**	**Fair Value (£)**	**Expected dividend yield (%)**	**Fair Value (£)**	**Expected dividend yield (%)**	**Fair Value (£)**
3 months			3.0	7.38	3.3	6.7	3.1	7.34
4 months	3.0	6.54						
6 months			3.0	7.32	3.3	6.64		
7 months	3.0	6.49						
9 months			3.0	7.27	3.3	6.48, 6.59		
10 months	3.0	6.44						
1 years	3.0	6.25, 6.30, 6.35, 6.39	3.0	7.06, 7.11, 7.16, 7.22	3.3	6.18, 6.38, 6.43, 6.54	3.1	7.12, 7.18
2 years	3.0	6.12, 6.16, 6.21	3.0	6.85, 6.9, 6.95, 7.01	3.3	5.98, 6.18, 6.33	3.1	6.91, 6.96
3 years	3.0	5.94, 5.98, 6.03	3.0	6.65, 6.7, 6.8	3.3	5.98, 5.79, 6.13	3.1	6.70, 6.75
4 years	3.0	5.76					3.1	6.50, 6.55
5 years							3.1	6.35

30. Share-based payments continued

	2022							
Grant date	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

All Employee Sharesave Plans

Sharesave Plans

The 2013 Sharesave Plan expired in May 2023 and a new 2023 Sharesave Plan was approved by shareholders at the Annual General Meeting in May 2023. Under the 2023 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 remaining life of the 2023 Sharesave Plan during which new awards can be made is ten years. The 2013 Sharesave Plan has expired and no further awards will be granted under this plan.

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:

	2023	2022
Grant date	**18 September**	30 November
Share price at grant date (£)	**7.35**	5.80
Exercise price (£)	**5.88**	4.23
Vesting period (years)	**3**	3
Expected volatility (%)	**36.7**	39.3
Expected option life (years)	**3.5**	3.33
Risk-free rate (%)	**4.48**	3.21
Expected dividend yield (%)	**3.0**	3.4
Fair value (£)	**3.05**	2.08

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.

30. 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 2023 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 2023 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 2023 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 2023 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 2023 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 30 March 2023. In relation to the waiver of strict compliance with Note 1 to 17.03(18), in 2023 no changes to the Plan rules have been proposed and therefore the Board has not been required to exercise its discretion.

Reconciliation of share award movements for the year ending 31 December 2023

	LTIP1	Deferred shares[1]	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2023	10,739,911	39,721,124	9,959,559	3.85
Granted[2,3]	2,019,504	18,097,855	3,994,289	–
Lapsed	(1,815,215)	(1,067,731)	(1,021,483)	4.17
Vested/Exercised	(605,890)	(17,042,123)	(2,055,642)	3.81
Outstanding at 31 December 2023	10,338,310	39,709,125	10,876,723	4.57
Total number of securities available for issue under the plan	10,338,310	39,709,125	10,876,723	4.57
Percentage of the issued shares this represents as at 31 December	0.39	1.49	0.41	
Exercisable as at 31 December 2023	–	670,108	1,319,426	3.17
Range of exercise prices (£)	–	–	3.14 - 5.88	
Intrinsic value of vested but not exercised options ($ million)	0.00	5.69	5.88	
Weighted average contractual remaining life (years)	5.79	8.16	2.39	
Weighted average share price for awards exercised during the period (£)	6.95	7.04	6.68	

1 Granted under the 2021 Plan and 2011 Plan. Employees do not contribute to the cost of these awards.
2 2,011,685 (LTIP) granted on 13 March 2023, 6,501 (LTIP) granted as a notional dividend on 1 March 2023, 1318 (LTIP) granted as a notional dividend on 1 September 2023, 17,360,108 (Deferred shares) granted on 13 March 2023, 96,805 (Deferred shares) granted as a notional dividend on 1 March 2023, 288,238 (Deferred Shares) granted on 19 June 2023, 218,497 (Deferred Shares) granted on 18 September 2023, 41,298 (Deferred shares) granted as a notional dividend on 1 September 2023, 92,909 (Deferred shares) granted on 20 November 2023, 3,994,289 (Sharesave) granted on 18 September 2023 under the 2023 Sharesave Plan.
3 For Sharesave granted in 2023 the exercise price is £5.88 per share, a 20% discount from the average of the closing prices prior to five days to the invitation date of 21 August 2023. The closing share price on 18 August 2023 was £7.214.

30. Share-based payments continued

Reconciliation of share award movements for the year ending 31 December 2022

	LTIP1	Deferred shares[1]	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2022	11,091,777	34,204,272	10,058,458	4.07
Granted[2,3]	2,903,903	21,159,348	3,882,756	-
Lapsed	(2,835,051)	(881,277)	(1,898,141)	4.46
Vested/Exercised	(420,718)	(14,761,219)	(2,083,514)	5.06
Outstanding at 31 December 2022	10,739,911	39,721,124	9,959,559	3.85
Total number of securities available for issue under the plan	10,739,911	39,721,124	9,959,559	3.85
Percentage of the issued shares this represents as at 31 December	0.37	1.37	0.34	
Exercisable as at 31 December 2022	–	1,180,633	864,082	4.96
Range of exercise prices (£)	–	–	3.14 - 5.13	
Intrinsic value of vested but not exercised options ($ million)	0.00	8.84	1.32	
Weighted average contractual remaining life (years)	7.86	8.20	1.02	
Weighted average share price for awards exercised during the period (£)	5.09	4.97	5.90	

1 Granted under the 2021 Plan and 2011 Plan. Employees do not contribute to the cost of these awards.

2. 2,886,441 (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, 19,677,909 (Deferred shares) granted on 14 March 2022, 62,076 (Deferred shares) granted as a notional dividend on 1 March 2022, 550,432 (Deferred shares) granted on 20 June 2022, 35,175 (Deferred shares) granted as a notional dividend on 8 August 2022, 710,435 (Deferred shares) granted on 9 November 2022, 123,321 (Deferred shares) granted on 28 November 2022 under the 2021 Plan. 3,882,756 (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. Investments in subsidiary undertakings, joint ventures and associates

Accounting policy

Associates and joint arrangements

The Group did not have any contractual interest in joint operations.

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.

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.

31. Investments in subsidiary undertakings, joint ventures and associates continued
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.

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	2023 $million	2022 $million
As at 1 January	**10,300**	9,694
Additions[1]	**529**	357
Disposal[2]	**(465)**	–
Impairment (Charge)/release[3]	**(298)**	249
As at 31 December	**10,066**	10,300

1 Includes issuances of $124 million to Standard Chartered Bank AG, $299 million to Standard Chartered Bank (Singapore) Limited, $47 million to SC Ventures Holdings Limited (formerly Standard Chartered UK Holdings Limited) and $40 million to Standard Chartered Capital Ltd, $18 million to Standard Chartered Africa Ltd. (31 December 2022 Includes issuances of $241 million to Standard Chartered Bank AG, $114 million to Standard Chartered UK holdings and $1 million to Standard Chartered Global Business Services Co., Ltd)
2 Includes disposal of SC Ventures Holdings Limited ($464 million)
3 Primarily relates to the net of impairment charge of $388 million on account of decrease in the valuation of SC Ventures Holdings Limited (31 December 2022: $273 million reversal of impairment) and impairment release of $78 million in the valuation of Standard Chartered Bank AG

On 6 June 2023, the Group sold its subsidiary SC Ventures Holdings Limited (formerly Standard Chartered UK Holdings Limited) and its associated subsidiary undertakings to Standard Chartered I H Limited (a fellow group undertaking of Standard Chartered PLC) for the arms-length purchase price of $464 million, giving rise to a gain on disposal of $416 million. In addition the Group disposed of its wholly owned subsidiary Kozagi during 2023. The gain on sale of business was $7 million.

31. Investments in subsidiary undertakings, joint ventures and associates continued
At 31 December 2023, the principal subsidiary undertakings, all indirectly held except for Standard Chartered Bank AG, Standard Chartered Bank (Pakistan) Limited and 13.6 per cent of Standard Chartered Bank (Singapore) Limited, and principally engaged in the business of banking and provision of other financial services, were as follows:

Place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank (Singapore) Limited, Singapore	Singapore	100
Standard Chartered Bank AG, Germany	Germany	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100
Standard Chartered Bank Nigeria Limited, Nigeria	Nigeria	100
Standard Chartered Bank (Vietnam) Limited, Vietnam	Vietnam	100
Standard Chartered Bank (Mauritius) Limited, Mauritius	Mauritius	100

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 Zambia PLC, Zambia	Zambia	90.00
Standard Chartered Bank Botswana Limited, Botswana	Botswana	75.83
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.32
Standard Chartered Bank Ghana PLC, Ghana	Ghana	69.42

A complete list of subsidiary undertaking is included in Note 39.

The Group does not have any material non-controlling interest except as listed above, which contribute $58 million (31 December 2022: $16 million) of the profit attributable to non-controlling interest and $172 million (31 December 2022: $164 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 2023, the total cash and balances with central banks was $64.2 billion (31 December 2022: $50.5 billion) of which $3 billion (31 December 2022: $3.5 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.

31. 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.

Share of profit from investment in associates and joint ventures comprises:

	2023 $million	2022 $million
Loss from investment in joint ventures	(7)	(7)
Profit/(loss) from investment in associates	3	(6)
Total	(4)	(13)

Group

Interests in associates and joint ventures

	2023 $million	2022 $million
As at 1 January	143	156
Exchange translation differences	–	2
Additions	1	25
Share of loss	(4)	(13)
Disposals[1]	(55)	(1)
Dividends received	(4)	(6)
Impairment	–	(28)
Other Movements	–	8
As at 31 December	81	143

1 Disposal of interest in associates due to change in ownership. Associates - CurrencyFair Limited ($40 million), Fintech for International Development Ltd ($1 million), Olea Global Pte. Ltd. ($14 million) and Metaco SA (nil). Metaco SA was disposed for a sale consideration of $18 million. Except Metaco SA all other disposals were part of disposal of SC Ventures Holdings Limited ($464 million).

32. Structured entities

Accounting policy

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.

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.

	2023 $million	2022 $million
Principal and other structured finance	116	212
Total	116	212

32. Structured entities continued

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. 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.

The table below presents the carrying amount of the assets recognised in the financial statements relating to variable 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.

	2023						2022					
	Asset-backed securities $million	Lending $million	Structured Finance $million	Principal Finance funds $million	Other activities $million	Total $million	Asset-backed securities $million	Lending $million	Structured Finance $million	Principal Finance funds $million	Other activities $million	Total $million
Group's interest – assets												
Financial assets held at fair value through profit or loss	368	172	139	75	–	754	194	–	–	81	–	275
Loans and advances/ Investment securities at amortised cost	13,184	9,298	7,210	–	190	29,882	13,508	11,804	10,165	–	246	35,723
Investment securities (fair value through other comprehensive income)	1,977	–	–	–	–	1,977	1,496	–	–	–	–	1,496
Other assets	–	–	34	–	–	34	–	–	–	1	–	1
Total assets	15,529	9,470	7,383	75	190	32,647	15,198	11,804	10,165	82	246	37,495
Off-balance sheet	–	3,971	4,752	–	20	8,743	–	3,220	6,527	92	–	9,839
Group's maximum exposure to loss	15,529	13,441	12,135	75	210	41,390	15,198	15,024	16,692	174	246	47,334
Total assets of structured entities	113,622	9,470	7,383	89	1,688	132,252	98,835	8,236	11,384	150	1,828	120,433

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.

32. Structured entities continued

- **Lending:** Lending comprises secured lending in the normal course of business to third parties through structured entities
- **Structured Finance:** Structured finance comprises interests in transaction 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.

In the above table, the Group determined the total assets of the structured entities using following bases:

- Asset Backed Securities, Principal Finance, and Other activities are based on the published total assets of the structured entities
- Lending and Structured Finance are estimated based on the Group's loan values to the structured entities.

33. Cash flow statement

Adjustment for non-cash items and other adjustments included within income statement

	Group		Company	
	2023 $million	2022 $million	**2023 $million**	2022 $million
Amortisation of discounts and premiums of investment securities	**(509)**	353	**(286)**	556
Interest expense on subordinated liabilities	**602**	562	**876**	508
Interest expense on senior debt securities in issue	**516**	7	**820**	81
Other non-cash items	**(306)**[1]	(18)	**(132)**	(19)
Pension costs for defined benefit schemes	**41**	28	**25**	17
Share-based payment costs	**175**	156	**116**	100
Impairment losses on loans and advances and other credit risk provisions	**(58)**	(22)	**(81)**	(183)
Dividend income from subsidiaries	**–**	–	**(2,060)**	(1,046)
Other impairment	**42**	107	**314**	(181)
Gain on disposal of property, plant and equipment	**(12)**	(18)	**–**	(10)
Loss on disposal of FVOCI & AMCST financial assets	**178**	154	**114**	99
Depreciation and amortisation	**647**	611	**399**	396
Fair value changes taken to income statement	**(1,531)**	(235)	**(940)**	(113)
Foreign Currency revaluation	**104**	202	**45**	176
Loss from associates and joint ventures	**4**	13	**–**	–
Total	**(107)**	1,900	**(790)**	381

1 This includes gain on sale of subsidiary, associate and joint venture (mainly SC Ventures Holdings Limited $416 million) offset with discount unwind $139 million

Change in operating assets

	Group		Company	
	2023 $million	2022 (Restated) $million	**2023 $million**	2022 (Restated) $million
Decrease/(increase) in derivative financial instruments	**9,954**	(8,171)	**8,873**	(6,448)
(Increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss[1]	**(10,371)**	9,622	**(3,059)**	2,415
(Increase)/decrease in loans and advances to banks and customers[1]	**(2,412)**	10,992	**5,247**	7,185
Net decrease/(increase) in prepayments and accrued income	**75**	(908)	**209**	(718)
Net decrease/(increase) in other assets	**7,160**	(3,905)	**11,834**	(5,227)
Total	**4,406**	7,630	**23,104**	(2,793)

1 Decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss for 2022 has been restated by $(823) million for Group and $(849) million for Company and the decrease in loans and advances to banks and customers for 2022 has been restated by $10,611 million for Group and $3,507 million for Company (refer note 34)

33. Cash flow statement continued

Change in operating liabilities

	Group		Company	
	2023 $million	2022 $million	**2023 $million**	2022 $million
(Decrease)/Increase in derivative financial instruments	**(11,197)**	11,674	**(10,275)**	9,854
Net increase/(decrease) in deposits from banks, customer accounts, debt securities in issue and short positions	**2,419**	(2,526)	**(9,347)**	(4,239)
Increase in accruals and deferred income	**431**	919	**315**	644
Increase/(decrease) in amount due to parents/subsidiaries/other related	**3,580**	(1,932)	**7,627**	(59)
Net increase/(decrease) in other liabilities	**264**	(1,181)	**(2,211)**	(1,679)
Total	**(4,503)**	6,954	**(13,891)**	4,521

Disclosures

	Group		Company	
	2023 $million	2022 $million	**2023 $million**	2022 $million
Subordinated debt (including accrued interest):				
Opening balance	**13,272**	14,621	**12,731**	14,081
Proceeds from the issue	**18**	750	**–**	750
Interest paid	**(714)**	(424)	**(583)**	(378)
Repayment	**(2,160)**	(1,008)	**(2,160)**	(1,008)
Foreign exchange movements	**113**	(227)	**113**	(227)
Fair value changes from hedge accounting	**215**	(861)	**215**	(861)
Accrued Interest and Others	**713**	421	**583**	374
Closing balance	**11,457**	13,272	**10,899**	12,731

	Group		Company	
	2023 $million	2022 $million	**2023 $million**	2022 $million
Senior debt (including accrued interest):				
Opening balance	**5,154**	1,289	**4,777**	923
Proceeds from the issue	**5,597**	5,316	**4,820**	4,091
Interest paid	**(235)**	(1)	**(235)**	(1)
Repayment	**(2,546)**	(1,490)	**(1,806)**	(298)
Foreign exchange movements	**2**	(49)	**3**	(12)
Fair value changes from hedge accounting	**(1)**	8	**–**	6
Accrued Interest and Others	**(111)**	81	**268**	68
Closing balance	**7,860**	5,154	**7,827**	4,777

34. Cash and cash equivalents

Accounting policy

Cash and cash equivalents includes:

- 'Cash and balances at central banks', except for restricted balances; and
- Other balances listed in the table below, when they have less than three months' maturity from the date of acquisition, are not subject to contractual restrictions, are subject to insignificant changes in value, are highly liquid and are held for the purpose of meeting short-term cash commitments. This includes products such as treasury bills and other eligible bills, short-term government securities, loans and advances to banks (including reverse repos), and loans and advances to customers (placements at central banks), which are held for appropriate business purposes.

'Cash and balances at central banks' includes both cash held in restricted accounts and on demand or placements which are contractually due to mature overnight only. Other placements with central banks are reported as part of 'Loans and advances to customers'.

Following a reassessment of the nature and purpose of balances held with central banks, customers and banks, the Group's and Company's cash and cash equivalents balances for 31 December 2022 and 1 January 2022 have been restated. The following balances have been identified by the Group and Company as being cash and cash equivalents based on the criteria described above.

34. Cash and cash equivalents continued

	Group		Company	
	2023 $million	2022 (Restated) $million	2023 $million	2022 (Restated) $million
Cash and balances at central banks	**64,198**	50,531	**52,758**	38,867
Less: restricted balances	**(3,050)**	(3,515)	**(1,311)**	(1,320)
Treasury bills and other eligible bills	**3,298**	5,801	**896**	181
Loans and advances to banks	**3,195**	4,665	**1,333**	2,536
Loans and advances to customers	**20,475**	20,611	**68**	–
Investments	**244**	162	**244**	–
Total	**88,360**	78,255	**53,988**	40,264

The Group's cash and cash equivalents balance for 31 December 2022 has been restated to increase the balance by $7,185 million as balances with central banks that met the cash and cash equivalents definition were originally included in loans and advances to customers ($20,611 million) but not included in cash and cash equivalents and there were balances included in cash and cash equivalents related to loans and advances to banks ($9,754 million), treasury bills and other eligible bills ($3,654 million) as well as Investments ($18 million) that did not meet the cash and cash equivalents definition. The cash and cash equivalents balance at the beginning of the year for 2022 has also been restated to decrease the balance by $2,604 million. On the 2022 cash flow statement for Group, the change in operating assets has also been restated by $9,788 million as a result of these changes.

The Company's cash and cash equivalents balance for 31 December 2022 have been restated to decrease the balance by $7,354 million as there were balances included in cash and cash equivalents related to loans and advances to banks ($5,030 million), treasury bills and other eligible bills ($2,306 million) as well as Investments ($18 million) that did not meet the cash and cash equivalents definition. The cash and cash equivalents balance at the beginning of the year for 2022 has also been restated to decrease the balance by $10,012 million. On the 2022 cash flow statement for the Company, the change in operating assets has also been restated by $2,658 million as a result of these changes.

35. Related party transactions

Directors and officers

Details of directors' remuneration and interests in shares are disclosed in the Note 37 Remuneration of Directors.

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 Group.

	2023 $million	2022 $million
Salaries, allowances and benefits in kind	**41**	38
Share-based payments	**26**	26
Bonuses paid or receivable	**5**	4
Termination benefits	**–**	1
Total	**72**	69

Transactions with directors and others

At 31 December 2023, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (HK Listing Rules) about loans to directors were as follows:

	2023		2022	
	Number	$million	Number	$million
Directors[1]	**4**	**–**	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 HK 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.

Other than as disclosed in these financial statements, there were no other transactions, arrangements or agreements outstanding for any director of the Company which have to be disclosed under the Act.

35. Related party transactions continued
Group

	2023				2022			
	Due from/to subsidiary undertakings and other related parties $million	**Derivative financial instruments $million**	**Subordinated liabilities and other borrowed funds $million**	**Debt Securities $million**	Due from/to subsidiary undertakings and other related parties $million	Derivative financial instruments $million	Subordinated liabilities and other borrowed funds $million	Debt Securities $million
Assets								
Ultimate parent company	**26**	**1,127**	**–**	**20**	133	1,557	–	–
Fellow subsidiaries of Standard Chartered PLC Group	**5,640**	**7,057**	**–**	**655**	6,254	9,573	–	601
	5,666	**8,184**	**–**	**675**	6,387	11,130	–	601
Liabilities								
Ultimate parent company	**10,193**	**85**	**11,094**	**9,543**	6,516	321	12,924	6,707
Fellow subsidiaries of Standard Chartered PLC Group	**20,974**	**6,748**	**–**	**18**	21,586	9,007	–	669
	31,166	**6,833**	**11,094**	**9,561**	28,102	9,328	12,924	7,376

	2023			
	Fees and commission income $million	**Fees and commission expense $million**	**Interest income $million**	**Interest expense $million**
Ultimate parent company	**–**	**–**	**–**	**1,296**
Fellow subsidiaries of Standard Chartered PLC Group	**225**	**151**	**129**	**819**
	225	**151**	**130**	**2,116**

	2022			
	Fees and commission income $million	Fees and commission expense $million	Interest income $million	Interest expense $million
Ultimate parent company	–	–	1	875
Fellow subsidiaries of Standard Chartered PLC Group	79	122	63	329
	79	122	64	1,204

The Group contributes to employee pension funds and provides banking services free of charge to the UK fund. For details of the funds (see Note 29).

The Group's employees participate in the Standard Chartered PLC group's share-based compensation plans (see Note 30). The cost of the compensation is recharged from Standard Chartered PLC to the Group's branches and subsidiaries.

Associates and joint ventures
The following transactions with related parties are on an arm's length basis:

	2023 $million	2022 $million
Assets		
Loans and advances	**–**	20
Financial Assets held at FVTPL	**14**	–
Derivative assets	**12**	18
Total assets	**26**	38
Liabilities		
Deposits	**38**	49
Other liabilities	**1**	19
Total liabilities	**39**	69
Loan commitments and other guarantees[1]	**113**	164

1 The maximum loan commitments and other guarantees during the year was $113 million

35. Related party transactions continued

Company

	2023				2022			
	Due from/to subsidiary undertakings and other related parties $million	**Derivative financial instruments $million**	**Subordinated liabilities and other borrowed funds $million**	**Debt Securities $million**	Due from/to subsidiary undertakings and other related parties $million	Derivative financial instruments $million	Subordinated liabilities and other borrowed funds $million	Debt Securities $million
Assets								
Ultimate parent company	**26**	**1,127**	**–**	**20**	133	1,557	–	–
Subsidiaries and fellow subsidiaries of SC PLC Group	**10,028**	**10,365**	**–**	**4,436**	13,081	13,207	–	2,438
	10,053	**11,492**	**–**	**4,456**	13,214	14,764	–	2,438
Liabilities								
Ultimate parent company	**10,184**	**85**	**10,554**	**9,543**	6,510	321	12,384	6,707
Subsidiaries and fellow subsidiaries of SC PLC Group	**37,133**	**10,281**	**–**	**18**	33,423	13,421	–	2
	47,317	**10,366**	**10,554**	**9,561**	39,933	13,742	12,384	6,709

	2023				
	Fees and commission income $million	**Fees and commission expense $million**	**Interest income $million**	**Interest expense $million**	**Dividend income $million**
Ultimate parent company	**–**	**–**	**–**	**1,257**	**–**
Subsidiaries and fellow subsidiaries of SC PLC Group	**349**	**59**	**459**	**1,378**	**2,060**
	349	**59**	**459**	**2,635**	**2,060**

	2022				
	Fees and commission income $million	Fees and commission expense $million	Interest income $million	Interest expense $million	Dividend income $million
Ultimate parent company	–	–	1	854	–
Subsidiaries and fellow subsidiaries of SC PLC Group	122	127	177	502	1,046
	122	127	178	1,356	1,046

As at 31 December 2023, Standard Chartered Bank had created a charge over $68 million (31 December 2022: $89 million) of cash assets in favour of the non-consolidated independent trustee of its employer financed retirement benefit scheme.

The Company contributes to employee pension funds and provides banking services free of charge to the UK fund. For details of the funds see note 29.

The Company's employees participate in the Standard Chartered PLC group's share-based compensation plans (see note 30).

The Company has an agreement with Standard Chartered PLC that in the event of the Company defaulting on its debt coupon interest payments, where the terms of such debt requires it, Standard Chartered PLC shall issue shares as settlement for non-payment of the coupon interest.

SC Ventures Limited disposal

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

36. 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 (EY LLP) and its associates (together EY 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.

	2023 $million	2022 $million
Audit fees for the Standard Chartered PLC Group statutory audit	27.8	22.2
Of which fees for the statutory audit of Standard Chartered Bank Group	20.6	16.3
Fees payable to EY for other services provided to the Standard Chartered Bank Group:		
Audit of Standard Chartered Bank subsidiaries	8.8	8.4
Total Audit fees	36.6	30.7
Audit -related assurance services	3.4	2.9
Other assurance services	6.2	3.8
Other non-audit services	0.8	0.1
Total fees payable	47.0	37.5

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 EY 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
- Transaction related services are fees payable to EY LLP for issuing comfort letters

Expenses incurred in respect of their role as auditors were reimbursed to EY LLP $0.9 million (2022: $0.5 million).

37. Remuneration of Directors

This table sets out salary (including salary shares), pension and benefits received in 2023 and variable remuneration awards received in respect of 2023.

	2023[1] £000	2022[2] £000
Salaries and fees	8,299	8,263
Pension	421	533
Benefits	638	576
Annual incentive	3,399	4,011
Vesting of LTIP awards	5,475	3,538
Buy-out award[3]	862	0
Total	19,094	16,921

1 L Yueh and S Ricke joined the Court on 1 January and 24 February 2023 respectively. C Hodgson and J Whitbread stepped down from the Court on 31 January and 3 May 2023 respectively.
2 The values of vesting 2020-22 LTIP awards have been restated based on the final vesting outcome of 36.8% and actual share price of £6.57 when the awards vested in March 2023.
3 S Ricke received a buy-out award in respect of shares forfeited upon leaving her former role to join the Group. The buy-out award takes the form of upfront shares, deferred shares, and deferred cash, and has been calculated in line with PRA and FCA remuneration regulations. The buy-out will be delivered over the period of March 2023 – 2027.

37. Remuneration of Directors continued

Additional information on the remuneration elements in the above single total figure table

Salaries and fees

The total salaries of the three directors as at 1 January 2023 (or the date of appointment, if later) was £4,940,000. For two of the directors, salary is paid part in cash and part in shares which are subject to a retention period and released pro rata over five years. The number of salary shares allocated is determined based on the monetary value and the prevailing market price of the Group's shares on the date of allocation. The emoluments, including share based payments and other benefits, of the highest paid director during 2023 were £7,836,987 (2022: £6,407,691). There were employer pension contributions for the highest paid director during 2023 of £250,625 (2022: £244,800).

The total annualised fees of the Chairman and directors as at 1 January 2023 (or the date of appointment, if later) were £3,336,533.

There is no apportionment of remuneration between Standard Chartered Bank and Standard Chartered PLC.

Share awards

No directors exercised share awards over Standard Chartered PLC during the year.

Pension and benefits

An explanation of pension and benefits for those directors who are also executive directors of the Standard Chartered PLC Group can be found in the Standard Chartered PLC Group's 2023 Directors' remuneration report on pages 182 to 216. The directors who are also employees of the Standard Chartered PLC Group received a flexible benefits allowance in alignment with the UK workforce to include a mixture of core pension and benefits provision, including private medical cover, life assurance and permanent health insurance. Some directors occasionally use a Group car service for traveling and, in some circumstances, were accompanied by their spouses to attend events.

For those directors who are also employees of the Standard Chartered PLC Group, annual incentives in respect of 2023 are delivered upfront with at least 50 per cent paid in shares subject to a minimum twelve-month retention period.

Vesting of LTIP awards

The long-term incentive plan (LTIP) awards granted in March 2020 vested in March 2023, based on performance over the years 2020 to 2022. 36.8 per cent of these awards vested. The LTIP awards granted in March 2021 are due to vest in March 2024, based on performance over the years 2021 to 2023. Following a projected assessment of the performance measures (RoTE with CET1 underpin, relative TSR, sustainability and strategic measures), 66 per cent of these awards are expected to vest. The final assessment of the relative TSR performance will be conducted in March 2024, the end of the three-year performance period. Based on a share price of £6.72, the three-month average to 31 December 2023, the projected value to be delivered to the directors is £5,475,443.

The highest paid director has not exercised any share options during the year.

An LTIP award of 506,045 shares was made in March 2023 to the highest paid director, at a share price of £7.398, which are subject to the satisfaction of stretching RoTE, relative TSR, sustainability and strategic performance measures over three years (2023 to 2025).

Other disclosures

The remuneration policy and practices applying to the Material Risk Taker employees of the Bank are the same as those applied by the Standard Chartered PLC Group which are set out in the Standard Chartered Pillar 3 report on pages 131 to 135.

Further information on the remuneration for those directors who are also executive directors of the Standard Chartered PLC Group can be found in the Standard Chartered PLC Group's 2023 Directors' remuneration report on pages 182 to 216.

38. Related undertakings of the Group

As at 31 December 2023, the Group's interests in related undertakings in accordance with Section 409 of the Companies Act 2006 are disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Unless otherwise indicated, all related undertakings are held indirectly.

Subsidiary undertakings

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
SC (Secretaries) Limited[1]	Others	United Kingdom	£1.00 Ordinary	100
SC Transport Leasing 1 LTD[7,8]	Leasing Business	United Kingdom	£1.00 Ordinary	100
SC Transport Leasing 2 Limited[7,8]	Leasing Business	United Kingdom	£1.00 Ordinary	100
			US$1.00 Redeemable Preference	100
SCMB Overseas Limited[1]	Investment Holding Company	United Kingdom	£0.10 Ordinary	100
Standard Chartered Africa Limited[1,7,8]	Investment Holding Company	United Kingdom	£1.00 Ordinary	100
Standard Chartered Foundation[1,2]	Charity projects	United Kingdom	Guarantor	100
Standard Chartered Health Trustee (UK) Limited[1]	Trustee Services	United Kingdom	£1.00 Ordinary	100
Standard Chartered Leasing (UK) Limited[1,7,8]	Leasing Business	United Kingdom	US$1.00 Ordinary	100
Standard Chartered Nominees (Private Clients UK) Limited[1]	Nominee Services	United Kingdom	US$1.00 Ordinary	100
Standard Chartered Securities (Africa) Holdings Limited[7,8]	Investment Holding Company	United Kingdom	US$1.00 Ordinary	100
			US$1.00 Ordinary	100
Standard Chartered Trustees (UK) Limited[1]	Trustee Services	United Kingdom	£1.00 Ordinary	100
The BW Leasing Partnership 1 LP[2]	Leasing Business	United Kingdom	Limited Partnership Interest	100
The BW Leasing Partnership 2 LP[2]	Leasing Business	United Kingdom	Limited Partnership Interest	100
The BW Leasing Partnership 3 LP[2]	Leasing Business	United Kingdom	Limited Partnership Interest	100
The BW Leasing Partnership 4 LP[2]	Leasing Business	United Kingdom	Limited Partnership Interest	100
The BW Leasing Partnership 5 LP[2]	Leasing Business	United Kingdom	Limited Partnership Interest	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
The following company have the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom				
Corrasi Covered Bonds LLP	Trustee Services	United Kingdom	Membership Interest	100
The following company have the address of 2 More London Riverside, London, SE1 2JT, United Kingdom				
Bricks (C&K) LP[2]	Limited Partnership interest	United Kingdom	Limited Partnership Interest	100
Bricks (T) LP[2]	Limited Partnership interest	United Kingdom	Limited Partnership Interest	100
Bricks (C) LP[2]	Limited Partnership interest	United Kingdom	Limited Partnership Interest	100

38. Related undertakings of the Group continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company have the address of Edifício Kilamba, 8º Andar Avenida 4 de Fevereiro, Marginal, Luanda, Angola				
Standard Chartered Bank Angola S.A.	Banking & Financial Services	Angola	AOK8,742.05 Ordinary	60
The following company have the address of Level 5, 345 George St, Sydney NSW 2000, Australia				
Standard Chartered Grindlays Pty Limited[1]	Investment Holding Company	Australia	AUD Ordinary	100
The following company have the address of 5th Floor Standard House Bldg, The Mall, Queens Road, PO Box 496, Gaborone, Botswana				
Standard Chartered Bank Botswana Limited	Banking & Financial Services	Botswana	BWP Ordinary	75.827
Standard Chartered Bank Insurance Agency (Proprietary) Limited	Insurance Services	Botswana	BWP Ordinary Shares	100
Standard Chartered Botswana Education Trust[1,2,3]	CSR programme.	Botswana	Trust Interest	100
Standard Chartered Botswana Nominees (Proprietary) Limited	Nominee Services	Botswana	BWP Ordinary	100
Standard Chartered Investment Services (Proprietary) Limited	Nominee Services	Botswana	BWP Ordinary Shares	100
The following company have the address of Avenida Brigadeiro Faria Lima, no 3.477, 6º andar, conjunto 62 - Torre Norte, Condominio Patio Victor Malzoni, CEP 04538-133, Sao Paulo, Brazil				
Standard Chartered Representação e Participações Ltda[1]	Banking & Financial Services	Brazil	BRL1.00 Ordinary	100
The following company have the address of G01-02, Wisma Haji Mohd Taha Building, , Jalan Gadong, BE4119, Brunei Darussalam				
Standard Chartered Securities (B) Sdn Bhd[1]	Investment Management	Brunei Darussalam	BND1.00 Ordinary	100
The following company have 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	100
The following company have the address of c/o Maples Finance Limited, PO Box 1093 GT, Queensgate House, Georgetown, Grand Cayman, Cayman Islands				
SCB Investment Holding Company Limited[1]	Investment Holding Company	Cayman Islands	US$1,000.00 Ordinary-A	99.999
The following company have the address of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104 , Cayman Islands				
Cerulean Investments LP	Investment Holding Company	Cayman Islands	Limited Partnership Interest	100
The following company have the address of No. 35, Xinhuanbei Road, Teda, Tianjin, 300457, China				
Standard Chartered Global Business Services Co., Ltd[1]	Research, development, other services	China	US$ Ordinary	100
The following company have the address of Unit 802B, 803, 1001A,1002B,1003-1005,1101-1105,, 201-1205,1302C,1303, No. 235 Tianhe North Road, Tianhe District,, Guangzhou City, Guangdong Province, China				
Standard Chartered Global Business Services (Guangzhou) Co., Ltd[1]	Research, development, other services	China	US$ Ordinary	100
The following company have 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	100
The following company have the address of 8 Ecowas Avenue, Banjul, Gambia				
Standard Chartered Bank Gambia Limited	Banking & Financial Services	Gambia	GMD1.00 Ordinary	74.852
The following company have the address of Taunusanlage 16, 60325, Frankfurt am Main, Germany				

38. Related undertakings of the Group continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Bank AG[1]	Banking & Financial Services	Germany	€ Ordinary	100
The following company have the address of Standard Chartered Bank Building, No. 87, Independence Avenue, P.O. Box 768, Accra, Ghana				
Standard Chartered Bank Ghana PLC	Banking & Financial Services	Ghana	GHS Ordinary	69.416
			GHS0.52 Non-cumulative Irredeemable Preference	87.043
Standard Chartered Ghana Nominees Limited	Nominee Services	Ghana	GHS Ordinary	100
The following company have 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	100
The following company have 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	100
The following company have the address of 13/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong				
Standard Chartered Asia Limited	Investment Holding Company	Hong Kong	HKD Deferred	100
The following company have the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong				
Standard Chartered PF Real Estate (Hong Kong) Limited	Investment Holding Company	Hong Kong	US$ Ordinary	100
The following company have 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[1]	Support Services	India	INR10.00 Equity	100
The following company have the address of 1st Floor, Europe Building, No.1, Haddows Road, Nungambakkam, Chennai, 600 006, India				
Standard Chartered Global Business Services Private Limited [1]	Offshore Support Services	India	INR10.00 Equity	100
The following company have 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	100
The following company have the address of 90 M.G.Road, II Floor, Fort, Mumbai, Maharashtra, 400001, India				
Standard Chartered Finance Private Limited[1]	Support Services	India	INR10.00 Ordinary	98.683
The following company have 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[1]	Banking & Financial Services	India	INR10.00 Equity	100
The following company have the address of Ground Floor, Crescenzo Building, G Block, C 38/39 , Bandra Kurla Complex, Bandra (East) , Mumbai , Maharashtra , 400051, India				
St Helen's Nominees India Private Limited[1]	Nominee Services	India	INR10.00 Equity	100
Standard Chartered Private Equity Advisory (India) Private Limited	Support Services	India	INR1,000.00 Equity	100
The following company 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[1]	Insurance Services	Isle of Man	US$1.00 Ordinary	100
			US$1.00 Redeemable Preference	100
Standard Chartered Isle of Man Limited[1,6]	Insurance & Reinsurance Company	Isle of Man	US$1.00 Ordinary	100

38. Related undertakings of the Group continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company have the address of 21/F, Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo, 100-6155, Japan				
Standard Chartered Securities (Japan) Limited[1]	Banking & Financial Services	Japan	JPY Ordinary	100
The following company have the address of 15 Castle Street, St Helier, JE4 8PT, Jersey				
SCB Nominees (CI) Limited[1]	Nominee Services	Jersey	US$1.00 Ordinary	100
The following company have the address of Standard Chartered@Chiromo, 48 Westlands Road, P. O. Box 30003 - 00100, Nairobi , Kenya				
Standard Chartered Bancassurance Intermediary Limited	Insurance Services	Kenya	KES100.00 Ordinary	100
Standard Chartered Bank Kenya Limited	Banking & Financial Services	Kenya	KES5.00 Ordinary	74.318
			KES5.00 Preference	100
Standard Chartered Financial Services Limited	Merchant Banking	Kenya	KES20.00 Ordinary	100
Standard Chartered Investment Services Limited	Investment services	Kenya	KES20.00 Ordinary	100
Standard Chartered Kenya Nominees Limited[1]	Nominee Services	Kenya	KES20.00 Ordinary	100
Standard Chartered Securities (Kenya) Limited	Corporate Finance & Advisory Services	Kenya	KES10.00 Ordinary	100
The following company have the address of Atrium Building, Maarad Street, 3rd Floor, P.O. Box 11-4081 Raid El Solh, Beirut Central District, Lebanon				
Standard Chartered Metropolitan Holdings SAL	Investment Holding Company	Lebanon	US$10.00 Ordinary A	100
The following company have the address of Level 1, Wisma Standard Chartered, Jalan Teknologi 8, , Taman Teknologi Malaysia, Bukit Jalil, , 57000 Kuala Lumpur, Wilayah Persekutuan, Malaysia				
Standard Chartered Global Business Services Sdn Bhd[1]	Offshore Support Services	Malaysia	RM Ordinary	100
The following company have the address of Level 25, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia				
Cartaban (Malaya) Nominees Sdn Berhad	Nominee Services	Malaysia	RM Ordinary	100
Cartaban Nominees (Asing) Sdn Bhd	Nominee Services	Malaysia	RM Ordinary	100
Cartaban Nominees (Tempatan) Sdn Bhd	Nominee Services	Malaysia	RM Ordinary	100
Golden Maestro Sdn Bhd	Investment Holding Company	Malaysia	RM Ordinary	100
Price Solutions Sdn Bhd	Direct Sales/Collection Services	Malaysia	RM Ordinary	100
SCBMB Trustee Berhad	Trustee Services	Malaysia	RM Ordinary	100
Standard Chartered Bank Malaysia Berhad	Banking & Financial Services	Malaysia	RM Irredeemable Convertible Preference	100
			RM Ordinary	100
Standard Chartered Saadiq Berhad	Banking & Financial Services	Malaysia	RM Ordinary	100
The following company have 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	Ordinary	91
The following company have the address of 6th Floor, Standard Chartered Tower , 19, Bank Street, Cybercity, Ebene, 72201, Mauritius				
Standard Chartered Bank (Mauritius) Limited[1]	Banking & Financial Services	Mauritius	Ordinary No Par Value	100
The following company have the address of c/o Ocorian Corporate Services (Mauritius) Ltd, 6th Floor, Tower A, 1 Cybercity, Ebene, 72201, Mauritius				
Standard Chartered Private Equity (Mauritius) II Limited	Investment Management	Mauritius	US$1.00 Ordinary	100

38. Related undertakings of the Group continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Private Equity (Mauritius) Limited[1]	Investment Management	Mauritius	US$1.00 Ordinary	100
Standard Chartered Private Equity (Mauritius) III Limited	Investment Management	Mauritius	US$1.00 Ordinary	100
The following company have 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	US$1.00 Ordinary	100
The following company have the address of Standard Chartered Bank Nepal Limited, Madan Bhandari Marg. Ward No.31, Kathmandu Metropolitan City, Kathmandu District, Bagmati Province, Kathmandu, 44600, Nepal				
Standard Chartered Bank Nepal Limited	Banking & Financial Services	Nepal	NPR100.00 Ordinary	70.21
The following company have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
Standard Chartered Holdings (Africa) B.V.[6]	Holding Company	Netherlands	€4.50 Ordinary	100
Standard Chartered Holdings (Asia Pacific) B.V.[6]	Holding Company	Netherlands	€4.50 Ordinary	100
Standard Chartered Holdings (International) B.V.[6]	Holding Company	Netherlands	€4.50 Ordinary	100
Standard Chartered MB Holdings B.V.[6]	Holding company.	Netherlands	€4.50 Ordinary	100
The following company 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	100
Standard Chartered Nominees (Nigeria) Limited	Custody Services	Nigeria	NGN1.00 Ordinary	100
The following company have the address of P.O. Box No. 5556, I.I. Chundrigar Road , Karachi , 74000, Pakistan				
Standard Chartered Bank (Pakistan) Limited[1]	Banking & Financial Services	Pakistan	PKR10.00 Ordinary	98.986
The following company have the address of 8th Floor, Makati Sky Plaza Building 6788, Ayala Avenue San Lorenzo, City of Makati, Fourth District, National Capi, 1223, Philippines				
Standard Chartered Group Services, Manila Incorporated [1]	Offshore Support Services	Philippines	PHP1.00 Ordinary	100
The following company have the address of Rondo Ignacego Daszyńskiego 2B, 00-843, Warsaw, Poland				
Standard Chartered Global Business Services spółka z ograniczoną odpowiedzialnością[1]	Offshore Support Services	Poland	PLN50.00 Ordinary	100
The following company have 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)[1]	Custody Services	Saudi Arabia	SAR10.00 Ordinary	100
The following company have 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	80.656
The following company have the address of 7 Changi Business Park Crescent, #03-00 Standard Chartered @ Changi, 486028, Singapore				
Raffles Nominees (Pte.) Limited	Nominee Services	Singapore	SGD Ordinary	100
The following company have the address of 77 Robinson Road, #25-00 Robinson 77, 068896, Singapore				
Trust Bank Singapore Limited	Banking & Financial Services	Singapore	SGD Ordinary	60
The following company 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	100
SCTS Management Pte. Ltd.	Nominee Services	Singapore	SGD Ordinary	100

38. Related undertakings of the Group continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Bank (Singapore) Limited [1]	Banking & Financial Services	Singapore	SGD Non-cumulative Class C Tier-1 preference	100
			SGD Non-cumulative Class D 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 Holdings (Singapore) Private Limited[1]	Investment Holding Company	Singapore	SGD Ordinary	100
			US$ Ordinary	100
Standard Chartered Nominees (Singapore) Pte Ltd[1]	Nominee Services	Singapore	SGD Ordinary	100
Standard Chartered Trust (Singapore) Limited[1]	Trustee Services	Singapore	SGD Ordinary	100
The following company have 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[1]	Investment Management	Singapore	USD Ordinary	50
The following company have the address of Standard Chartered Bank, Level 25, MBFC, 8 Marina Blvd, 018981, Singapore				
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Investment Holding Company	Singapore	US$ Ordinary	100
The following company have the address of 2nd Floor, 115 West Street, Sandton, Johannesburg, 2196, South Africa				
CMB Nominees (RF) PTY Limited[1]	Nominee Services	South Africa	ZAR1.00 Ordinary	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)[1]	Nominee Services	South Africa	ZAR Ordinary	100
The following company have the address of 1 Floor, International House, Corner of Shaaban Robert Street and Garden Ave, PO Box 9011, Dar Es Salaam, Tanzania				
Standard Chartered Tanzania Nominees Limited	Nominee Services	Tanzania, United Republic of	TZS1,000.00 Ordinary	100
The following company 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, United Republic of	TZS1,000.00 Ordinary	100
			TZS1,000.00 Preference	100
The following company have 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	99.871
The following company have the address of Buyukdere Cad. Yapi Kredi Plaza C Blok, Kat 15, Levent, Istanbul, 34330, Turkey				
Standard Chartered Yatirim Bankasi Turk Anonim Sirketi [1]	Banking & Financial Services	Turkey	TRL0.10 Ordinary	100
The following company have 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	100
The following company have the address of 1095 Avenue of Americas, New York City NY 10036, United States				
Standard Chartered Bank International (Americas) Limited [1]	Banking & Financial Services	United States	US$1,000.00 Ordinary	100
The following company have the address of 50 Fremont Street, San Francisco CA 94105, United States				
Standard Chartered Overseas Investment, Inc.	Investment Holding Company	United States	US$10.00 Ordinary	100

38. Related undertakings of the Group continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company have the address of C/O Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States				
Standard Chartered Trade Services Corporation	Trade Services	United States	US$0.01 Common	100
The following company have the address of Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States				
Standard Chartered Holdings Inc.[1]	Investment Holding Company	United States	US$100.00 Common	100
Standard Chartered Securities (North America) LLC	Banking & Financial Services	United States	US$1.00 Membership Interest	100
The following company have 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	100
The following company have the address of The Company's Registered Office, Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, Virgin Islands, British				
Sky Harmony Holdings Limited[5]	Investment Holding Company	Virgin Islands, British	USD1.00 Ordinary	100
The following company have the address of Stand No. 4642, Corner of Mwaimwena Road and Addis Ababa Dri, Lusaka, 10101, Zambia				
Standard Chartered Bank Zambia Plc	Banking & Financial Services	Zambia	ZMW0.25 Ordinary	90
The following company have the address of Stand No. 4642, Corner of Mwaimwena Road and Addis Ababa Dri, Lusaka, 10101, Zambia				
Standard Chartered Zambia Securities Services Nominees Limited	Nominee Services	Zambia	ZMW0.0203 Ordinary	100
The following company have the address of Africa Unity Square Building, 68 Nelson Mandela Avenue, Harare, Zimbabwe				
Africa Enterprise Network Trust[3]	Investment Holding Company	Zimbabwe	Trust Interest	100
Standard Chartered Bank Zimbabwe Limited	Banking & Financial Services	Zimbabwe	US$1.00 Ordinary	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Nominee Services	Zimbabwe	US$2.00 Ordinary	100

1 Directly held related undertaking
2 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 note 31 for the consolidation policy and disclosure of the undertaking.
3 No share capital by virtue of being a trust
4 Limited liability company
5 The Group has determined the principal place of operation to be Hong Kong
6 The Group has determined the principal place of operation to be United Kingdom
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 the audit exemption are SC Transport Leasing 1 Ltd 06787116, SC Transport Leasing 2 Limited 06787090, Standard Chartered Leasing (UK) Limited 05513184, Standard Chartered Africa Limited 00002877 and Standard Chartered Securities (Africa) Holdings Limited 05843604.

38. 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 Victoria House, State House Avenue, Victoria, MAHE, Seychelles				
Seychelles International Mercantile Banking Corporation Limited.	Commercial Bank	Seychelles	SCR1,000.00 Ordinary	22
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	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	15

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
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	5.272
			$0.01 Ordinary-B	100
The following companies have the address of Unit 605-07, 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	39.689
			$ Class B Ordinary	39.689
Actis Rivendell Holdings (HK) Limited	Investment holding	Hong Kong	$ Class A Ordinary	39.671
			$ Class B Ordinary	39.671
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	26
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	26
The following companies 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	40.74
			US$0.0001 Series C3 Preferred Stock	8.91

38. 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 companies have the address of C/O Teneo Financial Advisory Limited, The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, B4 6AT, United Kingdom				
Standard Chartered Masterbrand Licensing Limited	To manage intellectual property for Group	United Kingdom	$1.00 Ordinary	100
Standard Chartered Leasing (UK) 3 Limited	Leasing Business	United Kingdom	$1.00 Ordinary	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	100
Nominees One Limited	Fiduciary Services	Guernsey	£1.00 Ordinary	100
Nominees Two Limited	Fiduciary Services	Guernsey	£1.00 Ordinary	100
Songbird Limited	Fiduciary Services	Guernsey	£1.00 Ordinary	100
Standard Chartered Secretaries (Guernsey) Limited	Fiduciary Services	Guernsey	£1.00 Ordinary	100
Standard Chartered Trust (Guernsey) Limited	Fiduciary Services	Guernsey	£1.00 Ordinary	100
The following company has the address of 30 Rue Schrobilgen, 2526, Luxembourg				
Standard Chartered Financial Services (Luxembourg) S.A.	Corporate Finance & Advisory Services	Luxembourg	€25.00 Ordinary	100
The following company has the address of Jiron Huascar 2055, Jesus Maria, Lima 15072, Peru				
Banco Standard Chartered en Liquidacion	Banking services	Peru	$75.133 Ordinary	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.	Financial counselling services	Uruguay	UYU1.00 Ordinary	100

38. Related undertakings of the Group continued

Liquidated/dissolved/sold Subsidiary and other related Undertakings

Name	Activity	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
Standard Chartered UK Holdings Limited[2]	Investment Holding Company	United Kingdom	$1.00 Ordinary	100
The following companies have the address of C/o WALKERS CORPORATE LIMITED, 190 Elgin Avenue George Town Grand Cayman KY1-9008 , Cayman Islands				
Sirat Holdings Limited[1]	Investment Holding Entity	Cayman Islands	$0.01 Ordinary	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	42.5
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	100
The following companies have the address of 91 Pembroke Road, Dublin 4, Ballsbridge, Dublin, DO4 EC42, Ireland				
Currencyfair Limited	FX transfer services	Ireland	€0.001 A Ordinary	100
			€0.001 Ordinary	43.422
The following companies have the address of Standard Chartered@Chiromo, 48 Westlands Road, P. O. Box 30003 - 00100, Nairobi , Kenya				
Tawi Fresh Kenya Limited	Digital Marketplace, Ecommerce	Kenya	KES1,000.00 Ordinary	100
The following companies have 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	100
The following companies have the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria				
Cherroots Nigeria Limited	Investment Holding Company	Nigeria	NGN1.00 Ordinary	100
The following companies have the address of Raffles Place, #26-01 Republic Plaza, Singapore , 048619, Singapore				
Audax Financial Technology Pte. Ltd	Support Services	Singapore	$ Ordinary	100
Autumn Life Pte. Ltd.	Support Services	Singapore	$ Ordinary	100
Letsbloom Pte. Ltd.	Others	Singapore	$ Ordinary	100
Pegasus Dealmaking Pte. Ltd.	Mergers and Acquisitions (M&A) marketplace	Singapore	$ Ordinary	100
The following companies have the address of 9 Raffles Place, #26-01 Republic Plaza , Singapore , 048619, Singapore				
SCV Research and Development Pte. Ltd.	Research, development, other services	Singapore	$ Ordinary	100
SCV Master Holding Company Pte. Ltd.	Investment Holding Entity	Singapore	$ Ordinary	100
Power2SME Pte. Ltd.	Investment Holding Entity	Singapore	US$ Ordinary	90.6
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore				
Cardspal Pte. Ltd.	Support Services	Singapore	$ Ordinary	100
The following companies 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	99.998

38. Related undertakings of the Group continued

Name	Activity	Country 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	41
			$ Preference	100
Solv-India Pte. Ltd.	Investment Holding Entity	Singapore	$ Ordinary	100
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	29.505
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	Investment Holding Company	Virgin Islands, British	$1.00 Ordinary	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	100
The following company has the address of Suites 508, 509, 15th Floor, Al Sarab Tower, Adgm Square, Al Maryah Island, Abu Dhabi, United Arab Emirates				
Financial Inclusion Technologies Ltd	Digital wallet and technology payments platform	United Arab Emirates	US$1.00 Ordinary	100
The following companies have the address of 5th Floor, Holland House 1-4 Bury Street, London, EC3A 5AW, United Kingdom				
Zodia Holdings Limited	Investment Holding Company	United Kingdom	$1.00 Ordinary	100
Zodia Custody Limited	Custody Services	United Kingdom	$1.00 Ordinary	95.1
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	44.445
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
SC Ventures Innovation Investment L.P.	Investment Holding Company	United Kingdom	Limited Partnership Interest	100
Shoal Limited	Digital marketplace for sustainable and "green" products.	United Kingdom	US$1.00 Ordinary	100
SC Ventures G.P. Limited	Investment Holding Company	United Kingdom	£1.00 Ordinary	100
Zodia Markets (UK) Limited	Banking & Financial Services	United Kingdom	£1.00 Ordinary	100
The following companies have the address of 6th Floor, 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
Zodia Markets Holdings Limited	Digital Venture: Holding Company for The Zodia Markets Group	United Kingdom	US$1.00 Ordinary	75.01
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	US$1.00 Membership Interest	100

38. Related undertakings of the Group continued

Name	Activity	Country of Incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
The following companies have the address of 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.				
Assembly Payments UK Ltd	Payment Services Provider	United Kingdom	$1.00 Ordinary	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	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 companies has the address of 17/31 Queen Street, Melbourne VIC 3000, Australia				
Assembly Payments Australia Pty Ltd	Holding Company	Australia	$ Ordinary	100
The following companies 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	$1.00 Ordinary AUD0.01 Ordinary	100
The following company has the address of 66 Wellington Street, West, Suite 4100, Toronto Dominion Centre, Toronto ON M5K 1B7, Canada				
CurrencyFair (Canada) Ltd	Dormant	Canada	CAD$ Common	100
The following company has the address of Room 2619, No 9, Linhe West Road, Tianhe District, Guangzhou, China				
Guangzhou CurrencyFair Information Technology Limited	Providers of Foreign Currency conversion services.	China	CNY Ordinary	100
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	100
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	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 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	100
			INR10.00 Cumulative Redeemable Preference	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 company has the address of 32 Molesworth Street, Dublin 2, D02Y512, Ireland				
Zodia Markets (Ireland) Limited	Banking & Financial Services	Ireland	$1.00 Ordinary	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	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

38. Related undertakings of the Group continued

Name	Activity	Country of Incorporation	Description of shares	Proportion of shares held (%)
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 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	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	100
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	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	100
Assembly Payments Pte. Ltd.	Investment holding company	Singapore	$ Ordinary	100
			$ Preference	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 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	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

1 Directly held related undertaking
2 Internal sale to Standard Chartered I H Ltd

39. Group Reorganisation

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

40. Post balance sheet events

Nil

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.

	2023		2022	
	Bank deposits $million	**Customer accounts $million**	Bank deposits $million	Customer accounts $million
Insured deposits	**10**	**18,456**	28	16,218
Current accounts	**9**	**7,932**	8	8,336
Savings deposits	**–**	**5,359**	–	4,352
Time deposits	**1**	**5,072**	20	3,467
Other deposits	**–**	**93**	–	63
Uninsured deposits	**29,895**	**275,109**	31,244	279,269
Current accounts	**17,790**	**112,752**	18,970	107,316
Savings deposits	**–**	**15,063**	–	14,339
Time deposits	**6,643**	**99,876**	5,381	110,379
Other deposits	**5,462**	**47,418**	6,893	47,235
Total	**29,905**	**293,565**	31,272	295,487

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

UK and non-UK deposits

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.

	2023		2022	
	Bank deposits $million	**Customer accounts $million**	Bank deposits $million	Customer accounts $million
UK deposits	**2,881**	**27,476**	4,109	36,461
Current accounts	**888**	**5,695**	849	7,481
Savings deposits	**–**	**31**	–	34
Time deposits	**310**	**5,237**	1,004	6,558
Other deposits	**1,683**	**16,513**	2,256	22,388
Non-UK deposits	**27,024**	**266,089**	27,163	259,026
Current accounts	**16,911**	**114,989**	18,129	108,171
Savings deposits	**–**	**20,391**	–	18,657
Time deposits	**6,334**	**99,711**	4,397	107,288
Other deposits	**3,779**	**30,998**	4,637	24,910
Total	**29,905**	**293,565**	31,272	295,487

Contractual maturity of Loans, Investment securities and Deposits

	2023						
	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	**46,411**	**137,816**	**21,695**	**22,486**	**–**	**25,813**	**285,976**
Between one and five years	**3,612**	**29,162**	**4**	**43,724**	**–**	**4,088**	**7,362**
Between five and ten years	**837**	**9,816**	**–**	**14,565**	**–**	**4**	**131**
Between ten years and fifteen years	**35**	**6,891**	**–**	**9,189**	**–**	**–**	**86**
More than fifteen years and undated	**226**	**17,742**	**–**	**12,434**	**1,875**	**–**	**10**
Total	**51,121**	**201,427**	**21,699**	**102,398**	**1,875**	**29,905**	**293,565**
Total amortised cost and FVOCI exposures	**22,803**	**156,143**					
Fixed interest rate exposures	**20,514**	**94,343**					
Floating interest rate exposures	**2,289**	**61,800**					

	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	47,334	139,074	25,668	20,194	–	29,918	288,472
Between one and five years	3,549	28,958	430	40,005	–	1,348	6,860
Between five and ten years	361	9,435	–	17,884	–	6	90
Between ten years and fifteen years	92	6,387	–	12,843	–	–	48
More than fifteen years and undated	182	17,394	–	8,811	2,490	–	17
Total	51,518	201,248	26,098	99,737	2,490	31,272	295,487
Total amortised cost and FVOCI exposures	27,383	158,126					
Fixed interest rate exposures	26,083	89,636					
Floating interest rate exposures	1,300	68,490					

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

	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 Central and other government agencies										
• US	1,373	1.44	6,807	1.62	4,356	1.66	4,524	3.89	17,060	2.22
• UK	39	2.75	39	1.25	101	0.67	–	–	179	1.25
• Other	1,915	2.88	4,556	2.93	1,460	3.16	37	9.13	7,968	2.99
Other debt securities	2,361	6.51	2,156	5.44	1,688	5.90	8,508	5.21	14,713	5.54
As at 31 December 2023	5,688	4.05	13,558	2.67	7,605	2.87	13,069	4.76	39,920	3.59

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

	One year or less		Between one and five years		Between five and ten years		More than ten years		Total	
	$million	Yield %	$million	Yield %	$million	Yield %	$million	Yield %	$million	Yield %
Central and other government agencies										
• US	1,860	1.56	3,803	1.42	4,900	1.27	4,498	3.47	15,061	2.00
• UK	–	–	85	1.98	60	0.50	47	0.90	191	1.26
• Other	579	2.58	5,401	2.39	3,056	2.21	–	–	9,036	2.34
Other debt securities	3,188	4.66	1,982	5.64	1,453	3.82	10,890	3.32	17,513	3.87
As at 31 December 2022	5,627	3.42	11,271	2.63	9,469	1.96	15,435	3.36	41,801	2.85

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

Average balance sheets and yields and volume and price variances

Average balance sheets and yields

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

Reported 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 SC Bank Group's assets and liabilities for the periods ended 31 December 2023 and 31 December 2022 under the revised definition of net interest margin.

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

	2023				
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	6,849	65,375	2,813	4.30	3.89
Gross loans and advances to banks	30,042	24,619	1,175	4.77	2.15
Gross loans and advances to customers	48,839	160,448	9,408	5.86	4.50
Impairment provisions against loans and advances to banks and customers	–	(4,330)	–	–	–
Investment securities – Treasury and Other Eligible Bills	4,284	18,151	1,204	6.63	5.37
Investment securities – Debt Securities	13,372	87,099	3,650	4.19	3.63
Investment securities – Equity Shares	1,313	–	–	-	-
Due from subsidiary undertakings and other related parties	–	5,088	130	2.56	2.56
Property, plant and equipment and intangible assets	4,202	–	–	–	–
Prepayments, accrued income and other assets	95,872	–	–	–	–
Investment associates and joint ventures	143	–	–	-	-
Total average assets	204,916	356,450	18,380	5.16	3.27

Average balance sheets and yields and volume and price variances continued

Average assets	2022 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	14,190	52,002	745	1.43	1.13
Gross loans and advances to banks	28,252	28,560	635	2.22	1.12
Gross loans and advances to customers	56,483	155,518	5,766	3.71	2.72
Impairment provisions against loans and advances to banks and customers	–	(4,804)	–	–	–
Investment securities – Treasury and Other Eligible Bills	3,485	14,113	518	3.67	2.94
Investment securities – Debt Securities	9,776	92,171	2,037	2.21	2.00
Investment securities – Equity Shares	2,860	–	–	–	–
Due from subsidiary undertakings and other related parties	–	6,387	64	1.00	1.00
Property, plant and equipment and intangible assets	3,873	–	–	–	–
Prepayments, accrued income and other assets	111,206	–	–	–	–
Investment associates and joint ventures	220	–	–	–	–
Total average assets	230,345	343,947	9,765	2.84	1.70

Average liabilities	2023 Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %	Rate paid total balance %
Deposits by banks	10,587	20,824	626	3.01	1.99
Customer accounts:					
Current accounts	28,008	100,986	2,839	2.81	2.20
Savings deposits	–	18,922	512	2.71	2.71
Time deposits	8,310	105,927	5,099	4.81	4.46
Other deposits	44,163	5,008	173	3.45	0.35
Debt securities in issue	10,246	31,086	1,771	5.70	4.28
Due to parent companies, subsidiary undertakings & other related parties	–	26,744	2,116	7.91	7.91
Accruals, deferred income and other liabilities	103,131	584	35	5.99	0.03
Subordinated liabilities and other borrowed funds	–	12,341	602	4.88	4.88
Non-controlling interests	1,184	–	–	–	–
Shareholders' funds	33,315	–	–	–	–
	238,944	322,422	13,773	4.27	2.45
Adjustment for Financial Markets funding costs and financial guarantee fees on interest earning assets			(1,087)		
Total average liabilities and shareholders' funds	238,944	322,422	12,686	3.93	2.26

Average balance sheets and yields and volume and price variances continued

	2022				
Average liabilities	Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %	Rate paid total balance %
Deposits by banks	12,185	22,783	358	1.57	1.02
Customer accounts:					
Current accounts	31,956	100,431	968	0.96	0.73
Savings deposits	–	20,621	454	2.20	2.20
Time deposits	7,736	94,825	1,295	1.37	1.26
Other deposits	52,918	3,888	78	2.01	0.14
Debt securities in issue	6,250	29,800	367	1.23	1.02
Due to parent companies, subsidiary undertakings & other related parties	–	29,003	1,204	4.15	4.15
Accruals, deferred income and other liabilities	102,775	548	28	5.11	0.03
Subordinated liabilities and other borrowed funds	–	15,065	562	3.73	3.73
Non-controlling interests	2,972	–	–	–	–
Shareholders' funds	40,536	–	–	–	–
Total average liabilities and shareholders' funds	257,328	316,964	5,314	1.68	0.93
Adjustment for Financial Markets funding costs and financial guarantee fees on interest earning assets			(244)		
Total average liabilities and shareholders' funds	257,328	316,964	5,070	1.60	0.88

Net interest margin

	2023 $million	2022 $million
Interest income (Reported)	**18,380**	9,765
Average interest earning assets	**356,450**	343,947
Gross yield (%)	**5.16**	2.84
Interest expense (Reported)	**13,773**	5,314
Adjustment for Financial Markets funding costs and financial guarantee fees on interest earning assets	**(1,087)**	(244)
Interest expense adjusted for Financial Markets trading book funding costs and financial guarantee fees on interest-earning assets	**12,686**	5,070
Average interest-bearing liabilities	**322,422**	316,964
Rate paid (%)	**3.93**	1.60
Net yield (%)	**1.23**	1.24
Net interest income adjusted for Financial Markets funding costs and Financial guarantee fees on interest earning assets	**5,694**	4,695
Net interest margin (%)	**1.60**	1.37

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.

	2023 versus 2022		
	(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	575	1,493	2,068
Loans and advances to banks	(189)	729	540
Loans and advances to customers	325	3,359	3,684
Investment securities	(47)	2,346	2,299
Due from subsidiary undertakings and other related parties	(6)	30	24
Total interest earning assets	658	7,957	8,615
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	(33)	73	40
Deposits by banks	(59)	327	268
Customer accounts:			
Current accounts and savings deposits	(243)	3,025	2,782
Time and other deposits	612	2,975	3,587
Debt securities in issue	124	1,280	1,404
Due to parent companies, subsidiary undertakings & other related parties	(58)	436	378
Total interest bearing liabilities	343	8,116	8,459

	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	(14)	692	678
Loans and advances to banks	18	296	314
Loans and advances to customers	59	1,475	1,534
Investment securities	313	717	1,030
Due from subsidiary undertakings and other related parties	(6)	30	24
Total interest earning assets	370	3,210	3,580
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	–	138	138
Deposits by banks	(11)	301	290
Customer accounts:			
Current accounts and savings deposits	89	818	907
Time and other deposits	88	1,111	1,199
Debt securities in issue	39	230	269
Due to parent companies, subsidiary undertakings & other related parties	(58)	436	378
Total interest bearing liabilities	147	3,034	3,181

Supplementary people information

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

Group

	2023			2022		
	Business	**Support services**	**Total**	Business	Support services	Total
At 31 December	**19,611**	**49,619**	**69,230**	20,031	47,166	67,197
Average for the year	**19,958**	**49,417**	**69,375**	20,069	46,334	66,403

Company

	2023			2022		
	Business	**Support services**	**Total**	Business	Support services	Total
At 31 December	**8,245**	**13,493**	**21,738**	8,493	12,627	21,120
Average for the year	**8,479**	**13,483**	**21,962**	8,359	12,404	20,763

Return on assets

	FY'23 $million	FY'22 $million
Profit attributable to shareholders	**3,208**	2,370
Total assets	**538,579**	550,734
Return on assets[1]	**0.6%**	0.4%

1 Represents profit attributable to shareholders divided by the total assets of the Group

Glossary

AT1 or Additional Tier 1 capital
Additional Tier 1 capital consists of instruments other than Common Equity Tier 1 that meet the conditions set out in Article 52(1) of the Capital Requirements Regulation (as it forms part of UK domestic law), as well as the share premium accounts related to those instruments.

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 requirements are expected to be implemented in the UK from 2025.

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 28 countries and territories.

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

CRD or Capital Requirements Directive
An EU capital adequacy legislative package largely implemented or onshored into UK law. The package comprises the Capital Requirements Directive and the Capital Requirements Regulation (CRR) and implements the Basel III framework 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 has recently implemented the UK's version of CRR II

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 items, including the common shares issued by the Group and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible noncontrolling interests and regulatory adjustments required in the calculation of Common Equity Tier 1, set out in Article 26(1) of the of the Capital Requirements Regulation (as it forms part of UK domestic law), capable of being available to the institution for unrestricted and immediate use to absorb losses as soon as these occur.

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 grade
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 nonperforming or defaulted customers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Early alert, purely and non-purely precautionary
A borrower's account which exhibits risks or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded to credit grade 12 or worse. When an account is on early alert, it is classified as either purely precautionary or non-purely precautionary. A purely precautionary account is one that exhibits early alert characteristics, but these do not present any imminent credit concern. If the symptoms present an imminent credit concern, an account will be considered for classification as non-purely precautionary.

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

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

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

Eurozone
Represents the 20 EU countries that have adopted the euro as their common currency.

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

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

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

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

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

FCA or Financial Conduct Authority
The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, sets 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-SII buffer
A CET1 capital buffer which results from designation as a G-SII. The G-SII buffer is between 1 per cent and 3.5 per cent, depending on the allocation to one of five buckets based on the annual scoring. In the EU, the G-SII buffer is implemented via CRD IV as Global Systemically Important Institutions (G-SII) buffer requirement.

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

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

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

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

IAS or International Accounting Standard
A standard that forms part of the International Financial Reporting Standards framework.

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

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

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

Income Return on risk weighted assets (IRORWA)
Annualised income excluding Debit Valuation Adjustment as a percentage of Average RWA.

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

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

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

LCR or Liquidity coverage ratio
The ratio of the stock of high-quality liquid assets to expected net cash outflows under stressed conditions 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 and the Bank of England (as the UK resolution authority) to set a minimum requirement for own funds and eligible liabilities for banking groups, 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 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.

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 31.

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 operating earnings is contained in Note 2 to the financial statements.

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

OTC or Over-the-counter derivatives
A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.

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

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

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

Pillar 1
The first pillar of the three pillars of the Basel framework which provides the approach to calculation of the minimum capital requirements for credit, market and operational risk. Minimum capital requirements are 8 per cent of the Group's risk-weighted assets.

Pillar 2
The second pillar of the three pillars of the Basel framework which requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

Pillar 3
The third pillar of the three pillars of the Basel framework which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

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

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

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

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

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

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

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

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, Standard Chartered Research and Technology India Private 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.

Reported performance/results
Reported performance/results within this financial report means amounts reported under UK-adopted IAS and EU IFRS. In prior periods Reported performance/ results were described as Statutory performance/results.

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

RoRWA or Return on risk-weighted assets
Profit before tax for year as a percentage of RWA. Profit may be statutory or underlying and is specified where used. See ‘RWA’ and ‘Underlying earnings’.

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

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

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

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

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

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

SICR or Significant increase in credit risk
Assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after considering the passage of time).

Solo
The solo regulatory group as listed in the Prudential Regulation Authority waiver written notice dated 21 August 2023. This differs from Standard Chartered Bank Company in that it includes the full consolidation of three subsidiaries, namely Standard Chartered Holdings (International) B.V., Standard Chartered Grindlays PTY Limited, SCMB Overseas 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.

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'.