Standard Chartered Bank (Hong Kong) Limited

Directors' Report and Consolidated Financial Statements

For the year ended
31 December 2024

Standard Chartered Bank (Hong Kong) Limited

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Report of the directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2024.

Principal place of business

Standard Chartered Bank (Hong Kong) Limited (the "Bank") is a bank incorporated and domiciled in Hong Kong and has its registered office at 32/F, 4-4A Des Voeux Road Central, Hong Kong.

Principal activities

The Bank is a licensed bank registered under the Hong Kong Banking Ordinance. The Bank's principal activities are the provision of banking and related financial services. The principal activities and other particulars of the Bank's principal subsidiaries are set out in note 17 to the consolidated financial statements.

Financial statements

The profit of the Bank and its subsidiaries (together the "Group") for the year ended 31 December 2024 and the state of the Group's affairs as at that date are set out in the consolidated financial statements.

During the year ended 31 December 2024, the directors had declared and paid an ordinary dividend of HK$1.56 per each Class A, B, C and D ordinary shares totalling HK$8,252 million (year ended 31 December 2023: HK$1.94 per each Class A, B, C and D ordinary shares totalling HK$10,244 million). Dividends of HK$725 million (year ended 31 December 2023: HK$662 million), HK$468 million (year ended 31 December 2023: HK$468 million), HK$185 million (year ended 31 December 2023: HK$176 million), HK$99 million (year ended 31 December 2023: HK$100 million), HK$152 million (year ended 31 December 2023: HK$153 million) and HK$67 million (year ended 31 December 2023: Nil) were paid in respect of the US$900 million floating rate undated Additional Tier 1 Capital Securities, the US$1,000 million fixed rate undated Additional Tier 1 Capital Securities, the US$250 million floating rate undated Additional Tier 1 Capital Securities, the US$250 million 5% perpetual non-cumulative subordinated capital securities, the US$250 million fixed rate undated Additional Tier 1 Capital Securities and the US$600 million fixed rate reset undated Additional Tier 1 Capital Securities classified as equity, respectively.

Charitable donations

Charitable donations made by the Group during the year amounted to HK$140 million (2023: HK$78 million).

Share capital

Details of the movements in the share capital of the Bank during the year are set out in note 28 to the consolidated financial statements.

Directors

The directors during the year and up to the date of this report (in alphabetical order by last name) are:

Executive directors
Gaurav BAGGA (appointed on 23 September 2024)
HAU Yee Mann (resigned on 27 September 2024)
HUEN Wai Yi Mary (redesignated as CEO on 3 September 2024)
Darren Suk KIM (resigned on 30 June 2024)

Non-Executive directors
Stephen Robert ENO*, Chairman
HUNG Pi Cheng Benjamin (redesignated as Non-Executive Director on 3 September 2024)
LEE Cheuk Kuen Gloria
LEE Man Yuen Margaret*
LEONG Kwok Kuen Lincoln*
Roeland Marinus Marie LOUWHOFF (resigned on 5 September 2024)
Saleem RAZVI (redesignated as Non-Executive Director on 1 June 2024)
Xiaomin RONG (appointed on 20 September 2024)
John Peter SHELLEY* (appointed on 6 January 2025)
Carlson TONG* (appointed on 15 August 2024)
TUNG Lieh Cheung Andrew* (resigned on 31 July 2024)

* *Independent non-executive directors*

A full list of the names of the directors of the Bank's subsidiaries is set out in Appendix II.

Report of the directors (continued)

Directors' service contracts

The general term of service contracts of all independent non-executive directors and external non-executive directors shall not exceed three years. Their remuneration was approved by the shareholders.

Directors' interests in Share Option Schemes

Certain directors of the Bank have been granted options under various share option schemes of Standard Chartered PLC, the ultimate holding company of the Bank. During the year, Gaurav BAGGA, HUEN Wai Yi Mary, HUNG Pi Cheng Benjamin, and Saleem RAZVI were granted options under these schemes.

Directors' rights to acquire shares

At no time during the year was the Bank, any of its holding companies, subsidiaries, or fellow subsidiaries, a party to any other arrangement to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No transactions, arrangements or contract of significance to which the Bank, its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Bank had a material interest, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Bank were entered into or existed during the year.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Bank is currently in force and was in force throughout the year.

Auditor

The consolidated financial statements have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as the auditor of the Bank is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

HUEN Wai Yi Mary
Director

Hong Kong, 5 March 2025

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Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Standard Chartered Bank (Hong Kong) Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 11 to 147, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Credit impairment of loans and advances to customers</td></tr>
<tr><td>Refer to material accounting policies in Note 2(k), and disclosures on credit risk and credit impairment in Note 33(a), Note 14 and Note 15 to the consolidated financial statements.

As at 31 December 2024, the Group reported total gross advances to customers of HK$969 billion and expected credit loss provisions of HK$15,466 million.

To estimate expected credit losses (ECLs), management is required to make significant judgements and estimates. The most subjective, and subject to the most significant degree of estimation uncertainty, of these include:

• the allocation of assets to stage 1, 2, or 3 by identifying a significant increase in credit risk (SICR) since origination of the asset. In particular, judgement is required to assess the impact of the commercial real estate portfolio in Mainland China and Hong Kong;

• accounting interpretations, modelling assumptions and selection of data used to build and run the models which are used to calculate the ECLs. Judgement is required to evaluate the model performance;

• assumptions in respect of possible future economic scenarios and the impacts on these on the measurement of ECLs. Management utilises a Monte Carlo Simulation (MCS) to model a range of possible future economic scenarios. Judgement is required in the selection of parameters input into the MCS. Additionally, judgement is needed to evaluate if the MCS sufficiently captures non-linearity, generates a reasonably wide range of possible outcomes;</td><td>We evaluated the design and operating effectiveness of controls relevant to the Group's processes over material ECL balances, including the identified judgements and estimates. These controls, amongst others, included controls over the allocation of assets into stages, management's monitoring of stage effectiveness, the governance and review of post model adjustments, risk event overlays, model validation, data accuracy and completeness, multiple economic scenarios, credit monitoring, individual impairment provisions, the posting of journal entries, and the compilation of disclosures.

Also, we obtained documents and minutes of the executive forums in which credit models and ECL provisions were evaluated for evidence of executive review and challenge.

We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable by considering the overall credit quality of the Group's portfolios, the risk profile of credit exposures, the impact of high-risk industries. Our assessment also included evaluating the macroeconomic environment by considering trends in the economies and industries to which the Group is exposed.

We evaluated the criteria used to allocate financial assets to stage 1, 2 or 3 in accordance with HKFRS/IFRS 9. We tested the assets in stage 1, 2 and 3 for a sample of portfolios to assess if they were allocated to the appropriate stage.

Additionally, to test credit monitoring, we assessed the risk ratings for a sample of performing loans and focused our testing on high-risk industries including the China commercial real estate sector.

In respect of the modelled ECLs:

• We performed a risk assessment on all models involved in the ECL calculation to select a sample of models to test.

• In conjunction with our modelling specialists, we tested the assumptions, inputs and formulae used for a sample of the ECL models. These procedures included a combination of assessing the appropriateness of model design and formulae used, recalculating the Probability of Default, Loss Given Default and Exposure at Default, and model implementation.</td></tr>
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Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

• as a result of the uncertainties observed in the commercial real estate portfolio in Mainland China and Hong Kong, management has incorporated additional post-model adjustments and risk overlays to address model ineffectiveness. These non-modelled outcomes have an increased risk of management override; and • for individual impairment provisions, judgement is required to determine the probability of multiple exit/work out scenarios and estimate the impact that the uncertainties observed in the commercial real estate sector may have on these exit strategies, the time to collect, and collateral valuation. Because of the significance of the expected credit loss provisions recorded by the Group and the management judgements and estimates involved, impairment of advances to customers is considered a key audit matter.	• We also assessed material post-model adjustments which were applied as a response to model ineffectiveness and management overlays for the uncertainties in the commercial real estate portfolio in Mainland China and Hong Kong. We also considered the completeness and appropriateness of these adjustments, with our modelling specialists, by assessing the data sources, judgements made, methodologies used, sensitivities, and the governance processes. • 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 the ECL data points from the calculation engine through to the general ledger and disclosures. In respect of the macroeconomic forecasts which were derived using the MCS: • In conjunction with our economic specialists, we evaluated the base economic scenario forecast and the range of economic scenarios produced by the MCS by comparing them to other scenarios from various external sources. For a sample of material models, we also evaluated the macroeconomic parameters used as inputs into these models in collaboration with our economist and modelling specialists. In respect of the individual impairment provisions: • Our sampling methodology of individually assessed ECL provisions was based on quantitative thresholds and qualitative factors with a significant focus on exposures to commercial real estate sector in response to the uncertainties observed in this sector. • We assessed management's forward-looking economic assumptions regarding the recovery outcomes identified and evaluated the assigned individual probability weightings of these outcomes. We also considered whether the planned exit strategies remained viable. • We engaged our valuation specialists to test the collateral value used in management's calculations. We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards.

Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of Level 3 financial instruments</td></tr>
<tr><td>Refer to material accounting policies in Note 2(i), and disclosures on fair values and valuation hierarchy of financial instruments in Notes 12, 13, 24, 31 and 34 to the consolidated financial statements.

As at 31 December 2024, the Group's financial assets and liabilities measured at fair value amounted to HK$990 billion and HK$347 billion. Financial assets of HK$16.4 billion and financial liabilities of HK$22.8 billion were classified as Level 3 under the valuation hierarchy.

To estimate the fair value of these Level 3 financial instruments, management is required to exercise significant judgement in respect of:

• the selection of appropriate valuation techniques and valuation models; and

• the development of assumptions and inputs into the valuation models. Significant unobservable inputs into these valuation models included, amongst others, counterparty credit spreads, recovery rates and discount rates.

In view of the complexity and significance of management judgements and assumptions required, valuation of Level 3 financial instruments is considered a key audit matter.</td><td>We evaluated the design and operating effectiveness of controls relating to the valuation of financial instruments, including independent price verification, model review and approval, collateral management, and income statement analysis and reporting.

In conjunction with our valuation specialists, we performed, amongst others, the following procedures for a sample of Level 3 financial instruments:

• Tested management's independent price verification process.

• Critically evaluated the appropriateness of model selection and model design, including comparing to market practice for the valuation of similar financial instruments.

• Independently revalued a sample of financial instruments and compared management's valuation outcome to our independent testing. We obtained an understanding and evaluated any material differences in valuation outcomes.

• Assessed the valuation inputs used and agreed to third-party data sources where available.

We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards.</td></tr>
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Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Investment in China Bohai Bank	
Refer to material accounting policies in Note 2(d), and disclosures on interest in China Bohai Bank in Note 18 to the consolidated financial statements. The Group holds a stake of 16.26% in China Bohai Bank (Bohai) and equity accounts for the investment as an associate with a net carrying amount of HK$5.7 billion, including an impairment provision of HK$11.4 billion as at 31 December 2024. Management judgement is needed to assess whether significant influence still exists and whether Bohai can continue to be accounted for as an associate. There was a deficit between the Group's share of Bohai's market capitalisation as at 31 December 2024 compared to the carrying value of the investment. Impairment of the investment in Bohai is determined by comparing the carrying amount to the value in use. The value in use is based on future profitability forecasts, discount rates and macroeconomic assumptions including long-term growth rates. The risk of impairment has increased in the current year in the context of economic headwinds in Mainland China impacting the banking sector, as well as Bohai's deteriorating financial performance. Considering the significant judgements and assumptions underpinning the management assessment on the appropriateness of the equity accounting treatment under HKAS/IAS 28 and the assessment of impairment, investment in Bohai is considered a key audit matter.	We evaluated the facts and circumstances that the Group presented to demonstrate its ability to exercise significant influence over Bohai, through Board representation, membership of Board Committees and sharing of technical advice. We assessed the Group's value in use methodology for testing the impairment of the investment in Bohai. We, in conjunction with our valuation specialists, calculated an independent range of assumptions underlying the value in use calculations, such as the discount rate and long-term growth rate. We evaluated the reasonableness of the future profitability forecasts adopted in the value in use model by reviewing management's assessment, benchmarking the forecasts to broker reports published for comparable companies and challenging management with regard to the relevance and reliability of historical data when preparing their assessment. We also checked the mathematical accuracy of the value in use model. We assessed the adequacy of disclosures in relation to Bohai, including the impact of reasonably possible changes in key assumptions on the carrying values of the investment in Bohai, for compliance with the accounting standards.

Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Other information other than the consolidated financial statements and auditor's report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report and Consolidated Financial Statements, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and with IFRSs issued by the IASB and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group'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 of the Bank either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

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Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent auditor's report

To the members of Standard Chartered Bank (Hong Kong) Limited continued

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tso Pui Sze.

Certified Public Accountants

Hong Kong

5 March 2025

Consolidated income statement
For the year ended 31 December 2024

	Note	2024 HK$'M	2023 HK$'M
Interest income	4(a)	**75,296**	77,369
Interest expense	4(b)	**(54,731)**	(47,531)
Net interest income		**20,565**	29,838
Fee and commission income		**13,388**	11,170
Fee and commission expense		**(4,580)**	(3,562)
Net fee and commission income	4(c)	**8,808**	7,608
Net trading income	4(d)	**31,422**	16,417
Other operating income	4(e)	**210**	3,472
		40,440	27,497
Total operating income		**61,005**	57,335
Staff costs		**(15,120)**	(14,875)
Premises and equipment		**(2,936)**	(3,250)
Others		**(17,928)**	(14,784)
Operating expenses	4(f)	**(35,984)**	(32,909)
Operating profit before impairment		**25,021**	24,426
Credit impairment	5(a)	**(4,034)**	(4,427)
Other impairment	5(b)	**(1,133)**	(6,982)
Operating profit after impairment		**19,854**	13,017
Share of profit of an associate		**520**	889
Profit before taxation		**20,374**	13,906
Taxation	6(a)	**(3,813)**	(3,148)
Profit for the year		**16,561**	10,758
Profit/(loss) attributable to:			
– Non-controlling interests		**(243)**	(209)
– Equity shareholders of the Bank		**16,804**	10,967
Profit for the year		**16,561**	10,758

The notes on pages 17 to 147 form part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2024

	2024 HK$'M	2023 HK$'M
Profit for the year	**16,561**	10,758
Other comprehensive income/(loss):		
Items that will not be reclassified to the consolidated income statement:		
Own credit adjustment:		
– Changes in own credit adjustment on financial liabilities designated at fair value through profit or loss	**(747)**	800
– Related tax effect	**170**	(182)
Defined benefit plans:		
– Remeasurement of retirement benefit obligations	**201**	(155)
– Related tax effect	**(33)**	33
Equity securities at fair value through other comprehensive income:		
– Changes in fair value recognised during the year	**1**	(25)
Property revaluation credited to reserve	**127**	76
Items that may be reclassified subsequently to the consolidated income statement:		
Share of other comprehensive income/(loss) from an associate	**88**	(50)
Debt securities at fair value through other comprehensive income:		
– Changes in fair value recognised during the year	**1,517**	1,916
– Changes in fair value transferred to the consolidated income statement on disposal	**506**	175
– Transfer to the consolidated income statement on fair value hedged items attributable to hedged risk	**(967)**	(1,354)
– Expected credit loss	**1**	(6)
– Related tax effect	**(191)**	(64)
Cash flow hedges:		
– Net movements in cash flow hedge reserves	**(1,195)**	1,357
– Related tax effect	**199**	(224)
Exchange differences on translation of foreign operations	**(2,887)**	29
Other comprehensive income/(loss) for the year, net of tax	**(3,210)**	2,326
Total comprehensive income	**13,351**	13,084
Total comprehensive income/(loss) attributable to:		
– Non-controlling interests	**(243)**	(209)
– Equity shareholders of the Bank	**13,594**	13,293
Total comprehensive income	**13,351**	13,084

The notes on pages 17 to 147 form part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2024

	Note	2024 HK$'M	2023 HK$'M
Assets			
Cash and balances at central banks	9	**51,951**	43,839
Loans and advances to banks	10	**160,360**	172,045
Hong Kong SAR Government certificates of indebtedness	11	**49,451**	51,281
Financial assets at fair value through profit or loss	12	**673,614**	442,513
Investment securities	13	**361,588**	456,913
Loans and advances to customers	14(a)	**953,252**	1,021,423
Amounts due from immediate holding company	16	**208**	9
Amounts due from fellow subsidiaries	16	**214,122**	211,651
Interest in an associate	18	**5,736**	5,468
Property, plant and equipment	19	**10,446**	10,055
Goodwill and intangible assets	20	**12,277**	12,222
Current tax assets		**80**	–
Deferred tax assets	25	**510**	1,483
Other assets	21	**75,437**	105,793
Total assets		**2,569,032**	2,534,695
Liabilities			
Hong Kong SAR currency notes in circulation	11	**49,451**	51,281
Deposits by banks		**23,733**	35,219
Customer accounts	22	**1,763,250**	1,808,547
Financial liabilities at fair value through profit or loss	24	**248,196**	193,271
Debt securities in issue	23	**16,683**	38,061
Amounts due to immediate holding company	16	**43,728**	38,849
Amounts due to fellow subsidiaries	16	**134,953**	106,291
Current tax liabilities		**1,173**	2,815
Deferred tax liabilities	25	**862**	1,360
Other liabilities	26	**94,148**	72,363
Total liabilities		**2,376,177**	2,348,057
Equity			
Share capital	28	**65,025**	65,025
Reserves	29	**103,966**	100,350
Shareholders' equity		**168,991**	165,375
Other equity instruments	28	**23,384**	20,651
Non-controlling interests		**480**	612
Total equity		**192,855**	186,638
Total equity and liabilities		**2,569,032**	2,534,695

Approved and authorised for issue by the Board of Directors on 5 March 2025.

HUEN Wai Yi Mary
Director

Gaurav BAGGA
Director

The notes on pages 17 to 147 form part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2024

	Share capital HK$'M	Own credit adjustment reserve HK$'M	Cash flow hedge reserve HK$'M	FVOCI reserve – Debt[2] HK$'M	FVOCI reserve – Equity HK$'M	Exchange reserve HK$'M	Other reserves HK$'M	Retained profits HK$'M	Sub-total HK$'M	Other equity instruments HK$'M	Non-controlling interests HK$'M	Total HK$'M
At 1 January 2023	65,025	(139)	(46)	(1,411)	(25)	(11,406)	12,640	99,923	164,561	20,651	470	185,682
Profit for the year	–	–	–	–	–	–	–	10,967	10,967	–	(209)	10,758
Other comprehensive income/(loss), net of tax	–	618	1,133	617	(25)	29	76	(122)	2,326	–	–	2,326
Dividend paid[1]	–	–	–	–	–	–	–	(11,803)	(11,803)	–	–	(11,803)
Movement in respect of share-based compensation plans	–	–	–	–	–	–	–	(628)	(628)	–	–	(628)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	–	303	303
Transfer from retained profits	–	–	–	–	–	–	239	(287)	(48)	–	48	-
At 31 December 2023	**65,025**	**479**	**1,087**	**(794)**	**(50)**	**(11,377)**	**12,955**	**98,050**	**165,375**	**20,651**	**612**	**186,638**
Issuance of Additional Tier 1 capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,687**	**-**	**4,687**
Redemption of Additional Tier 1 capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,954)**	**-**	**(1,954)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,804**	**16,804**	**-**	**(243)**	**16,561**
Other comprehensive income/(loss), net of tax	**-**	**(577)**	**(996)**	**954**	**1**	**(2,887)**	**127**	**168**	**(3,210)**	**-**	**-**	**(3,210)**
Dividend paid[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,948)**	**(9,948)**	**-**	**-**	**(9,948)**
Movement in respect of share-based compensation plans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**81**	**81**	**-**	**-**	**81**
Transfer from retained profits	**-**	**-**	**-**	**-**	**-**	**-**	**471**	**(582)**	**(111)**	**-**	**111**	**-**
At 31 December 2024	**65,025**	**(98)**	**91**	**160**	**(49)**	**(14,264)**	**13,553**	**104,573**	**168,991**	**23,384**	**480**	**192,855**

1 During the year ended 31 December 2024, the directors had declared and paid an ordinary dividend of HK$1.56 per each Class A, B, C and D ordinary shares totalling HK$8,252 million (year ended 31 December 2023: HK$1.94 per each Class A, B, C and D ordinary shares totalling HK$10,244 million). Dividends of HK$725 million (year ended 31 December 2023: HK$662 million), HK$468 million (year ended 31 December 2023: HK$468 million), HK$185 million (year ended 31 December 2023: HK$176 million), HK$99 million (year ended 31 December 2023: HK$100 million), HK$152 million (year ended 31 December 2023: HK$153 million) and HK$67 million (year ended 31 December 2023: Nil) were paid in respect of the US$900 million floating rate undated Additional Tier 1 Capital Securities, the US$1,000 million fixed rate undated Additional Tier 1 Capital Securities, the US$250 million floating rate undated Additional Tier 1 Capital Securities, the US$250 million 5% perpetual non-cumulative subordinated capital securities, the US$250 million fixed rate undated Additional Tier 1 Capital Securities and the US$600 million fixed rate reset undated Additional Tier 1 Capital Securities classified as equity, respectively.

2 Includes share of other comprehensive loss from an associate as at 31 December 2024 of HK$515 million (31 December 2023: HK$603 million).

The notes on pages 17 to 147 form part of these consolidated financial statements.

Consolidated cash flow statement
For the year ended 31 December 2024

	2024 HK$'M	2023 HK$'M
Operating activities		
Profit before taxation	20,374	13,906
Adjustments for:		
Credit impairment	4,034	4,427
Recoveries of amounts previously written off	648	335
Other impairment	1,133	6,982
Depreciation on property, plant and equipment	1,786	1,842
Amortisation of intangible assets	1,895	1,352
Net gains on disposal and write off of property, plant and equipment	(166)	(149)
Net gains on revaluation of investment properties	(122)	(35)
Share of profit of an associate	(520)	(889)
Interest expense on subordinated liabilities	1,502	1,370
Interest expense on lease liabilities	185	137
Expense in respect of the defined benefits plans	191	185
Net movements in cash flow hedge reserves	(1,195)	1,357
Exchange translation on subordinated liabilities	723	3,141
	30,468	33,961
(Increase)/decrease in operating assets:		
Loans and advances to banks	(614)	(49,506)
Financial assets at fair value through profit or loss	(231,212)	(180,231)
Investment securities	82,599	(35,207)
Gross loans and advances to customers	(9,103)	153,230
Amounts due from immediate holding company and fellow subsidiaries	(4,931)	23,579
Other assets	5,269	(52,888)
Increase/(decrease) in operating liabilities:		
Deposits by banks	(11,486)	(1,892)
Customer accounts	10,714	108,069
Debt securities in issue	(21,378)	(20,499)
Financial liabilities at fair value through profit or loss	54,681	17,990
Amounts due to immediate holding company and fellow subsidiaries	42,312	(29,865)
Other liabilities	21,225	(15,420)
Net cash used in operations	(31,456)	(48,679)
Hong Kong income tax refunded/(tax paid)	(2,537)	346
Overseas income tax paid	(2,239)	(1,395)
Net cash used in operating activities	(36,232)	(49,728)

Consolidated cash flow statement (continued)
For the year ended 31 December 2024

	Note	2024 HK$'M	2023 HK$'M
Investing activities			
Payment for purchase of property, plant and equipment		(822)	(453)
Payment for purchase of intangible assets		(3,418)	(3,092)
Proceeds from disposal of property, plant and equipment		154	22,356
Disposal of subsidiaries		–	1,988
Net cash generated from/(used in) investing activities		(4,086)	20,799
Financing activities			
Issuance of Additional Tier 1 Capital		4,687	–
Redemption of Additional Tier 1 Capital		(1,954)	–
Issuance of subordinated liabilities		8,079	–
Redemption of subordinated liabilities		(5,057)	–
Contribution from non-controlling interest		–	303
Dividend paid to shareholders of the Bank		(9,948)	(11,803)
Payment of lease liabilities		(1,134)	(1,304)
Interest paid on subordinated liabilities		(1,345)	(1,891)
Net cash used in financing activities		(6,672)	(14,695)
Net decrease in cash and cash equivalents		(46,990)	(43,624)
Cash and cash equivalents at 1 January		147,089	188,962
Effect of foreign exchange		(16,530)	1,751
Cash and cash equivalents at 31 December	30(a)	83,569	147,089
Cash flows from operating activities include:			
Interest received		80,655	80,235
Interest paid		58,333	46,711
Dividends received		23	40

The notes on pages 17 to 147 form part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Principal activities

The principal activities of Standard Chartered Bank (Hong Kong) Limited (the "Bank") and its subsidiaries (together referred to as the "Group") are the provision of banking and related financial services.

2. Material accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. These consolidated financial statements also comply with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). A summary of the material accounting policies adopted by the Group is set out below.

The HKICPA/IASB has issued certain new and revised HKFRS/IFRS that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Group and its interest in an associate.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and liabilities (including derivatives) at fair value through profit or loss and investment properties, which are carried at fair value.

Assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less cost to sell.

The preparation of the consolidated financial statements in conformity with adopted HKFRS/IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS/IFRS that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 39.

Certain comparative figures have been restated in certain notes to conform to the current year's presentation.

(c) Subsidiaries and non-controlling interests

Subsidiaries are all entities, including structured entities (note 2(x)), which the Group controls. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are de-consolidated from the date that control ceases, and where any interest in the subsidiary remains, this is remeasured to its fair value and the change in carrying amount is recognised in the consolidated income statement. Details of the Group's principal subsidiaries are given in note 17.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(c) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Group, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

In the Bank's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any.

(d) Associates

Associates are entities in respect of which the Group has significant influence, but not control, over the financial and operating policies and procedures. Details of the Group's interest in an associate are provided in note 18.

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements and are initially recognised at cost. The Group's investment in associates includes goodwill, if any, identified on acquisition and accumulated impairment losses.

The Group's share of its associates' post-acquisition profits or losses are recognised in the consolidated income statement, and the share of post-acquisition movements in other comprehensive income are recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the consolidated statement of financial position. When the Group's share of losses in an associate is equal to or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless they have incurred obligations or made payments on behalf of the associate.

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. At each balance sheet date, the Group assesses whether there is any objective evidence of impairment in the investment in associates. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate below its cost, among other factors.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(i)).

In the Bank's statement of financial position, investments in associates are stated at cost less impairment losses and dividends from pre-acquisition profits, if any, unless they are classified as assets held for sale.

(e) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Goodwill and intangible assets". Goodwill on acquisitions of associates is included in "Interest in an associate".

Goodwill included in "Goodwill and intangible assets" is tested annually for impairment and carried at cost less any accumulated impairment losses. Detailed calculations are performed based on expected pre-tax cash flows of the relevant cash generating units and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. Goodwill is allocated to cash generating units for the purpose of impairment testing. Cash generating units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. Note 20 sets out the major cash-generating units to which goodwill has been allocated.

Notes to the consolidated financial statements continued

2. **Material accounting policies** (continued)

(e) Intangible assets (continued)

(ii) Acquired intangibles

At the date of acquisition of a subsidiary or an 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 reporting 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.

(iii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalised where it is probable that it will generate future economic benefits attributable to the asset that will flow from its use. Computer software costs are amortised over each assets useful life to a maximum of a 10 year time period. Costs associated with maintaining software are recognised as an expense as incurred.

(f) Investment properties

Investment properties are land and buildings which are owned either to earn rental income or for long term investments or for both. Investment properties are stated in the consolidated statement of financial position at fair value. Any gains or losses arising from a change in fair value or from the disposal of an investment property is recognised in the consolidated income statement.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

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

- Buildings, leasehold land and leasehold improvements, are depreciated over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the lease.

- Equipment and motor vehicles, are depreciated over 3 to 15 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

At each reporting 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.

Gains and losses on disposals are included in the consolidated income statement.

Where the Group is a lessee of a right-of-use asset, the leased assets are capitalised and included in "Property, plant and equipment" with a corresponding liability to the lessor recognised in "Other liabilities", in accordance with the Group's lease accounting policy in note 2(h).

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(h) Leases

Where the Group is the lessee

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

When 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 lease liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the lease 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 'Operating expenses', and interest on the lease liability is recognised in 'Interest expense'.

Where the Group is the lessor

Assets leased to customers under operating leases are included within property, plant and equipment and depreciated over their estimated useful lives. Rental income on these leased assets is recognised in the consolidated income statement on a straight-line basis unless another systematic basis is more representative.

(i) Financial instruments

Classification and measurement of financial instruments

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

i) Financial assets held at amortised cost and fair value through other comprehensive income ("FVOCI")

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

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify the 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 depend 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.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments (continued)

i) Financial assets held at amortised cost and fair value through other comprehensive income ("FVOCI") (continued)

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.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("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 cash flows 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 cash flows. 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 a re 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 both infrequent and insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model in 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 at FVOCI on an instrument by instrument basis. 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.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments (continued)

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

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

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss are split between two sub-categories 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; and
  - derivatives.
- Non-trading mandatorily at fair value through profit or loss, including
  - instruments (other than trading or derivatives) in a business which has a fair value business model;
  - 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; and
  - equity instruments that have not been designated as held at FVOCI.

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").

To reduce accounting mismatches, the Group has designated certain financial liabilities at fair value through profit or loss where the liabilities either:

- have fixed rates of interest and interest rate swaps or other interest rate derivatives have been entered with the intention of significantly reducing interest rate risk; or
- are exposed to foreign currency risk and derivatives have been acquired with the intention of significantly reducing exposure to market changes; or
- have been acquired to fund trading asset portfolios or assets.

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

Notes to the consolidated financial statements continued

2. **Material accounting policies** (continued)

(i) ***Financial instruments*** *(continued)*

iii) 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.

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Under a financial guarantee contract, the Group undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. Loan commitments are firm commitments to provide credit under prespecified terms and conditions. Financial guarantee contracts and loan commitments issued at below market interest rates are initially recognised as liabilities at fair value, whilst financial guarantees and loan commitments issued at market rates are recorded off balance sheet. Subsequently these instruments are measured at the higher of the expected credit loss provision, and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of HKFRS 15/IFRS 15 – Revenue from Contracts with Customers ("HKFRS 15/IFRS 15").

Fair value of financial assets and liabilities

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

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

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

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets 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 settlement date (the date on which cash is advanced to the borrowers). Financial liabilities, which include borrowings, not classified as held at fair value through profit or loss are classified at amortised cost on settlement date.

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

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

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments (continued)

Subsequent measurement

i) 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 note 2(o)(i)). Foreign exchange gains and losses are recognised in the consolidated 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.

ii) 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 the consolidated income statement. Changes in expected credit losses are recognised in the consolidated income statement and are accumulated in a separate component of equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss in reserve, are transferred to the consolidated income statement.

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 the consolidated income statement.

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

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

iv) Financial liabilities designated at fair value through profit or loss

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

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. Own issued note liabilities are discounted utilising spreads as at the measurement date. These spreads consist of a market level of funding component and an idiosyncratic own credit component. Under HKFRS 9/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 and, conversely, decrease if its credit standing improves. The Group’s OCA reserve will reverse over time as its liabilities mature.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments *(continued)*

Derecognition of financial instruments

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

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the consolidated income statement except for equity instruments elected FVOCI 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 expired and this is evaluated both qualitatively and quantitatively.

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

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 amongst other factors.

Where derecognition of financial assets is appropriate, 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 are 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 consolidated income statement.

Gains and losses arising from modifications for credit reasons are recorded as part of 'credit impairment'. Modification gains and losses arising for 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.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(i) Financial instruments (continued)

Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition.

Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

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

i) Reclassified from amortised cost

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

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

ii) Reclassified from fair value through other comprehensive income

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

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

iii) Reclassified from fair value through profit or loss

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

Notes to the consolidated financial statements continued

2. **Material accounting policies** (continued)

(j) Hedge accounting

The Group has chosen to continue to apply hedging requirements under HKAS 39/IAS 39 Financial instruments: recognition and measurement rather than those of HKFRS 9/IFRS 9 Financial instruments. The accounting treatment of hedge transactions will differ according to the nature of the instrument hedged and whether the hedge qualifies as a hedging instrument for accounting purposes.

The Group designates certain derivatives as either:

a) Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge)

b) Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge)

c) Hedges of the net investment of a foreign operation (net investment hedges)

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments are recorded in the consolidated income statement, 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 consolidated income statement over the remaining term to maturity of the hedged item.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedging instruments are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are recycled to the consolidated income statement in the periods in which the hedged item affects the consolidated income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(iii) Net investment hedge

Hedges of net investments are accounted for in a similar manner to cash flow hedges, with gains and losses on the effective portion of the hedges deferred in “Exchange reserve” in equity until the net investment is disposed of. The ineffective portion of the hedges is recognised in “Net trading income” immediately.

Notes to the consolidated financial statements continued

2. **Material accounting policies** (continued)

(k) Impairment

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

- the Group's criteria for assessing if there has been a significant increase in credit risk;
- development of ECL 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 client-facing employees and on external market information.

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

An expected credit loss 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

Expected credit losses 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"). For less material Retail 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 amongst 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. Both in respect of determining the PD, 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. As a practical expedient, the Group may also measure credit impairment on the basis of an instrument's fair value using an observable market price.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(k) Impairment (continued)

Measurement (continued)

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

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance).

Cash shortfalls are discounted using the effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired ("POCI") instruments) 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]
Debt instruments at FVOCI	Other comprehensive income (FVOCI Reserve)[2]
Loan commitments and financial guarantees	Other liabilities[3]

1 POCI assets do not attract an ECL provision on initial recognition. An ECL provision will be recognised only if there is an increase in expected credit losses from that considered at initial recognition.

2 Debt securities classified as FVOCI are held at fair value. The ECL attributed to these instruments is held as a separate reserve within 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 ECL on loan commitments and financial guarantees are 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 ECL on these components, ECL amounts on the loan commitment are recognised together with ECL amounts on the financial asset. To the extent the combined ECL exceeds the gross carrying amount of the financial asset, the ECL is recognised as a liability provision.

Recognition

i) 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 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.

ii) Significant increase in credit risk (stage 2)

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

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in ECL. 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 ECL, significant increase in credit risk is primarily based on 30 days past due.

Notes to the consolidated financial statements continued

2. **Material accounting policies** (continued)

*(k) **Impairment** (continued)*

Recognition (continued)

ii) Significant increase in credit risk (stage 2) (continued)

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

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

A non-purely precautionary early alert account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such an 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 amongst other factors.

iii) Credit impaired (or defaulted) exposures (stage 3)

Financial assets are 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. Financial assets that are credit impaired (or in default) included those that are past due for more than 90 days in respect of principal and/or interest. 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 concessions that lenders would not otherwise consider, which include forbearance actions;
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligations;
- 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.

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawn down are also included within the stage 3 credit impairment provision to the extent that the commitment cannot be withdrawn.

Loss provisions against credit impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(k) Impairment *(continued)*

Recognition (continued)

Expert credit judgement

Instruments graded Credit Grade 13 or Credit Grade 14 are regarded as Non-Performing Loans, i.e. stage 3 or credit impaired exposures.

For individually significant financial assets within stage 3, Stressed Assets Group ("SAG") and Stressed Asset Risk ("SAR") will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geo-political climate of the customer, quality of realisable value of collateral, the Group's legal position relative to other claimants and any renegotiation/forbearance/modification options. The difference between the loan carrying amount and the discounted expected future cash flows will result in the stage 3 credit impairment amount. 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 portfolio or small business loans, which comprise a large number of homogeneous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Retail banking clients are considered credit-impaired when they are more than 90 days past due. Retail products are also considered credit-impaired if the borrower files for bankruptcy or other forbearance programmes, the borrower is deceased or the business is closed in the case of a small business 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 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.

As part of normal model monitoring and validation operational processes, where a model's performance breaches the monitoring thresholds or validation standards, an assessment is completed to determine whether an ECL Post Model Adjustment ("PMA") is required to correct for the identified model issue. PMAs will be removed when the models are updated to correct for the identified model issue or the estimates return to being within the monitoring thresholds.

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.

Notes to the consolidated financial statements continued

2. **Material accounting policies** (continued)

(k) 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 be en derecognised, the resulting modification loss is recognised within impairment in the consolidated income statement with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group would not otherwise consider, the instrument is considered to be credit-impaired and is considered forborne.

These assets are assessed 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. ECL 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.

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 ECL recognised within impairment.

Forborne loans

Forborne loans are those loans that have been modified in response to customers' 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 i n the market and/or where we have granted a concession compared to the original terms of the loans are considered credit impaired i f there is a detrimental impact on cash flows. The modification loss is recognised in the consolidated income statement within impairment and the gross carrying value of the loan reduced by the same amount.

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 and 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 loan impairment in the consolidated income statement. If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the impairment allowance. The amount of the reversal is recognised in the consolidated income statement.

Improvement in credit risk/curing

A period may elapse from the point at which instruments enter lifetime expected credit losses (stage 2 or stage 3) and are reclassified back to 12-month expected credit losses (stage 1). For financial assets that are credit-impaired (stage 3), a transfer to stage 2 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.

Financial assets within stage 2 or stage 3 can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(k) Impairment *(continued)*

Write-offs of credit impaired instruments and reversal of impairment (continued)

Where a significant decrease in credit risk is determined using quantitative measures, the instrument will be automatically transferred back to stage 1 when the original PD-based transfer criteria are no longer met. Where instruments are 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 those actions to be resolved before loans are reclassified to stage 1.

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

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

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

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.

(l) Offsetting financial transactions

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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.

(m) Fiduciary activities

The Group commonly acts as trustee and 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.

(n) Cash and cash equivalents

Cash and cash equivalents include:

- Cash on hand and balances at central banks' that are on demand or placements which are contractually due to mature overnight only, except for restricted balances; and
- Other balances that 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 (only non-demand or non-overnight placements at central banks), which are held for appropriate business purposes. On demand accounts with non-central banks are reported as part of 'loans and advances to banks'.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(o) Revenue recognition

(i) Net interest income and other gains or losses arising from financial instruments

Interest income for financial assets held at either FVOCI or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in the consolidated income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating the effective interest rate for financial instruments other than credit impaired assets, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider expected credit losses.

The calculation of effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability and all other premiums or discounts.

Interest income for financial assets that are either held at FVOCI or amortised cost that have become credit impaired subsequent to initial recognition (stage 3) is recognised using the original effective interest rate applied to the net carrying value. 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 gross carrying value of the financial asset.

Interest income and expense on financial instruments held at fair value through profit or loss is recognised within net trading income.

Gains and losses arising from changes in the fair value of financial assets and liabilities held at fair value through profit or loss, as well as any interest receivable or payable, are included in the consolidated income statement in the period in which they arise.

Gains and losses arising from changes in the fair value of financial assets held at fair value through other comprehensive income other than foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement, except for the investments in equity irrevocably designated at fair value through other comprehensive income.

Dividends on equity instruments are recognised in the consolidated income statement within other operating income when the Group's right to receive payment is established. Foreign exchange gains and losses on monetary items are recognised in net trading income.

(ii) Fees and commissions

Fees and commissions charged for services provided by the Group are recognised as and when the service is completed or significant act performed. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis.

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:

Notes to the consolidated financial statements continued

2. **Material accounting policies** (continued)

(o) Revenue recognition *(continued)*

(ii) Fees and commissions *(continued)*

Transaction Banking

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

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

Financial Markets

The Group recognises fee income at the point in time the service is provided. Fee income is recognised for a significant non-lending service when the transaction has been completed and the terms of the contract with the customer entitle the Group to the fee. 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.

Notes to the consolidated financial statements continued

2. **Material accounting policies** (continued)

(p) Income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities for which a legal right of set off exists.

(q) Provisions

The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(r) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) Retirement benefit obligations

The Group operates a number of defined contribution and defined benefit plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid.

For funded defined benefit plans, the net liability recognised in the consolidated statement of financial position represents the present value of the defined benefit obligations at the reporting date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation.

The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on government bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the consolidated statement of other comprehensive income in the period they arise. Net interest expense, the cost of accrual of new benefits, and administrative expenses met directly from plan assets are recognised in the income statement in the period in which they were incurred.

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 then 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 payment.

(iii) Share-based compensation

The Group's immediate holding company, Standard Chartered PLC ("SC PLC"), operates equity-settled share-based compensation plans in which the Group's employees participate. The fair value of the employee services received in exchange for the grant of the options 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 all other awards the expense is recognised over the period from the start of 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 options granted, excluding 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 about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated 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 a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the consolidated income statement at the time of cancellation.

Notes to the consolidated financial statements continued

2. **Material accounting policies** (continued)

(s) Translation of foreign currencies

Items included in each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

Foreign currency transactions are translated into Hong Kong dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated income statement.

Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the consolidated income statement or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

The results and financial position of all foreign operations that have a functional currency different from the Group's presentation currency are accounted for as follows:

– assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the reporting date.

– income and expenses for each consolidated income statement are translated at average exchange rates or at rates on the date of the transaction where exchange rates fluctuate significantly; and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, the exchange differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

(t) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, directors, significant shareholders and/or their close family members) or other entities and include (i) associates and joint ventures of SC PLC and its subsidiaries ("SC PLC Group"), (ii) entities which are under the significant influence of related parties of the Group where those parties are individuals, (iii) post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group, and (iv) entities or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Notes to the consolidated financial statements continued

2. Material accounting policies (continued)

(v) Sale and repurchase agreements

Securities sold subject to repurchase agreements ("repos") remain on the consolidated statement of financial position; the counterparty liability is included in "Deposits by banks", "Customer accounts" or "Amounts due to immediate holding company/fellow subsidiaries", as appropriate. Securities purchased under agreements to re-sell ("reverse repos") are not recognised on the consolidated statement of financial position and the consideration paid is recorded in "Loans and advances to customers", "Loans and advances to banks" or "Amounts due from fellow subsidiaries" as appropriate. The difference between the sale and repurchase price is treated as interest and recognised over the life of the agreement.

Securities borrowed are not recognised in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

(w) Assets held for sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when:

- their carrying amounts will be recovered principally through sale;
- they are available for sale in their present condition; and
- their sale is highly probable within 12 months from the date of classification.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting policies described above.

(x) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Contractual arrangements determine the rights and therefore relevant activities of the structured entity. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their activities. Structured entities are consolidated when the substance of the relationship between the Group and that of the structured entity indicates the Group has power over the contractual relevant activities of the structured entity, are exposed to variable returns, and can use that power to affect the variable return exposure. In determining whether to consolidate a structured entity, the Group takes into account their ability to direct the relevant activities of the structured entity. Control over relevant activities is 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 subordinated 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.

(y) Other equity instruments

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

Securities, including Additional Tier 1 Capital 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 declared.

(z) Dividends

Dividends on equity instruments are recognised as a liability once they have been declared and no longer at the discretion of the directors, and in certain situations, approved by shareholders.

Notes to the consolidated financial statements continued

3. Changes in accounting policies

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements.

Other amendments and interpretations applied for the first time in 2024 do not have an impact on the Group's consolidated financial statements.

4. Operating profit

The operating profit for the year is stated after taking into account the following:

(a) *Interest income*

	2024 HK$'M	2023 HK$'M
Interest income arising from financial assets:		
– amortised cost	68,425	70,362
– measured at fair value through other comprehensive income	6,871	7,007
	75,296	77,369

(b) *Interest expense*

	2024 HK$'M	2023 HK$'M
Interest expense arising from financial liabilities measured at amortised cost	54,546	47,394
Interest expense on lease liabilities	185	137
	54,731	47,531

(c) *Net fee and commission income*

	2024 HK$'M	2023 HK$'M
Fee and commission income	13,388	11,170
Of which		
– Financial instruments that are not fair valued through profit or loss	2,484	2,235
– Trust and other fiduciary activities	1,664	1,312
Fee and commission expense	(4,580)	(3,562)
Of which		
– Financial instruments that are not fair valued through profit or loss	(1,471)	(1,093)
– Trust and other fiduciary activities	(340)	(393)
Net fee and commission income	8,808	7,608

	2024 HK$'M	2023 HK$'M
Transaction Services	1,951	1,911
Banking	685	627
Markets	(272)	115
Wealth Solutions	5,814	4,262
Retail Products	759	784
Others	(129)	(91)
Net fee and commission income	8,808	7,608

Notes to the consolidated financial statements continued

4. Operating profit (continued)

(d) Net trading income

	2024 HK$'M	2023 HK$'M
Net gains on financial instruments held for trading	25,216	14,101
Net gains on financial assets mandatorily at fair value through profit or loss other than held for trading	6,553	2,713
Net losses on financial instruments designated at fair value through profit or loss	(347)	(397)
	31,422	16,417

(e) Other operating income

	2024 HK$'M	2023 HK$'M
Rental income from operating lease assets	310	2,724
Dividend income from financial assets at fair value through other comprehensive income	23	40
Net losses on disposal of debt securities at fair value through other comprehensive income	(504)	(175)
Net gains on disposal and write-off of property, plant and equipment	166	149
Net losses on disposal of financial instruments measured at amortised cost	(128)	(124)
Net gains on revaluation of investment properties (note 19)	122	35
Net gains on disposal of aircraft leasing business	–	462
Others	221	361
	210	3,472

(f) Operating expenses

	2024 HK$'M	2023 HK$'M
Staff costs		
– wages and salaries	11,476	11,673
– contributions to defined contribution plans	718	714
– expenses in respect of the defined benefits plan (note 27(b))	191	185
– net share-based payment expenses	517	234
– other staff costs	2,218	2,069
Depreciation (note 19)	1,786	1,842
Premises and equipment expense, excluding depreciation	1,150	1,408
Amortisation of intangible assets (note 20)	1,895	1,352
Auditor's remuneration	52	53
Others	15,981	13,379
	35,984	32,909

Notes to the consolidated financial statements continued

5. Impairment charges

(a) Credit impairment

	2024 HK$'M	2023 HK$'M
Net expected credit loss charges/(releases) on:		
– loans and advances to banks	11	(67)
– loans and advances to customers	4,021	4,380
– debt securities at amortised cost	–	2
– debt securities at fair value through other comprehensive income	1	(6)
– loan commitments and financial guarantees	1	118
	4,034	4,427

(b) Other impairment

	2024 HK$'M	2023 HK$'M
Charges for an interest in an associate (note 18)	–	6,654
Charges for asset held for sale	–	54
Charges for property, plant and equipment (note 19)	71	107
Charges for capitalised software and other intangible assets (note 20)	1,023	187
Charges/(releases) for other assets	39	(20)
	1,133	6,982

6. Taxation in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2024 HK$'M	2023 HK$'M
Current tax		
Hong Kong profits tax	2,139	1,524
Overseas taxation	1,055	2,327
Over-provision in respect of prior years	(17)	(133)
	3,177	3,718
Deferred tax (note 25)		
Origination of temporary differences	480	(669)
Under-provision in respect of prior years	156	99
	636	(570)
	3,813	3,148

The provision for Hong Kong profits tax for 2024 is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Notes to the consolidated financial statements continued

6. Taxation in the consolidated income statement (continued)

(b) Reconciliation between taxation and accounting profit at applicable tax rates:

	2024 HK$'M	2023 HK$'M
Profit before taxation	**20,374**	13,906
Notional tax on profit before taxation, calculated at Hong Kong profits tax rate of 16.5%	**3,362**	2,294
Tax effect of non-deductible expenses	**626**	526
Tax effect of non-taxable revenue	**(742)**	(352)
Under/(over)-provision in prior years	**139**	(34)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**447**	714
Others	**(19)**	–
Taxation	**3,813**	3,148

7. Directors' remuneration

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

	2024 HK$'M	2023 HK$'M
Fees	**5**	5
Short-term employment benefits	**58**	65
Post-employment benefits	**2**	2
Equity compensation benefits	**41**	36
	106	108

8. Segmental reporting

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

Client segments

The Group has three reportable business segments: Corporate & Investment Banking ("CIB"); Wealth & Retail Banking ("WRB") and Ventures:

(i) CIB supports clients with their transaction banking, financial markets, corporate finance and borrowing needs. The Group provides solutions in some of the world's fastest-growing economies and most active trade corridors. Our clients include governments, banks, investors and local and large corporations.

(ii) WRB serves individuals and small businesses, with a focus on affluent segment. The Group provides digital banking services with a human touch to our clients, with services spanning across deposits, payments, financing products and Wealth Management. Private Banking offers a full range of investment, credit and wealth planning products to grow, and protect, the wealth of high net-worth individuals. The Group also supports clients with their business banking needs.

(iii) Ventures mainly includes Mox Bank Limited, a cloud-native, mobile only digital bank, which was launched in September 2020.

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

Geographical segments

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

Notes to the consolidated financial statements continued

8. Segmental reporting (continued)

(a) Segment results, assets and liabilities

Segmental information is prepared on an underlying basis and excludes items such as infrequent and/or exceptional transactions in the context of the Group's normal business earnings and items which management and investors would ordinarily when assessing consistent performance period by period.

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

Client segments

	2024				
	Corporate & Investment Banking HK$'M	**Wealth & Retail Banking HK$'M**	**Ventures HK$'M**	**Central & Other Items HK$'M**	**Consolidated Total HK$'M**
Operating income					
– External	**33,814**	**11,254**	**545**	**14,853**	**60,466**
– Inter-segment	**(5,346)**	**22,052**	**–**	**(16,706)**	**–**
	28,468	**33,306**	**545**	**(1,853)**	**60,466**
Operating expenses	**(12,470)**	**(18,442)**	**(763)**	**(382)**	**(32,057)**
Operating profit/(loss) before impairment	**15,998**	**14,864**	**(218)**	**(2,235)**	**28,409**
Impairment charges	**(1,496)**	**(3,094)**	**(379)**	**(213)**	**(5,182)**
Share of profit of an associate	**–**	**–**	**–**	**520**	**520**
Profit/(loss) before taxation	**14,502**	**11,770**	**(597)**	**(1,928)**	**23,747**
At 31 December 2024					
Segment assets	**1,314,150**	**570,666**	**18,793**	**538,319**	**2,441,928**
Of which: loans and advances to customers	**515,715**	**560,979**	**6,328**	**14,215**	**1,097,237**
Segment liabilities	**993,664**	**1,099,161**	**18,289**	**102,839**	**2,213,953**
Of which: customer accounts	**715,958**	**1,079,303**	**17,356**	**17,276**	**1,829,893**

	2023				
	Corporate & Investment Banking HK$'M	Wealth & Retail Banking HK$'M	Ventures HK$'M	Central & Other Items HK$'M	Consolidated Total HK$'M
Operating income					
– External	21,271	15,111	476	17,497	54,355
– Inter-segment	5,709	14,659	–	(20,368)	–
	26,980	29,770	476	(2,871)	54,355
Operating expenses	(11,896)	(17,248)	(762)	(473)	(30,379)
Operating profit/(loss) before impairment	15,084	12,522	(286)	(3,344)	23,976
Impairment charges	(2,087)	(1,783)	(589)	(153)	(4,612)
Share of profit of an associate	–	–	–	889	889
Profit/(loss) before taxation	12,997	10,739	(875)	(2,608)	20,253
At 31 December 2023					
Segment assets	1,015,045	621,732	12,647	766,414	2,415,838
Of which: loans and advances to customers	486,922	612,572	6,283	47,441	1,153,218
Segment liabilities	1,105,284	1,009,593	12,189	123,774	2,250,840
Of which: customer accounts	880,399	984,769	11,057	14,950	1,891,175

Notes to the consolidated financial statements continued

8. Segmental reporting (continued)

(a) Segment results, assets and liabilities (continued)

Geographical segments

	2024				
	Hong Kong HK$'M	Mainland China HK$'M	Taiwan HK$'M	Korea HK$'M	Consolidated Total HK$'M
Operating income	37,162	10,308	4,454	8,542	60,466
Operating expenses	(16,189)	(7,041)	(2,682)	(6,145)	(32,057)
Operating profit before impairment	20,973	3,267	1,772	2,397	28,409
Impairment charges	(2,963)	(1,405)	(387)	(427)	(5,182)
Share of profit of an associate	–	520	–	–	520
Profit before taxation	18,010	2,382	1,385	1,970	23,747
At 31 December 2024					
Segment assets	1,574,322	332,421	163,517	371,668	2,441,928
Of which: loans and advances to customers	681,871	122,779	84,887	207,700	1,097,237
Segment liabilities	1,502,097	259,095	146,332	306,429	2,213,953
Of which: customer accounts	1,256,911	216,279	133,826	222,877	1,829,893

	2023				
	Hong Kong HK$'M	Mainland China HK$'M	Taiwan HK$'M	Korea HK$'M	Consolidated Total HK$'M
Operating income	32,600	9,074	4,270	8,411	54,355
Operating expenses	(15,072)	(7,002)	(2,578)	(5,727)	(30,379)
Operating profit before impairment	17,528	2,072	1,692	2,684	23,976
Impairment charges	(3,045)	(926)	(277)	(364)	(4,612)
Share of profit of an associate	–	889	–	–	889
Profit before taxation	14,483	2,035	1,415	2,320	20,253
At 31 December 2023					
Segment assets	1,486,650	325,258	161,737	442,193	2,415,838
Of which: loans and advances to customers	683,783	123,995	84,337	261,103	1,153,218
Segment liabilities	1,428,897	298,643	158,962	364,338	2,250,840
Of which: customer accounts	1,213,013	243,674	145,371	289,117	1,891,175

Notes to the consolidated financial statements continued

8. **Segmental reporting** (continued)

(b) Reconciliation of reportable segment operating income, profit before taxation, assets and liabilities

	2024 HK$'M	2023 HK$'M
Operating Income		
Reportable segment revenue	60,466	54,355
Income mainly relating to Markets and Transaction Services products	(4,344)	(2,342)
Cost of free funds	4,368	4,282
Others	515	1,040
Total Operating Income	61,005	57,335

	2024 HK$'M	2023 HK$'M
Profit before taxation		
Reportable segment profit before taxation	23,747	20,253
Income mainly relating to Markets and Transaction Services products	(4,344)	(2,342)
Cost of free funds	4,368	4,282
Restructuring	(1,749)	(5,827)
Others	(1,648)	(2,460)
Profit before taxation	20,374	13,906

	2024 HK$'M	2023 HK$'M
Assets		
Reportable segment assets	2,441,928	2,415,838
Assets of group companies not included in consolidated total assets	1,509	(610)
Amounts due from fellow subsidiaries	322,491	251,794
Others	(196,896)	(132,327)
Total Assets	2,569,032	2,534,695

	2024 HK$'M	2023 HK$'M
Liabilities		
Reportable segment liabilities	2,213,953	2,250,840
Liabilities of group companies not included in consolidated total liabilities	813	(183)
Amount due to immediate holding company and fellow subsidiaries	287,093	148,020
Others	(125,682)	(50,620)
Total Liabilities	2,376,177	2,348,057

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

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

Notes to the consolidated financial statements continued

9. Cash and balances at central banks

	2024 HK$'M	2023 HK$'M
Cash in hand	3,126	3,576
Balances with central banks	48,825	40,263
	51,951	43,839

10. Loans and advances to banks

(a) Loans and advances to banks

	2024 HK$'M	2023 HK$'M
Gross loans and advances to banks		
– maturing one month	45,886	65,127
– maturing one month to one year	104,059	105,021
– maturing one year to five years	10,299	1,943
– maturing over five years	173	–
	160,417	172,091
Less: Expected credit loss provision (note 15)	(57)	(46)
	160,360	172,045

(b) Impaired loans and advances to banks

	2024 HK$'M	2023 HK$'M
Gross impaired loans and advances to banks	24	24
Less:		
Stage 3 expected credit loss provision (note 15)	(24)	–
	–	24

Gross impaired loans and advances to banks as a % of gross loans and advances to banks	0.01%	0.01%

There is no collateral held against impaired loans and advances to banks.

11. Hong Kong SAR Government certificates of indebtedness and currency notes in circulation

The Hong Kong Special Administrative Region currency notes in circulation are secured by the deposit of funds in respect of which the Government of Hong Kong Special Administrative Region certificates of indebtedness are held.

Notes to the consolidated financial statements continued

12. Financial assets at fair value through profit or loss

	2024			
	Trading assets HK$'M	Non-trading financial assets mandatorily at fair value through profit or loss HK$'M	Financial assets designated at fair value through profit or loss HK$'M	Total HK$'M
Debt securities:				
– Treasury bills	**42,723**	**–**	**–**	**42,723**
– Certificates of deposit held	**101,937**	**–**	**–**	**101,937**
– Other debt securities	**212,795**	**230**	**544**	**213,569**
	357,455	**230**	**544**	**358,229**
Equity securities	**31,412**	**208**	**–**	**31,620**
Loans and advances to customers and banks	**25,897**	**159,430**	**–**	**185,327**
Positive fair values of derivatives	**98,438**	**–**	**–**	**98,438**
	513,202	**159,868**	**544**	**673,614**

	2023			
	Trading assets HK$'M	Non-trading financial assets mandatorily at fair value through profit or loss HK$'M	Financial assets designated at fair value through profit or loss HK$'M	Total HK$'M
Debt securities:				
– Treasury bills	39,572	–	–	39,572
– Certificates of deposit held	59,058	–	–	59,058
– Other debt securities	145,910	471	611	146,992
	244,540	471	611	245,622
Equity securities	10,924	262	–	11,186
Loans and advances to customers and banks	104,536	33,826	–	138,362
Positive fair values of derivatives	47,343	–	–	47,343
	407,343	34,559	611	442,513

Notes to the consolidated financial statements continued

13. Investment securities

	2024 HK$'M	2023 HK$'M
At fair value through other comprehensive income		
Debt securities		
– Treasury bills	43,803	94,577
– Certificates of deposit held	15,243	27,534
– Other debt securities	162,938	199,665
	221,984	321,776
Equity shares	1,614	1,772
	223,598	323,548
At amortised cost		
Debt securities		
– Treasury bills	560	–
– Certificates of deposit held	3,529	2,177
– Other debt securities	133,911	131,198
Less: Expected credit loss provision (note 15)	(10)	(10)
	137,990	133,365
	361,588	456,913

14. Loans and advances to customers

(a) Loans and advances to customers

	2024 HK$'M	2023 HK$'M
Gross loans and advances to customers	966,327	1,031,586
Trade bills	2,391	3,594
	968,718	1,035,180
Less: Expected credit loss provision (note 15)	(15,466)	(13,757)
	953,252	1,021,423

(b) Impaired loans and advances to customers

	2024 HK$'M	2023 HK$'M
Gross impaired loans and advances to customers	16,346	16,016
Less:		
Stage 3 expected credit loss provision (note 15)	(11,620)	(10,165)
	4,726	5,851
Gross impaired loans and advances to customers as a % of gross loans and advances to customers	1.69%	1.55%
Fair value of collateral held against the covered portion of impaired loans and advances to customers	5,528	8,094
Covered portion of impaired loans and advances to customers	2,530	3,362
Uncovered portion of impaired loans and advances to customers	13,816	12,654

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

Notes to the consolidated financial statements continued

15. Analysis of expected credit loss provisions on financial instruments by stage

	2024			
	Stage 1 HK$'M	Stage 2 HK$'M	Stage 3 HK$'M	Total HK$'M
Expected credit loss provision on:				
– Loans and advances to banks (note 10)	33	–	24	57
– Loans and advances to customers (note 14)	1,848	1,998	11,620	15,466
– Debt securities at amortised cost (note 13)	10	–	–	10
– Debt securities at fair value through other comprehensive income[1]	20	–	–	20
– Loan commitments and financial guarantees (note 26)	221	147	3	371
	2,132	2,145	11,647	15,924

	2023			
	Stage 1 HK$'M	Stage 2 HK$'M	Stage 3 HK$'M	Total HK$'M
Expected credit loss provision on:				
– Loans and advances to banks (note 10)	38	8	–	46
– Loans and advances to customers (note 14)	1,818	1,774	10,165	13,757
– Debt securities at amortised cost (note 13)	10	–	–	10
– Debt securities at fair value through other comprehensive income[1]	19	–	–	19
– Loan commitments and financial guarantees (note 26)	272	95	3	370
	2,157	1,877	10,168	14,202

1 These instruments are held at fair value on the balance sheet. The corresponding expected credit loss provision is held within FVOCI reserve – Debt.

16. Amounts due from/to fellow subsidiaries and immediate holding company

During the year, the Bank entered into transactions with related parties in the ordinary course of its banking business including lending, acceptance and placement of inter-bank deposits, correspondent banking transactions, banking operation/outsourcing activities and off-balance sheet transactions.

The amounts of transactions with fellow subsidiaries during the year are set out below:

	2024 HK$'M	2023 HK$'M
Operating income	6,504	6,958
Operating expenses	5,745	5,769

Notes to the consolidated financial statements continued

16. Amounts due from/to fellow subsidiaries and immediate holding company (continued)

The amounts due from/to fellow subsidiaries and amounts due from/to immediate holding company stated on the consolidated statement of financial position included the following:

	2024 HK$'M	2023 HK$'M
Amounts due from fellow subsidiaries:		
Loans and advances to banks	**115,530**	155,225
Financial assets at fair value through profit or loss		
– Positive fair values of derivatives	**85,022**	52,813
– Investment securities	**7,592**	184
Other assets	**5,978**	3,429
	214,122	211,651

	2024 HK$'M	2023 HK$'M
Amounts due from immediate holding company:		
Financial assets at fair value through profit or loss		
– Positive fair values of derivatives	**179**	–
– Investment securities	**29**	9
	208	9

	2024 HK$'M	2023 HK$'M
Amounts due to fellow subsidiaries:		
Deposits by banks	**20,090**	32,887
Financial liabilities at fair value through profit or loss		
– Negative fair values of derivatives	**98,533**	55,335
Subordinated liabilities issued by subsidiaries of the Bank[1]:		
– US$200 million 4.5% fixed rate subordinated debt 2024	**–**	1,564
– KRW600 billion 2.65% fixed rate subordinated debt 2029	**3,055**	3,437
Other liabilities	**13,275**	13,068
	134,953	106,291

	2024 HK$'M	2023 HK$'M
Amounts due to immediate holding company:		
Subordinated liabilities issued by the Bank[1]:		
Tier 2 capital instruments:		
– US$450 million floating rate Tier 2 notes 2029	**–**	3,514
– US$250 million floating rate Tier 2 notes 2031	**1,941**	1,952
– EUR1,000 million 1.20% fixed rate Tier 2 notes 2031	**7,738**	7,998
Non-capital Loss-Absorbing Capacity ("LAC") debt instruments:		
– US$1,500 million 1.46% fixed rate notes 2027	**11,499**	11,436
– US$1,250 million 2.61% fixed rate notes 2028	**9,186**	9,082
– EUR1,000 million 4.20% fixed rate notes 2032	**8,279**	–
Subordinated liabilities issued by the subsidiaries of the Bank[1]:		
Tier 2 capital instruments:		
– CNY 4,000 million 4.75% fixed rate Tier 2 notes 2030	**4,326**	4,409
Other liabilities		
– Negative fair values of derivatives	**–**	97
– Others	**759**	361
	43,728	38,849

1 Interest expenses on these subordinated liabilities amounted to HK$1,502 million (2023: HK$1,370 million).

Notes to the consolidated financial statements continued

16. Amounts due from/to fellow subsidiaries and immediate holding company (continued)

The contractual amounts of contingent liabilities and commitments to fellow subsidiaries are set out below:

	2024 HK$'M	2023 HK$'M
Financial guarantees and other credit related contingent liabilities	2,310	3,126
Loan commitments and other credit related commitments	14,811	97,532

17. Investments in subsidiaries of the Bank and interests in structured entities

(a) Investments in subsidiaries

	2024 HK$'M	2023 HK$'M
Investment cost	53,775	53,129
Less: accumulated impairment provision	(959)	(920)
	52,816	52,209

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	*Place of incorporation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest held by the Bank*	*Principal activity*
Standard Chartered Bank (China) Limited	Mainland China	10,727,000,000 ordinary shares	100%	Banking and related financial services
Standard Chartered NEA Limited	United Kingdom	4,205,165,153 ordinary shares of US$1 each	100%	Investment holdings
Standard Chartered Bank Korea Limited	Republic of Korea	262,608,618 ordinary shares of KRW 5,000 each*	100%	Banking and related financial services
Standard Chartered Bank (Taiwan) Limited	Taiwan	2,910,571,976 ordinary shares of TWD10 each*	100%	Banking and related financial services
Mox Bank Limited	Hong Kong	527,850,000 ordinary shares of HK$10 each (2023: 473,110,000)	71.58% (2023: 68.29%)	Banking and related financial services

* held by Standard Chartered NEA Limited

Notes to the consolidated financial statements continued

17. Investments in subsidiaries of the Bank and interests in structured entities (continued)

(b) Interests in consolidated and unconsolidated structured entities

Consolidated structured entity

A structured entity is consolidated where the Group controls the structured entity. The following table presents the Group's interests in structured entities.

	2024 HK$'M	2023 HK$'M
Aircraft and ship leasing	–	570
Asset-backed securitisation	10,666	5,716

Unconsolidated structured entity

An unconsolidated structured entity is a structured entity that is not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions. An interest in a structured entity creates variability of the returns of the Group arising from the performance of the structured entities.

The main types of activities for which the Group utilises unconsolidated structured entities are as follows:

- Asset-backed securities: The Group 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 the trading desk, the Group may hold debt securities from structured entities.

- Lending: This represents lending in the normal course of business to third parties through structured entities.

- Structured finance: Structured finance comprises interests in transactions that the Group or, more usually, a customer has structured, using one or more structured entities, which provide beneficial arrangements for customers. The Group's exposure primarily represents the provision of funding to these structures as a financial intermediary, for which it receives a lender's return.

The table below presents the carrying amount of the assets recognised in the consolidated financial statements relating to variable interests held in unconsolidated structured entities and the maximum exposure to loss relating to those interests. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For off-balance sheet exposure, the maximum exposure to loss is the notional amount of potential future losses.

	2024			2023		
	Lending & structured finance HK$'M	Asset-backed securities HK$'M	Total HK$'M	Lending & structured finance HK$'M	Asset-backed securities HK$'M	Total HK$'M
Financial assets at fair value through profit or loss	459	4,742	5,201	1,375	7,150	8,525
Loans and advances to customers	89,493	–	89,493	92,683	–	92,683
Investment securities	–	47,657	47,657	–	36,991	36,991
Total assets	89,952	52,399	142,351	94,058	44,141	138,199
Off-balance sheet	21,401	–	21,401	27,009	–	27,009
Group's maximum exposure to loss	111,353	52,399	163,752	121,067	44,141	165,208

Notes to the consolidated financial statements continued

18. Interest in an associate

	2024 HK$'M	2023 HK$'M
Share of net assets	**17,140**	16,872
Less: accumulated impairment provision	**(11,404)**	(11,404)
	5,736	5,468

Name of associate	*Place of establishment and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest*	*Principal activity*
China Bohai Bank Company Limited ("Bohai")	The People's Republic of China	17,762 million ordinary shares of RMB1 each	16.26%	Provision of banking and related financial services[1]

1 Bohai is a strategic partner for the Group to develop its China business.

The Group's investment in Bohai is less than 20% but it is considered to be an associate because of the significant influence the Group is able to exercise over the management of Bohai and its financial and operating policies. This influence is evidenced largely through the representation on the Board of Directors in Bohai and the provision of technical expertise to Bohai. The Group applies the equity method of accounting for its investment in Bohai.

Bohai has a statutory year end of 31 December, but publishes its year-end financial statements after the Group. As it is impracticable for Bohai to prepare financial statements sooner, the Group recognises its share of Bohai's earnings on a three-month lag basis. Therefore, the Group recognised its share of Bohai's profits and movements in other comprehensive income for the 12 months ended 30 September 2024 in the Group's consolidated statement of income and consolidated statement of comprehensive income for the year ended 31 December 2024, respectively and considering any known changes in the subsequent period from 1 October 2024 to 31 December 2024 that would have materially affected the results.

If the Group did not have significant influence in Bohai, the investment would be carried at fair value rather than the current carrying value.

Impairment testing

On 31 December 2024, the listed equity value of Bohai is below the carrying amount of the Group's investment in associate. The Group assessed the carrying value of its investment in Bohai for impairment and concluded that no impairment was required for the year ended 31 December 2024 (2023: HK$6,654 million). The carrying value of the investment in Bohai of HK$5,736 million (2023: HK$5,468 million) represents the higher of the value in use and fair value less costs of disposal. The financial forecast used in the recoverable amount, a value in use ("VIU") calculation, reflects management's best estimate of Bohai's future earnings, in line with current economic conditions and latest Bohai's reported results.

	2024 HK$'M	2023 HK$'M
VIU	**5,736**	5,468
Carrying amount: pre-impairment of current year[1]	**5,736**	12,122
Fair value based on quoted share price	**2,571**	3,265

1 This represents the Group's 16.26% share of net assets less other equity instruments the Group does not hold

Basis of recoverable amount

The impairment test was performed by comparing the recoverable amount of Bohai, determined as the higher of VIU and fair value less costs to sell, with its carrying amount.

The VIU is calculated using a dividend discount model ("DDM"), which estimates the distributable future cashflows to the equity holders, after adjusting for regulatory capital requirements, for a 5-year period, after which a terminal value ("TV") is calculated based on the Price to Earnings ("P/E") exit multiple. The key assumptions in the VIU are as follows:

– Short to medium term projections are based on management's best estimates of future profits available to ordinary shareholders and have been determined with reference to the latest published financial results, the historical performance of Bohai and forward-looking macro-economic variables for Mainland China;

Notes to the consolidated financial statements continued

18. Interest in an associate (continued)

***Basis of recoverable amount** (continued)*

- The projections use available information and include normalised performance over the forecast period, inclusive of: (i) balance sheet growth assumptions based on the short to medium term GDP growth rates for Mainland China; (ii) Net Interest Income ("NII") projecting interest income (primarily the 1-year Loan Prime Rate ("1-year LPR") as basis) and interest expenses (Shanghai Interbank Offered Rate ("3m SHIBOR") as basis) with reference to forecast third party market interest rates plus/minus an observed historical spread to the benchmark rate; (iii) Non-interest income estimated according to the latest available performance of Bohai, with consideration of the contribution of the constituent parts of the non-interest income; (iv) ECL assumptions using Bohai's historical reported ECL, based on the proportion of ECL from loans and advances to customers and financial investments measured at amortised cost and FVOCI; and (v) Statutory tax rate of 25% was applied to the taxable profit of Bohai, after consideration of taxable and non-taxable elements, consistent with historical reported results;

- The distributable reserves under the DDM are calculated as the difference between the capital resources and the capital requirements in each of the forecast periods. The calculation assumes a target CET 1 capital ratio and risk weighted asset ("RWA") growth consistent with total assets;

- The discount rate applied to these cash flows was estimated with reference to a capital asset pricing model (CAPM), which includes a long-term risk-free rate, beta, and company risk premium assumptions for Bohai; and

- A long-term average P/E multiple of comparable companies is used to derive a TV after the 5-year forecast period.

The key assumptions used in the VIU calculation are:

	2024	2023
Pre-tax discount rate	**15.31%**	13.68%
Total balance-sheet (and risk-weight assets) growth rate	**3.77% – 4.52%**	4.00%
P/E multiple	**5.6x**	N/A
Interest income	**3.00% – 3.56%**	N/A
Interest expense	**1.77% – 2.01%**	N/A
Net fee income growth rate	**3.77% – 4.52%**	4.00%
Expected credit losses as a percentage of customer loans	**0.84% – 1.36%**	0.80% – 1.24%
Expected credit losses as a percentage of financial investments measured at amortised cost and FVOCI	**0.48% – 1.26%**	0.35% – 0.67%
Tax expense	**5.4% – 14.1%**	12.0% – 16.0%
Capital maintenance ratio	**8.00%**	8.00%

The VIU model was refined during 2024 to include more granular forecasting assumptions for each period. While it is impracticable for the Group to estimate the impact on future periods, the key changes to the 2024 model are summarised as follows:

- Separately forecast interest income and interest expenses, by applying an estimated yield and cost to forecast interest-earning assets and interest-bearing liabilities of each forecast period. In the previous model, net interest income was estimated by applying a net interest margin (NIM) percentage to the interest earning assets of each period;

- Non-interest income was calculated by applying the historical average return on the respective components of the non-interest income, growing at the relevant GDP rate for Mainland China, over the forecasted period. In the previous model, the non-interest income was projected based on the latest actual results reported by Bohai, growing according to the long-term GDP rate;

- A statutory tax rate of 25% was applied to the taxable profit of Bohai, after consideration of taxable and non-taxable elements, consistent with the 5-year average of historical reported results. In the previous model, the calculation of the tax expenses was based on the reported effective tax rate as per published financial statements of Bohai; and

- A P/E multiple was used to calculate the TV. The Gordon Growth model was used in the previous period. The Group will continue to evaluate the TV under both methods.

Notes to the consolidated financial statements continued

18. Interest in an associate (continued)

Basis of recoverable amount (continued)

The table below discloses sensitivities to the key assumptions used in the VIU calculation, according to management's judgement of reasonably possible changes. Changes were applied to every cash flow year on an individual basis. The percentage change to the assumptions reflects the level at which management assess the reasonableness of the assumptions used and their impact on the VIU.

Sensitivities	basis points	Key assumption increase Increase/(decrease) in VIU HK$'M	Key assumption decrease Increase/(decrease) in VIU HK$'M
Discount rate	100	(241)	256
Total balance-sheet (and risk-weight assets) growth rate	100	(202)	186
P/E multiple	1.0x	932	(932)
Net interest income	10	(116)	116
Net fee income	100	334	(326)
Expected credit losses as a percentage of customer loans	10	(1,141)	1,126
Expected credit losses as a percentage of financial investments measured at amortised cost and FVOCI	10	(606)	598
Tax expense	300	179	(179)
Capital maintenance ratio	50	(1,103)	1,103

Summary of financial information of the associate

The following table sets out the summarised financial statements of Bohai prior to the Group's share of the associate being applied:

	30 September 2024 HK$'M	30 September 2023 HK$'M
Assets	1,898,596	1,922,249
Liabilities and other equity instrument not held by the Group	(1,792,063)	(1,818,472)
Net assets	106,533	103,777
Operating income[1]	27,959	28,415
Profit after taxation[1]	5,316	6,328
Other comprehensive income[1]	537	(295)

1 This represents twelve months of earnings (1 October to 30 September)

Notes to the consolidated financial statements continued

19. Property, plant and equipment

2024	Buildings and leasehold land held for own use HK$'M	Equipment furniture & fixtures HK$'M	Operating lease assets as lessor HK$'M	Leased premises and equipment assets[1] HK$'M	Investment properties HK$'M	Total HK$'M
Cost or valuation:						
At 1 January 2024	7,671	3,707	–	7,639	810	19,827
Additions	137	685	–	1,761	–	2,583
Disposals and write-offs	(274)	(155)	–	(135)	–	(564)
Reclassifications	(82)	58	–	–	24	–
Transfers to assets held for sale	(6)	–	–	–	–	(6)
Elimination of accumulated depreciation on revalued property	(21)	–	–	–	–	(21)
Fair value adjustments[2]	–	–	–	–	249	249
Exchange adjustment	(538)	(225)	–	(199)	–	(962)
At 31 December 2024	6,887	4,070	–	9,066	1,083	21,106
Representing						
Cost	6,887	4,070	–	9,066	–	20,023
Valuation	–	–	–	–	1,083	1,083
	6,887	4,070	–	9,066	1,083	21,106
Accumulated depreciation and impairment:						
At 1 January 2024	2,878	2,599	–	4,295	–	9,772
Charge for the year (note 4(f))	271	387	–	1,128	–	1,786
Impairments (note 5(b))	12	2	–	57	–	71
Attributable to assets sold or written off	(131)	(151)	–	(131)	–	(413)
Elimination of accumulated depreciation on revalued property	(21)	–	–	–	–	(21)
Exchange adjustment	(169)	(193)	–	(173)	–	(535)
At 31 December 2024	2,840	2,644	–	5,176	–	10,660
Net Book Value						
At 31 December 2024	4,047	1,426	–	3,890	1,083	10,446

Notes to the consolidated financial statements continued

19. Property, plant and equipment (continued)

2023	Buildings and leasehold land held for own use HK$'M	Equipment furniture & fixtures HK$'M	Operating lease assets as lessor HK$'M	Leased premises and equipment assets[1] HK$'M	Investment properties HK$'M	Total HK$'M
Cost or valuation:						
At 1 January 2023	7,918	3,559	32,041	6,963	685	51,166
Additions	151	302	–	1,292	–	1,745
Disposals and write-offs	(145)	(237)	(32,151)	(589)	–	(33,122)
Reclassifications	(140)	126	–	–	14	–
Transfers to assets held for sale	(30)	–	–	–	–	(30)
Elimination of accumulated depreciation on revalued property	(12)	–	–	–	–	(12)
Fair value adjustments[2]	–	–	–	–	111	111
Exchange adjustment	(71)	(43)	110	(27)	–	(31)
At 31 December 2023	7,671	3,707	–	7,639	810	19,827
Representing						
Cost	7,671	3,707	–	7,639	–	19,017
Valuation	–	–	–	–	810	810
	7,671	3,707	–	7,639	810	19,827
Accumulated depreciation and impairment:						
At 1 January 2023	2,712	2,558	8,095	3,458	–	16,823
Charge for the year (note 4(f))	263	305	178	1,096	–	1,842
Impairments (note 5(b))	18	2	–	87	–	107
Attributable to assets sold or written off	(54)	(237)	(8,301)	(335)	–	(8,927)
Attributable to transfers to assets held for sale	(20)	–	–	–	–	(20)
Elimination of accumulated depreciation on revalued property	(12)	–	–	–	–	(12)
Exchange adjustment	(29)	(29)	28	(11)	–	(41)
At 31 December 2023	2,878	2,599	–	4,295	–	9,772
Net Book Value						
At 31 December 2023	4,793	1,108	–	3,344	810	10,055

1 The maturity profile of the associated lease liabilities is disclosed in note 33(e)(i).
2 Changes in fair value of the investment properties were recognised as follows:

	2024 HK$'M	2023 HK$'M
Increase in valuation credited to consolidated income statement (note 4(e))	**122**	35
Increase in valuation credited to other comprehensive income upon reclassification to investment property	**127**	76
	249	111

Notes to the consolidated financial statements continued

19. Property, plant and equipment (continued)

Investment properties

	2024 HK$'M	2023 HK$'M
Leasehold in Hong Kong, at fair value	209	110
Freehold outside Hong Kong, at fair value	874	700

The Group's investment properties consist of office units in Hong Kong and an office building in Dubai. The investment properties were revalued as at 31 December 2024 on an open market value basis. The valuations were carried out by independent firms, namely Vincorn Consulting and Appraisal Limited and Cushman & Wakefield Core Valuations LLC (2023: CBRE DIFC Limited), which have among their staff, members of the Royal Institute of Chartered Surveyors with recent experience in the location and category of the properties being valued.

The fair value of the investment properties is primarily determined using comparable recent market transactions on arm's length terms.

The fair value is categorised as a level 2 valuation using observable inputs.

20. Goodwill and intangible assets

	Capitalised software and other intangible assets HK$'M	Goodwill HK$'M	Total HK$'M
Cost:			
At 1 January 2024	13,416	5,657	19,073
Additions	3,418	–	3,418
Impairments (note 5(b))	(162)	–	(162)
Disposals and write-offs	(55)	–	(55)
Exchange adjustment	(459)	(310)	(769)
At 31 December 2024	**16,158**	**5,347**	**21,505**
Accumulated amortisation:			
At 1 January 2024	6,851	–	6,851
Charge for the year (note 4(f))	1,895	–	1,895
Impairments (note 5(b))	861	–	861
Attributable to intangible assets sold or written off	(52)	–	(52)
Exchange adjustment	(327)	–	(327)
At 31 December 2024	**9,228**	–	**9,228**
Carrying amount:			
At 31 December 2024	**6,930**	**5,347**	**12,277**

Notes to the consolidated financial statements continued

20. Goodwill and intangible assets (continued)

	Capitalised software and other intangible assets HK$'M	Goodwill HK$'M	Total HK$'M
Cost:			
At 1 January 2023	10,691	5,652	16,343
Additions	3,092	–	3,092
Impairments (note 5(b))	(24)	–	(24)
Disposals and write-offs	(271)	–	(271)
Exchange adjustment	(72)	5	(67)
At 31 December 2023	13,416	5,657	19,073
Accumulated amortisation:			
At 1 January 2023	5,556	–	5,556
Charge for the year (note 4(f))	1,352	–	1,352
Impairments (note 5(b))	163	–	163
Attributable to intangible assets sold or written off	(234)	–	(234)
Exchange adjustment	14	–	14
At 31 December 2023	6,851	–	6,851
Carrying amount:			
At 31 December 2023	6,565	5,657	12,222

Goodwill

Cash generating-units (CGUs)

Goodwill is allocated to CGUs, which are considered the level at which goodwill is managed and which generate independent cash flows. At year-end 2024, the Group had two global CGUs representing Corporate & Investment Banking ("CIB") and Wealth Management ("WM"), along with country CGUs representing Retail Banking ("RB") for each of Hong Kong and Taiwan.

Testing of goodwill for impairment

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purpose 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. 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 cash flow projections and an estimated terminal value based on a perpetuity value after year five. The cash flow projections are based on forecasts approved by management up to 2029. The perpetuity terminal value amount is calculated using year five cash flows using long-term GDP growth rates (5-year average). All cash flows are discounted using pre-tax discount rates which reflect market rates appropriate to the CGU.

Notes to the consolidated financial statements continued

20. Goodwill and intangible assets (continued)

Testing of goodwill for impairment (continued)

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.

	2024			2023		
	Goodwill HK$'M	Pre-tax discount rate percent	Long-term forecast GDP growth rates percent	Goodwill HK$'M	Pre-tax discount rate percent	Long-term forecast GDP growth rates percent
Cash generating unit						
Country CGUs – Retail Banking						
Hong Kong	611	12.8	1.1	611	12.8	1.6
Taiwan	2,271	12.0	1.5	2,420	12.4	1.5
Global CGUs						
Wealth Management	118	15.0	1.8	118	15.3	1.9
Corporate & Investment Banking	2,347	15.5	2.3	2,508	15.7	2.3
	5,347			5,657		

In the current year, there are no CGUs for which any individual movement on key estimates (cash flow, discount rate and GDP growth) would cause an impairment.

21. Other assets

	2024 HK$'M	2023 HK$'M
Prepayments and accrued income	7,792	7,493
Sundry debtors	5,653	7,605
Cash collateral	14,478	15,295
Acceptances and endorsements	10,500	11,034
Unsettled trades and others	36,775	63,944
Assets held for sale[1]	239	422
	75,437	105,793

[1] Assets held for sale mainly included loans at 31 December 2024 and vessels at 31 December 2023.

22. Customer accounts

	2024 HK$'M	2023 HK$'M
Current accounts	329,538	356,344
Savings accounts	738,995	768,070
Time and other deposits	694,717	684,133
	1,763,250	1,808,547

Notes to the consolidated financial statements continued

23. Debt securities in issue

	2024 HK$'M	2023 HK$'M
Certificates of deposit	**3,946**	14,190
Other debt securities in issue	**12,737**	23,871
	16,683	38,061

24. Financial liabilities at fair value through profit or loss

	2024 HK$'M	2023 HK$'M
Trading liabilities		
– Short position in securities	**50,961**	45,236
– Negative fair values of derivatives	**83,912**	60,285
– Deposits by banks	**–**	1,686
– Customer accounts	**–**	28
	134,873	107,235
Financial liabilities designated at fair value through profit or loss:		
– Deposits by banks	**4,754**	6,862
– Customer accounts	**98,532**	73,454
– Debt securities issued	**10,037**	5,720
	113,323	86,036
	248,196	193,271

The Group designates certain financial liabilities at fair value where either the liabilities:

– have fixed rates of interest and interest rate swaps or other interest related derivatives have been transacted with the intention of significantly reducing interest rate risk; or

– are exposed to equity price risk, foreign currency risk or credit risk and derivatives have been transacted with the intention of significantly reducing exposure to market changes.

Financial liabilities designated at fair value through profit or loss

	2024 HK$'M	2023 HK$'M
Carrying balance aggregate fair value	**113,323**	86,036
Amount contractually obliged to repay at maturity	**112,508**	90,453
Difference between aggregate fair value and contractually obliged to repay at maturity	**815**	(4,417)
Cumulative change in fair value accredited to credit risk difference	**(33)**	(606)

The net fair value loss on financial liabilities designated at fair value through profit or loss was HK$347 million for the year ended 31 December 2024 (2023: net loss of HK$397 million).

Notes to the consolidated financial statements continued

25. Taxation in the consolidated statement of financial position

Deferred tax assets and liabilities:

The components of gross deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation HK$'M	Impairment losses on financial assets HK$'M	Financial assets at fair value through other comprehensive income HK$'M	Own credit adjustments HK$'M	Tax Loss HK$'M	Others HK$'M	Total HK$'M
At 1 January 2023	**(2,094)**	**910**	**53**	**42**	**796**	**(529)**	**(822)**
Release/(charge) to consolidated income statement (note 6(a))	(425)	(208)	2	–	278	923	570
Release/(charge) to reserves	–	–	(114)	(181)	–	(191)	(486)
Others	1,698	(10)	–	(3)	(938)	114	861
At 31 December 2023	**(821)**	**692**	**(59)**	**(142)**	**136**	**317**	**123**
Release/(charge) to consolidated income statement (note 6(a))	61	(586)	(7)	–	(99)	(5)	(636)
Release/(charge) to reserves	–	–	(191)	170	–	166	145
Others	(19)	56	12	4	–	(37)	16
At 31 December 2024	**(779)**	**162**	**(245)**	**32**	**37**	**441**	**(352)**

Notes to the consolidated financial statements continued

25. Taxation in the consolidated statement of financial position (continued)

Deferred tax comprises assets and liabilities as follows:

	2024 Asset HK$'M	2024 Liability HK$'M	2024 Total HK$'M	2023 Asset HK$'M	2023 Liability HK$'M	2023 Total HK$'M
Deferred tax comprises:						
Depreciation allowances in excess of related depreciation	73	(852)	(779)	(68)	(753)	(821)
Impairment losses on financial assets	(105)	267	162	722	(30)	692
Financial assets at fair value through other comprehensive income	(183)	(62)	(245)	5	(64)	(59)
Own credit adjustments	35	(3)	32	(6)	(136)	(142)
Tax Loss	37	–	37	136	–	136
Others	653	(212)	441	694	(377)	317
	510	(862)	(352)	1,483	(1,360)	123

Analysed by:	2024 HK$'M	2023 HK$'M
Net deferred tax asset recognised on the consolidated statement of financial position	510	1,483
Net deferred tax liability recognised on the consolidated statement of financial position	(862)	(1,360)
	(352)	123

Unrecognised deferred tax

	2024 HK$'M	2024 HK$'M	2023 HK$'M	2023 HK$'M
No account has been taken of the following potential deferred tax assets/(liabilities):	**Net tax effected**	**Gross**	Net tax effected	Gross
Withholding tax on unremitted earnings from overseas subsidiaries and associates	(1,931)	(30,908)	(2,395)	(39,436)
Tax losses	5,342	24,278	5,811	25,903
Held-over gains on incorporation of overseas branches	(173)	(691)	(177)	(707)
Other temporary differences	81	348	88	380

26. Other liabilities

	2024 HK$'M	2023 HK$'M
Accruals and deferred income	15,027	16,324
Provision for liabilities and charges	375	273
Acceptances and endorsements	10,500	10,676
Cash collateral	15,694	3,754
Expected credit loss provision on loan commitments and financial guarantees (note 15)	371	370
Lease liabilities	4,181	3,612
Unsettled trades and others	48,000	37,354
	94,148	72,363

Notes to the consolidated financial statements continued

27. Employee retirement benefits

The Group operates six defined benefit plans.

SCB HK Scheme

Standard Chartered Bank Hong Kong Retirement Scheme ("HK Scheme") was established under a trust arrangement. It is registered under the Occupational Retirement Schemes Ordinance ("ORSO"). The Bank is the sole employer participating in the HK Scheme.

The Bank has an unconditional right to the HK Scheme's surplus and the HK Scheme has no minimum funding requirements.

The key responsibilities of the HK Scheme's trustees are to ensure that the HK Scheme is administered in accordance with the trust deed and to act on behalf of all members impartially, prudently and in good faith.

The HK Scheme exposes the Group to interest rate risk, investment risk and salary risk.

The Bank's contributions are determined with reference to the funding valuation carried out by the HK Scheme's actuary in accordance with the ORSO requirements. The last funding valuation of the HK Scheme was carried out as at 31 December 2024.

The Bank established the Long Service Payment ("LSP") obligations under Employment Ordinance starting from 2023.

Overseas plans

The principal overseas defined benefit arrangements operated by the Group are in Korea and Taiwan.

(a) Amounts recognised in the consolidated statement of financial position

	2024					2023				
	Funded		Unfunded			Funded		Unfunded		
	HK Scheme HK$'M	Overseas Plans HK$'M	HK LSP HK$'M	Overseas Plans HK$'M	Total HK$'M	HK Scheme HK$'M	Overseas Plans HK$'M	HK LSP HK$'M	Overseas Plans HK$'M	Total HK$'M
Fair value of plan assets	1,453	1,983	–	–	3,436	1,484	2,038	–	–	3,522
Present value of obligations	(1,275)	(1,966)	(11)	(48)	(3,300)	(1,445)	(2,049)	(8)	(52)	(3,554)
Net asset/(liability) recognised in the consolidated statement of financial position (included in "Other assets/Other liabilities")	178	17	(11)	(48)	136	39	(11)	(8)	(52)	(32)

(i) Movements in the present value of the defined benefit obligations:

	2024					2023				
	Funded		Unfunded			Funded		Unfunded		
	HK Scheme HK$'M	Overseas Plans HK$'M	HK LSP HK$'M	Overseas Plans HK$'M	Total HK$'M	HK Scheme HK$'M	Overseas Plans HK$'M	HK LSP HK$'M	Overseas Plans HK$'M	Total HK$'M
At 1 January	(1,445)	(2,049)	(8)	(52)	(3,554)	(1,485)	(1,851)	–	(48)	(3,384)
Benefits paid	212	93	–	–	305	174	132	–	–	306
Current service cost	(49)	(141)	(2)	(3)	(195)	(52)	(135)	(8)	(3)	(198)
Interest cost	(40)	(66)	–	(2)	(108)	(51)	(75)	–	(2)	(128)
Actuarial gain/(loss) – from experience	19	3	13	4	39	7	(11)	–	4	–
Actuarial gain/(loss) – from assumptions	28	(60)	(14)	(2)	(48)	(38)	(131)	–	(3)	(172)
Exchange rate adjustment	–	254	–	7	261	–	22	–	–	22
At 31 December	(1,275)	(1,966)	(11)	(48)	(3,300)	(1,445)	(2,049)	(8)	(52)	(3,554)

Notes to the consolidated financial statements continued

27. Employee retirement benefits (continued)

(ii) Movements in the fair value of plan assets:

	2024					2023				
	Funded		Unfunded			Funded		Unfunded		
	HK Scheme HK$'M	Overseas Plans HK$'M	HK LSP HK$'M	Overseas Plans HK$'M	Total HK$'M	HK Scheme HK$'M	Overseas Plans HK$'M	HK LSP HK$'M	Overseas Plans HK$'M	Total HK$'M
At 1 January	1,484	2,038	–	–	3,522	1,599	1,940	–	–	3,539
Contributions	15	143	–	–	158	17	142	–	–	159
Benefits paid	(212)	(93)	–	–	(305)	(174)	(132)	–	–	(306)
Interest income	43	70	–	–	113	56	86	–	–	142
Administrative expenses	(1)	–	–	–	(1)	(1)	–	–	–	(1)
Return on plan assets, excluding amounts included in interest income	124	85	–	–	209	(13)	30	–	–	17
Exchange rate adjustment	–	(260)	–	–	(260)	–	(28)	–	–	(28)
At 31 December	1,453	1,983	–	–	3,436	1,484	2,038	–	–	3,522

(iii) Movements in the net assets recognised in the consolidated balance sheet are as follows:

	2024					2023				
	Funded		Unfunded			Funded		Unfunded		
	HK Scheme HK$'M	Overseas Plans HK$'M	HK LSP HK$'M	Overseas Plans HK$'M	Total HK$'M	HK Scheme HK$'M	Overseas Plans HK$'M	HK LSP HK$'M	Overseas Plans HK$'M	Total HK$'M
At 1 January	39	(11)	(8)	(52)	(32)	114	89	–	(48)	155
Contributions	15	143	–	–	158	17	142	–	–	159
Current service cost	(49)	(141)	(2)	(3)	(195)	(52)	(135)	(8)	(3)	(198)
Net interest income/(cost)	3	4	–	(2)	5	5	11	–	(2)	14
Administrative expenses	(1)	–	–	–	(1)	(1)	–	–	–	(1)
Return on plan assets, excluding amounts included in interest income	124	85	–	–	209	(13)	30	–	–	17
Actuarial gain/(loss) – from experience	19	3	13	4	39	7	(11)	–	4	–
Actuarial gain/(loss) – from assumptions	28	(60)	(14)	(2)	(48)	(38)	(131)	–	(3)	(172)
Exchange rate adjustment	–	(6)	–	7	1	–	(6)	–	–	(6)
At 31 December[1]	178	17	(11)	(48)	136	39	(11)	(8)	(52)	(32)

1 The surplus total of HK$136 million (2023: deficit of HK$32 million) is made up of plans in surplus of HK$247 million (2023: HK$157 million) net of plans in deficit of HK$111 million (2023: HK$189 million).

The weighted average duration of the defined benefit obligation as at 31 December 2024 for HK Scheme is 4 years (2023: 4 years), Unfunded HK LSP is 15 years (2023: 16 years) and overseas plan is 7 years (2023: 6 years).

The Group's expected contribution to its defined benefit pension in 2025 is HK$156 million.

Notes to the consolidated financial statements continued

27. Employee retirement benefits (continued)

(b) Amounts recognised in the consolidated income statement for the year (note 4(f))

	2024					2023				
	Funded		Unfunded			Funded		Unfunded		
	HK Scheme HK$'M	Overseas Plans HK$'M	HK LSP HK$'M	Overseas Plans HK$'M	Total HK$'M	HK Scheme HK$'M	Overseas Plans HK$'M	HK LSP HK$'M	Overseas Plans HK$'M	Total HK$'M
Current service cost	49	141	2	3	195	52	135	8	3	198
Net interest (income)/cost	(3)	(4)	–	2	(5)	(5)	(11)	–	2	(14)
Administrative expenses	1	–	–	–	1	1	–	–	–	1
	47	137	2	5	191	48	124	8	5	185

(c) Principal actuarial assumptions used in the valuation and sensitivity analysis

	HK Scheme 2024	HK Scheme 2023	Overseas Plans 2024	Overseas Plans 2023
Discount rate	3.5%, 3.7%	2.9%, 4.2%	1.6%-3.6%	1.2%-4.2%
Rate of growth of salaries	3.5%, 4.0%	4.0%	3.5%-4.5%	3.5%-4.5%

These assumptions are likely to change in the future and thus will affect the value placed on the defined benefit obligations. 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 obligation would reduce by approximately HK$12 million for the HK Scheme (2023: HK$15 million) and HK$36 million for overseas plans (2023: HK$37 million)
- If the rate of growth of salaries was higher by 25 basis points the obligation would increase by approximately HK$10 million for the HK Scheme (2023: HK$13 million) and HK$39 million for overseas plans (2023: HK$41 million)

(d) Profile of plan obligations

	Funded plans HK$'M	Unfunded plans HK$'M
Benefits expected to be paid during 2025	220	5
Benefits expected to be paid during 2026	527	5
Benefits expected to be paid during 2027	383	5
Benefits expected to be paid during 2028	414	5
Benefits expected to be paid from 2029 onwards	2,038	36

(e) Major categories of assets

	HK Scheme 2024	HK Scheme 2023	Overseas Plans 2024	Overseas Plans 2023
Equities	34%	48%	10%	9%
Bonds	56%	47%	4%	4%
Investment funds	–	–	21%	20%
Insurance contracts	–	–	59%	63%
Cash and others	10%	5%	6%	4%
	100%	100%	100%	100%

Notes to the consolidated financial statements continued

28. Share capital and other equity instruments

	2024		2023	
	No. of Shares	**HK$'M**	No. of Shares	HK$'M
Issued and fully paid				
Ordinary share capital:				
Class A ordinary shares	**706 million**	**12,500**	706 million	12,500
Class B ordinary shares	**1,231 million**	**78**	1,231 million	78
Class C ordinary shares	**342 million**	**21,165**	342 million	21,165
Class D ordinary shares	**3,010 million**	**23,604**	3,010 million	23,604
Redemption/Bought back of preference shares				
HK$3,800 million 8.25% non-cumulative preference shares		**3,800**		3,800
US$500 million 6.25% perpetual non-cumulative convertible preference shares		**3,878**		3,878
		65,025		65,025

Other equity instrument	**2024 HK$'M**	2023 HK$'M
Additional Tier 1 capital:		
US$250 million 5% perpetual non-cumulative capital securities	**–**	1,954
US$900 million floating rate undated Additional Tier 1 capital securities	**7,031**	7,031
US$1,000 million fixed rate undated Additional Tier 1 capital securities	**7,750**	7,750
US$250 million floating rate undated Additional Tier 1 capital securities	**1,957**	1,957
US$250 million fixed rate undated Additional Tier 1 capital securities	**1,959**	1,959
US$600 million fixed rate undated Additional Tier 1 capital securities	**4,687**	–
	23,384	20,651

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares do not have a par value.

On 30 December 2014, 10 perpetual non-cumulative convertible preference shares were issued to Standard Chartered Bank at an aggregate issue price of US$500 million with a liquidation preference of US$500 million. The preference shares qualified as Additional Tier 1 capital under the Banking (Capital) Rules. The preference shares have been fully redeemed or bought back in December 2020 via payment out of distributable profits and for which the amount was transferred from retained earnings to share capital in accordance with the requirements of the Hong Kong Companies Ordinance.

On 13 December 2017, the Bank issued perpetual non-cumulative subordinated capital securities to Standard Chartered Bank with a face value of US$250 million. During the year ended 31 December 2019, this instrument was subsequently transferred from Standard Chartered Bank to SC PLC by way of transfer agreement. The capital securities are undated and bear a 5 percent coupon until the first call date on 13 December 2024. The securities were early redeemed on 13 December 2024.

On 1 June 2019, the Bank acquired 100 percent of the share capital of SCB China from a fellow subsidiary by issuance of Class C ordinary share capital amounting to HK$21,165 million.

On 24 June 2019, the Bank issued floating rate undated Additional Tier 1 capital securities to SC PLC with a face value of US$900 million. The capital securities are undated with an optional call date on 12 April 2026 and bear a coupon rate equivalent to 3-month USD LIBOR plus 4.48 percent per annum, which was re-stated to SOFR Benchmark plus 0.26161 percent plus 4.48 percent per annum on 12 April, 2023. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules").

On 1 October 2019, the Bank acquired 100 percent of the share capital of SC NEA Group from a fellow subsidiary by issuance of Class D ordinary share capital amounting to HK$23,604 million.

Notes to the consolidated financial statements continued

28. Share capital and other equity instruments (continued)

On 30 June 2020, the Bank issued fixed rate undated Additional Tier 1 capital securities to SC PLC with a face value of US$1,000 million. The capital securities are undated with an optional call on any date from 26 July 2025 to the first reset date (both dates inclusive), and any reset date thereafter and bear a coupon rate of 6 percent per annum until first reset date on 26 January 2026. The coupon will be reset every 5 years thereafter if the capital securities are not redeemed, to a fixed rate equivalent to the prevailing U.S. Treasury rate plus 5.661 percent. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

On 31 March 2022, the Bank issued floating rate undated Additional Tier 1 capital securities to SC PLC with a face value of US$250 million. The capital securities are undated with optional call date on or nearest to June 2031 and each distribution payment date thereafter and distribute equivalent to SOFR Benchmark plus 4.2 percent per annum. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

On 26 August 2022, the Bank issued fixed rate undated Additional Tier 1 capital securities to SC PLC with a face value of US$250 million. The capital securities are undated with optional call on 27 August 2027, and each reset date thereafter and bear a coupon rate of 7.75 percent per annum until the first reset date on 27 August 2027. The coupon will be reset every 5 years thereafter if the capital securities are not redeemed, to a fixed rate equivalent to the prevailing U.S Treasury rate plus 4.976 percent. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

On 3 July 2024, the Bank issued fixed rate undated Additional Tier 1 capital securities to SC PLC with a face value of US$600 million. The capital securities are undated with optional call on 8 March 2030 to the first reset date on 8 September 2030, and each reset date thereafter. The securities bear a coupon rate of 7.875 percent per annum until the first reset date on 8 September 2030. The coupon will be reset every 5 years thereafter if the capital securities are not redeemed, to a fixed rate equivalent to the prevailing U.S Treasury rate plus 3.57 percent. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

The Ordinary Shares shall rank pari passu with each other with respect to the payment of dividends by the Bank. The Class B ordinary shares, the Class C ordinary shares and the Class D ordinary shares shall rank pari passu with each other, but in priority to the Class A ordinary shares, with respect to any return of capital by the Bank.

29. Reserves

Nature and purpose of reserves

(i) Own credit adjustment (“OCA”) reserve

The own credit adjustment reserve represents the cumulative gains and losses on financial liabilities designated at fair value through profit or loss relating to the Group’s own credit risk. Gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit risk 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 consolidated income statement, but will be transferred within equity to retained earnings.

(ii) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(j).

(iii) Investment in debt securities at fair value through other comprehensive income reserve (“FVOCI reserve – Debt”) and Investment in equity securities at fair value through other comprehensive income reserve (“FVOCI reserve – Equity”)

The FVOCI reserve – Debt and FVOCI reserve – Equity comprise respectively the cumulative net change in the fair value of the investment in debt securities and equity securities measured at fair value through other comprehensive income, less the ECL allowance recognised in profit or loss. The reserve is dealt with in accordance with the accounting policy in note 2(i).

Notes to the consolidated financial statements continued

29. Reserves (continued)

Nature and purpose of reserves (continued)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

(v) Other reserves

Other reserves mainly comprise:

- Merger reserve which arises on the acquisition of common control entities in accordance with the principles of merger accounting under the Accounting Guideline No.5 Merger Accounting for Common Control Combinations issued by the HKICPA.

- Capital contribution reserve which represents the excess of consideration received over the book value of a subsidiary transferred to a commonly controlled entity.

- Statutory reserves which are held by certain overseas subsidiaries to comply with local regulations.

Retained profits are the cumulative net earnings of the Group that have not been paid out as dividends, but retained to be reinvested in the business. To satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes, the Group has earmarked a ‘regulatory reserve’ from retained profits. Movements in the reserve are made directly through retained profits. As at 31 December 2024, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Group to shareholders by HK$686 million (2023: HK$1,261 million).

30. Cash and cash equivalents

(a) Components of cash and cash equivalents in the consolidated cash flow statement

	2024 HK$'M	2023 HK$'M
Cash and balances at central banks	**13,594**	30,313
Loans and advances to banks with original maturity within three months	**55,705**	67,993
Investment securities with original maturity within three months	**5,725**	18,239
Loans and advances to customers with original maturity within three months	**13,639**	44,170
Amounts due from fellow subsidiaries with original maturity within three months	**1,376**	3,771
Less: Overdrafts included in “amounts due to fellow subsidiaries”	**(6,470)**	(17,397)
	83,569	147,089

Notes to the consolidated financial statements continued

30. Cash and cash equivalents (continued)

(b) Reconciliation with the consolidated statement of financial position

	2024 HK$'M	2023 HK$'M
Cash and balances at central banks	51,951	43,839
Less: restricted cash	(38,357)	(13,526)
Financial assets at fair value through profit or loss	673,614	442,513
Loans and advances to banks	160,360	172,045
Investment securities	361,588	456,913
Loans and advances to customers	953,252	1,021,423
Amounts due from fellow subsidiaries	214,122	211,651
Amounts due from immediate holding company	208	9
Overdrafts included in "amounts due to fellow subsidiaries"	(6,470)	(17,397)
Amounts in the consolidated statement of financial position	2,370,268	2,317,470
Less: amounts that did not meet the definition of cash and cash equivalents	(2,286,699)	(2,170,381)
Cash and cash equivalents in the consolidated cash flow statement	83,569	147,089

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	2024	
	Subordinated liabilities to fellow subsidiaries and immediate holding company HK$'M	Lease liabilities HK$'M
At 1 January 2024	43,392	3,612
Changes from financing cash flows:		
Issuance of subordinated liabilities	8,079	–
Repayment of subordinated liabilities	(5,057)	–
Interest paid on subordinated liabilities	(1,345)	–
Payment of lease liabilities	–	(1,134)
Total changes from financing cash flows	1,677	(1,134)
Exchange adjustments	723	(247)
Hedge accounting adjustments	(744)	–
Net increase in lease liabilities from entering into new leases, net of disposals	–	1,765
Interest expense on subordinated liabilities and borrowings	1,502	–
Interest expense on lease liabilities	–	185
At 31 December 2024	46,550	4,181

Notes to the consolidated financial statements continued

30. Cash and cash equivalents (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

	2023	
	Subordinated liabilities to fellow subsidiaries and immediate holding company HK$'M	Lease liabilities HK$'M
At 1 January 2023	42,240	3,774
Changes from financing cash flows:		
Interest paid on subordinated liabilities	(1,891)	–
Payment of lease liabilities	–	(1,304)
Total changes from financing cash flows	(1,891)	(1,304)
Exchange adjustments	3,141	(33)
Hedge accounting adjustments	(1,468)	–
Net increase in lease liabilities from entering into new leases, net of disposals	–	407
Interest expense on subordinated liabilities and borrowings	1,370	–
Interest expense on lease liabilities	–	137
Reassessment and revision of lease terms	–	631
At 31 December 2023	43,392	3,612

31. Derivative financial instruments

The use of derivatives for trading and their sale to customers as risk management products is an integral part of the Group's business activities. These instruments are also used to manage the Group's own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by the Group are foreign exchange related and interest rate related contracts, which are primarily over-the-counter derivatives. Most of the Group's derivative positions have been entered into to meet customer demand and to hedge these and other trading positions. For accounting purposes, derivatives are classified as either held for trading or held for hedging.

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

	2024			2023		
	Notional principal amounts HK$'M	**Fair value assets HK$'M**	**Fair value liabilities HK$'M**	Notional principal amounts HK$'M	Fair value assets HK$'M	Fair value liabilities HK$'M
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**6,812,322**	**82,833**	**(68,672)**	5,338,044	35,602	(41,633)
Currency swaps and options	**1,901,507**	**52,505**	**(49,334)**	1,843,607	26,918	(29,091)
	8,713,829	**135,338**	**(118,006)**	7,181,651	62,520	(70,724)
Interest rate derivative contracts:						
Swaps	**9,235,646**	**41,924**	**(45,360)**	7,619,938	34,114	(35,879)
Forward rate agreement and options	**129,631**	**822**	**(2,207)**	82,383	896	(1,832)
	9,365,277	**42,746**	**(47,567)**	7,702,321	35,010	(37,711)
Other derivative contracts	**376,917**	**5,555**	**(16,872)**	206,775	2,626	(7,282)
Total derivatives	**18,456,023**	**183,639**	**(182,445)**	15,090,747	100,156	(115,717)

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Derivative held for hedging

The notional principal amounts and the positive and negative fair values of derivative financial instruments held for hedging purposes at the reporting date is as follows:

	2024			2023		
	Notional principal amounts HK'M	Fair value assets HK'M	Fair value liabilities HK'M	Notional principal amounts HK$'M	Fair value assets HK$'M	Fair value liabilities HK$'M
Derivatives designated as fair value hedges:						
Interest rate swaps	**54,966**	**667**	**(1,398)**	62,822	807	(2,114)
Cross currency swaps	**–**	**–**	**–**	–	–	–
	54,966	**667**	**(1,398)**	62,822	807	(2,114)
Derivatives designated as cash flow hedges:						
Interest rate swaps	**129,353**	**754**	**(1,148)**	49,716	662	(15)
Cross currency swaps	**85,671**	**4,367**	**(13)**	101,155	1,356	(962)
	215,024	**5,121**	**(1,161)**	150,871	2,018	(977)
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	**37,303**	**1,559**	**–**	35,430	15	(236)
Total derivatives held for hedging	**307,293**	**7,347**	**(2,559)**	249,123	2,840	(3,327)

Fair value hedges

The fair value hedges principally consist of interest rate swaps and cross currency swaps. The interest rate swaps are used to protect against changes in the fair value of certain fixed rate assets and liabilities due to movements in market interest rates. The cross currency swaps are used to manage foreign exchange exposures and interest rate risk.

Maturity of hedging instruments

The Group held the following derivatives as hedging instruments in fair value hedges.

	2024				2023			
Risk category	Less than one month HK$'M	More than one month and less than one year HK$'M	One to five years HK$'M	More than five years HK$'M	Less than one month HK$'M	More than one month and less than one year HK$'M	One to five years HK$'M	More than five years HK$'M
Interest rate risk								
Notional Amount								
Hedge of debt securities	**–**	**708**	**2,020**	**–**	664	1,296	5,244	78
Hedge of treasury bills	**372**	**609**	**11,767**	**233**	–	1,845	10,404	664
Hedge of loans and advances to customers	**–**	**1,582**	**184**	**2,329**	–	2,866	2,329	–
Hedge of intragroup borrowings	**–**	**–**	**24,019**	**8,037**	–	550	24,771	–
Hedge of customer accounts	**–**	**3,106**	**–**	**–**	1,899	10,212	–	–
	372	**6,005**	**37,990**	**10,599**	2,563	16,769	42,748	742
Foreign exchange risk and Interest rate risk								
Notional Amount								
Hedge of debt securities	**–**	**–**	**–**	**–**	–	–	–	–
	–	**–**	**–**	**–**	–	–	–	–

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Fair value hedges (continued)

Hedging instruments and ineffectiveness

Risk Category	2024				
	Notional HK$'M	Carrying Amount[1] Asset HK$'M	Carrying Amount[1] Liability HK$'M	Change in fair value used to calculate hedge ineffectiveness HK$'M	Ineffectiveness recognised in net trading income HK$'M
Interest rate risk					
Interest rate swaps – Hedge of debt securities	2,728	16	(16)	30	2
Interest rate swaps – Hedge of treasury bills	12,981	233	(3)	(22)	1
Interest rate swaps – Hedge of loans and advances to customers	4,095	22	–	(8)	–
Interest rate swaps – Hedge of intragroup borrowings	32,056	385	(1,379)	813	1
Interest rate swaps – Hedge of customer accounts	3,106	11	–	28	–
	54,966	667	(1,398)	841	4
Foreign exchange risk and Interest rate risk					
Cross currency swaps – Hedge of debt securities	–	–	–	–	–
	–	–	–	–	–

[1] The carrying amount represents the fair value of the hedging instruments including its respective accrued interest

Risk Category	2023				
	Notional HK$'M	Carrying Amount[1] Asset HK$'M	Carrying Amount[1] Liability HK$'M	Change in fair value used to calculate hedge ineffectiveness HK$'M	Ineffectiveness recognised in net trading income HK$'M
Interest rate risk					
Interest rate swaps – Hedge of debt securities	7,282	138	(42)	(242)	(13)
Interest rate swaps – Hedge of treasury bills	12,913	322	(67)	(358)	(12)
Interest rate swaps – Hedge of loans and advances to customers	5,195	153	–	(170)	–
Interest rate swaps – Hedge of intragroup borrowings	25,321	11	(1,987)	775	(2)
Interest rate swaps – Hedge of customer accounts	12,111	183	(18)	44	1
	62,822	807	(2,114)	49	(26)
Foreign exchange risk and Interest rate risk					
Cross currency swaps – Hedge of debt securities	–	–	–	11	–
	–	–	–	11	–

[1] The carrying amount represents the fair value of the hedging instruments including its respective accrued interest

Notes to the consolidated financial statements continued

31. **Derivative financial instruments** (continued)

Fair value hedges (continued)

Hedged items

	2024					
	Carrying Amount		**Accumulated amount of fair value hedge adjustments included in the carrying amount**		**Change in the value used for calculating hedge ineffectiveness**	**Accumulated amortising amount of fair value hedge adjustments no longer designated as hedges**
	Asset HK$'M	**Liability HK$'M**	**Asset HK$'M**	**Liability HK$'M**	**HK$'M**	**HK$'M**
Debt securities	**2,726**	**–**	**–**	**–**	**(28)**	**153**
Treasury bills	**12,707**	**–**	**(201)**	**–**	**23**	**87**
Loans and advances to customers	**4,033**	**–**	**(65)**	**–**	**8**	**–**
Intragroup borrowings	**–**	**(32,830)**	**–**	**775**	**(812)**	**–**
Customer accounts	**–**	**(3,096)**	**–**	**(10)**	**(28)**	**–**
Grand Total	**19,466**	**(35,926)**	**(266)**	**765**	**(837)**	**240**

	2023					
	Carrying Amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in the value used for calculating hedge ineffectiveness	Accumulated amortising amount of fair value hedge adjustments no longer designated as hedges
	Asset HK$'M	Liability HK$'M	Asset HK$'M	Liability HK$'M	HK$'M	HK$'M
Debt securities	7,045	–	(46)	–	218	823
Treasury bills	12,452	–	(215)	–	346	398
Loans and advances to customers	4,838	–	(120)	–	170	–
Intragroup borrowings	–	(26,917)	–	1,595	(777)	–
Customer accounts	–	(12,109)	–	21	(43)	(2)
Grand Total	24,335	(39,026)	(381)	1,616	(86)	1,219

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Cash flow hedges

The cash flow hedges principally consist of interest rate swaps and cross currency swaps that are used to hedge against the variability in cash flows of certain floating rate assets and liabilities.

Maturity of hedging instruments
The Group held the following derivatives as hedging instruments in cash flow hedges.

Risk category	2024 Less than one month HK$'M	2024 More than one month and less than one year HK$'M	2024 One to five years HK$'M	2024 More than five years HK$'M	2023 Less than one month HK$'M	2023 More than one month and less than one year HK$'M	2023 One to five years HK$'M	2023 More than five years HK$'M
Interest rate risk								
Notional Amount								
Hedge of debt securities	–	–	1,590	–	–	25	–	–
Hedge of loans and advances to customers	1,382	11,325	64,085	27,676	1,086	14,049	34,556	–
Hedge of cash and balances at central banks	–	6,212	17,083	–	–	–	–	–
	1,382	17,537	82,758	27,676	1,086	14,074	34,556	–
Foreign exchange risk and Interest rate risk								
Notional Amount								
Hedge of debt securities	–	–	–	–	606	1,967	–	–
Hedge of treasury bills	1,502	16,581	–	–	–	22,169	14,122	–
Hedge of loans and advances to customers	–	936	–	–	–	1,581	–	–
Hedge of intragroup lending and borrowing	–	43,775	4,522	–	–	47,568	4,839	–
Hedge of customer accounts	3,766	14,589	–	–	117	6,843	1,343	–
	5,268	75,881	4,522	–	723	80,128	20,304	–

Hedging instruments and ineffectiveness

Risk category	2024 Notional HK$'M	Carrying Amount[1] Asset HK$'M	Carrying Amount[1] Liability HK$'M	Change in fair value used to calculate hedge ineffectiveness HK$'M	Changes in the value of the hedging instrument recognised in OCI HK$'M	Ineffectiveness recognised in trading income HK$'M
Interest rate risk						
Interest rate swaps – Hedge of debt securities	1,590	4	–	4	4	–
Interest rate swaps – Hedge of loans and advances to customers	104,468	749	(1,053)	(937)	(912)	(25)
Interest rate swaps – Hedge of cash and balances at central banks	23,295	1	(95)	(75)	(76)	1
	129,353	754	(1,148)	(1,008)	(984)	(24)
Foreign exchange risk and Interest rate risk						
Cross currency swaps – Hedge of debt securities	–	–	–	3	3	–
Cross currency swaps – Hedge of treasury bills	18,083	2,067	(1)	2,555	2,555	–
Cross currency swaps – Hedge of loans and advances to customers	936	–	(6)	20	20	–
Cross currency swaps – Hedge of intragroup lending and borrowing	48,297	1,621	(6)	914	916	(2)
Cross currency swaps – Hedge of deposits from customer accounts	18,355	679	–	411	411	–
	85,671	4,367	(13)	3,903	3,905	(2)

[1] The carrying amount represents the fair value of the hedging instruments including its respective accrued interest

Notes to the consolidated financial statements continued

31. Derivative financial instruments (continued)

Cash flow hedges (continued)

Hedging instruments and ineffectiveness (continued)

Risk category	2023 Notional HK$'M	Carrying Amount[1] Asset HK$'M	Carrying Amount[1] Liability HK$'M	Change in fair value used to calculate hedge ineffectiveness HK$'M	Changes in the value of the hedging instrument recognised in OCI HK$'M	Ineffectiveness recognised in trading income HK$'M
Interest rate risk						
Interest rate swaps – Hedge of debt securities	25	–	–	–	–	–
Interest rate swaps – Hedge of loans and advances to customers	49,691	662	(15)	925	916	9
Interest rate swaps – Hedge of customer accounts	–	–	–	(58)	(58)	–
	49,716	662	(15)	867	858	9
Foreign exchange risk and Interest rate risk						
Cross currency swaps – Hedge of debt securities	2,573	50	–	41	40	1
Cross currency swaps – Hedge of treasury bills	36,291	1,167	(199)	619	619	–
Cross currency swaps – Hedge of loans and advances to customers	1,581	27	–	(23)	(23)	–
Cross currency swaps – Hedge of intragroup lending and borrowing	52,407	64	(634)	555	553	2
Cross currency swaps – Hedge of customer accounts	8,303	48	(129)	55	55	–
	101,155	1,356	(962)	1,247	1,244	3

[1] The carrying amount represents the fair value of the hedging instruments including its respective accrued interest

Hedged items

	2024 Change in the value used for calculating hedge ineffectiveness HK$'M	Cash flow hedge reserve HK$'M	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied HK$'M
Debt securities	(7)	4	(11)
Treasury bills	(2,555)	43	–
Loans and advances to customers	892	(450)	(9)
Cash and balances at central banks	76	(76)	–
Intragroup lending and borrowing	(916)	(89)	–
Customer accounts	(411)	19	641
	(2,921)	(549)	621

Notes to the consolidated financial statements continued

31. **Derivative financial instruments** (continued)

Cash flow hedges (continued)

Hedged items (continued)

	2023		
	Change in the value used for calculating ineffectiveness HK$'M	Cash flow hedge reserve HK$'M	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied HK$'M
Debt securities	(40)	(1)	(22)
Treasury bills	(619)	54	–
Loans and advances to customers	(893)	440	–
Intragroup lending and borrowing	(553)	(35)	–
Customer accounts	3	23	829
	(2,102)	481	807

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

	2024 HK$'M Income/ (expense)	2023 HK$'M Income/ (expense)
Cash flow hedge reserve balance as at 1 January	**1,087**	(46)
Gain recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments	**2,921**	2,102
Gain reclassified to income statement when hedged item affected net profit	**(4,116)**	(745)
Taxation credit/(charge) relating to cash flow hedges	**199**	(224)
Cash flow hedge reserve balance as at 31 December	**91**	1,087

Notes to the consolidated financial statements continued

31. **Derivative financial instruments** (continued)

Net investment hedges

A foreign currency exposure arises from a net investment in subsidiaries that have a different functional currency from that of the Group. This risk arises from the fluctuation in spot exchange rates between the functional currencies of the subsidiaries and the functional currency of the Group, which causes the value of the investments to vary.

Maturity of hedging instruments

The Group held the following derivatives as hedging instruments in net investment hedges.

	2024				2023			
Risk category	**Less than one month HK$'M**	**More than one month and less than one year HK$'M**	**One to five years HK$'M**	**More than five years HK$'M**	Less than one month HK$'M	More than one month and less than one year HK$'M	One to five years HK$'M	More than five years HK$'M
Foreign exchange risk								
Notional Amount								
Hedge of net investments in subsidiaries	**37,303**	**–**	**–**	**–**	35,430	–	–	–
	37,303	**–**	**–**	**–**	35,430	–	–	–

Hedging instruments and ineffectiveness

	2024						
		Carrying Amount					
Risk category	**Notional HK$'M**	**Asset HK$'M**	**Liability HK$'M**	**Change in fair value used to calculate hedge ineffectiveness HK$'M**	**Changes in the value of the hedging instrument recognised in OCI HK$'M**	**Ineffectiveness recognised in net trading income HK$'M**	**Amount reclassified from reserves to net trading income HK$'M**
Foreign exchange risk							
Foreign exchange forwards – Hedge of net investments in subsidiaries	**37,303**	**1,559**	**–**	**1,559**	**1,559**	**–**	**–**
	37,303	**1,559**	**–**	**1,559**	**1,559**	**–**	**–**

	2023						
		Carrying Amount					
Risk category	Notional HK$'M	Asset HK$'M	Liability HK$'M	Change in fair value used to calculate hedge ineffectiveness HK$'M	Changes in the value of the hedging instrument recognised in OCI HK$'M	Ineffectiveness recognised in net trading income HK$'M	Amount reclassified from reserves to net trading income HK$'M
Foreign exchange risk							
Foreign exchange forwards – Hedge of net investments in subsidiaries	35,430	15	(236)	(221)	(221)	–	–
	35,430	15	(236)	(221)	(221)	–	–

Notes to the consolidated financial statements continued

31. **Derivative financial instruments** (continued)

Net investment hedges (continued)

Hedged items

	2024		
	Change in the value used for calculating hedge ineffectiveness HK$'M	**Exchange reserve HK$'M**	**Balances remaining in the exchange reserve from hedging relationships for which hedge accounting is no longer applied HK$'M**
Net investments in subsidiaries	**(1,559)**	**1,559**	**–**
	(1,559)	**1,559**	**–**

	2023		
	Change in the value used for calculating hedge ineffectiveness HK$'M	Exchange reserve HK$'M	Balances remaining in the exchange reserve from hedging relationships for which hedge accounting is no longer applied HK$'M
Net investments in subsidiaries	221	(221)	–
	221	(221)	–

Notes to the consolidated financial statements continued

32. Contingent liabilities and commitments

(a) The following is a summary of the contractual amounts of each significant contingent liability and commitment:

	2024 HK$'M	2023 HK$'M
Direct credit substitutes	**9,250**	12,947
Transaction-related contingencies	**53,477**	51,507
Trade-related contingencies	**13,477**	13,520
Forward asset purchases	**98**	197
Forward deposits placed	**664**	1,875
Other commitments:		
which are not unconditionally cancellable:		
with original maturity of not more than one year	**13,064**	8,945
with original maturity of more than one year	**140,638**	141,390
which are unconditionally cancellable	**706,691**	762,449
	937,359	992,830

Contingent liabilities and commitments are credit-related instruments, which include letters of credit, guarantees and commitments to extend credit. The risk involved is similar to the credit risk involved in extending loan facilities to customers. These transactions are therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for loans. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client defaults. As the facilities may expire without being drawn upon, the contracted amounts do not represent expected future cash flows.

Notes to the consolidated financial statements continued

32. **Contingent liabilities and commitments** (continued)

(b) Capital commitments

Capital commitments outstanding at 31 December 2024 in respect of property, plant and equipment purchase not provided for in the consolidated financial statements were HK$13 million (2023: HK$15 million).

(c) Contingencies

The Group receives legal claims against it arising in the normal course of business. Where appropriate the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation.

A number of Korean banks, including Standard Chartered Bank Korea, sold equity linked securities ("ELS") to customers, the redemption values of which are determined by the performance of various stock indices. From January 2021 to May 2023, Standard Chartered Bank Korea sold relevant ELS to its customers with a notional value of approximately USD900 million. Due to the performance of the Hang Seng China Enterprise Index, several thousand Standard Chartered Bank Korea customers have redeemed their ELS at a loss. Standard Chartered Bank Korea has offered compensation to impacted customers. SCB may also receive a regulatory penalty. A HKD780 million provision (equivalent to USD100 million) had been recognised as at Q1 2024 with respect to anticipated losses, HKD186 million of which remains recorded on the balance sheet as at 31 December 2024.

33. **Risk management**

The coverage of risk management activities of the Group has expanded in alignment to the change in legal entity structure through the creation of a Greater China & North Asia ("GCNA") hub, which included Standard Chartered Bank (Hong Kong) Limited and its subsidiaries in China, Korea, and Taiwan. The regional senior management of the Group, with the support of the senior management at individual subsidiary level, are responsible in the management of risk for the GCNA hub.

Risk management approach

Enterprise Risk Management Framework ("ERMF")

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 to consistent and sustainable performance for all of our stakeholders and is therefore a central part of the financial and operational management of the Group. The Group adds value to clients and therefore the communities in which they operate by taking and managing appropriate levels of risk, which in turn, generates returns for shareholders.

The ERMF enables the Group to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite ("RA"). The ERMF is embedded across the Group, including its branches and subsidiaries, and is reviewed annually. The latest version is effective from August 2024.

Notes to the consolidated financial statements continued

33. **Risk management** (continued)

Risk management approach (continued)

Enterprise Risk Management Framework ("ERMF") *(continued)*

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 approaches strategic risk management as follows:

- 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 Chief Risk Officer ("CRO") and Chief Financial Officer ("CFO") recommend strategic actions based on the stress test results.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Risk management approach (continued)

Roles and responsibilities

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 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.

Each Principal Risk Type ("PRT") has a Risk Type Framework ("RTF") which outlines the areas of governance and risk management for each PRT and is the formal mechanism through which the delegation of authorities is made. The RTFs are built on a risk-based approach, meaning the risk management plans, processes, activities, and resource allocations are determined in accordance with the level of risk and is consistent with the three lines of defence model prescribed by the ERMF.

The Risk function

The Risk function is responsible for the sustainability of our business through good management of risk by providing oversight and challenge, thereby ensuring that business is conducted in line with regulatory expectations.

The CRO directly manages the Risk function that is separate and independent from the origination, trading and sales functions of the businesses. The Risk function is responsible for:

- Maintaining the ERMF, ensuring that it remains relevant and appropriate to the Group's business activities, and is effectively communicated and implemented across the Group;
- Ensuring that that risks are properly assessed, risk and return decisions are transparent and risks are controlled in accordance with the 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 is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the wider organisation.

The Risk function supports the Group's strategy by building a sustainable ERMF 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 ERMF to deliver a unified second line of defence.

Risk Appetite and profile

The Group recognises the following constraints which determine the risks that the Group is willing to take in pursuit of its 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, internal operational environment, or otherwise failing to meet the expectations of regulators and law enforcement agencies.
- Risk appetite is defined by the Group and approved by the Board. It is the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy. The Group RA is defined as "the approved boundary for the risk that the Group is willing to undertake to achieve the Group strategic objectives and Corporate Plan". Risk appetite cannot exceed risk capacity.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Risk management approach (continued)

Risk Appetite and profile *(continued)*

The Board has approved a Risk Appetite Statement, which is underpinned by a set of financial and operational control parameters, known as Risk Appetite metrics and associated thresholds. These directly constrain the aggregate risk exposures that can be taken across the Group. The Risk Appetite Statement is supplemented by an overarching statement outlining the Group's Risk Appetite Principles.

Risk Appetite Principles: The Group's Risk Appetite is in accordance to its overall approach to risk management and its risk culture. The Group follows the highest ethical standards required by its stakeholders and ensure a fair outcome for its clients, the effective operation of financial markets, while at the same time meeting expectations of regulators and law enforcement agencies. The Group sets its risk appetite to enable it to grow sustainably and to avoid shocks to earnings or its general financial health and to manage its reputational risk in a way that would not materially undermine the confidence of its investors and all internal and external stakeholders.

Risk Appetite Statement: The Group will not compromise adherence to its risk appetite in order to pursue revenue growth or higher returns.

The Group's risk profile is its overall exposure to risk at a given point in time, covering all applicable risk types. Risk control tools such as exposure limits, underwriting standards, scorecard cut-offs and policies and other operational control parameters are used to keep the Group's risk profile within risk appetite (and therefore also risk capacity). Status against risk appetite is reported to the Board, the Board Risk Committee, and the Hong Kong & GCNA Risk Committee ("HK&GCNARC"). This includes the reporting of breaches.

The Hong Kong & GCNARC and the Hong Kong and GCNA Asset and Liability Committee are responsible for ensuring that the Group's risk profile is managed in compliance with the Risk Appetite set by the Board. The Board Risk Committee advises the Board on the Risk Appetite Statement and monitors the Group's compliance with it.

Risk identification and assessment

Identification and assessment of potential adverse risk events is an essential first step in managing the risks of any business or activity. To ensure consistency in communication the Group uses PRTs to classify its 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. The Group maintains a dynamic risk scanning process with inputs on the internal and external risk-environment, as well as potential threats and opportunities from the business and client perspectives. The Group maintains an 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 Hong Kong & GCNA CRO and the Hong Kong & GCNA Risk Committee review regular reports on the risk profile for the PRTs, adherence to the approved Risk Appetite and the Group risk inventory including TERs. They use this information to escalate material developments in each risk event and make recommendations to the SCBHK Board on any potential changes to our Corporate Plan.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Stress testing

The objective of stress testing is to support the Group in assessing that it:

- Does not have a portfolio with excessive concentrations of risk that could produce unacceptably high losses under severe but plausible scenarios;
- Has sufficient financial resources to withstand severe but plausible scenarios;
- Has the financial flexibility to respond to extreme but plausible scenarios; and
- Understands the Group's key business model risks, considers what kind of event might crystallise those risks – even if extreme with a low likelihood of occurring – and has identified, as required, actions to mitigate the likelihood and/or the impact of those events.
- Has set RA metrics at appropriate levels.

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 Group, country, business and portfolio level under a wide range of risks and at varying degrees of severity. Unless specifically set by the regulator, scenario design is a bespoke process that aims to explore risks that can adversely impact the Group.

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, and quantitative assessments such as potential losses from severe but plausible market risk scenarios or internal stressed liquidity metrics.

Stress testing plays a critical role in assessing the potential impact on portfolio values of extreme but plausible scenarios, leading to potential losses typically much larger than those predicted by the Value at Risk (VaR) model. The Group uses historical and forward-looking scenarios: a common set of scenarios is used across all legal entities complemented in some cases with entity-specific scenarios. RA for market risk stress losses is set for the key legal entities.

The Board delegates the approval of the Enterprise Stress Tests to Board Risk Committee. The Board Risk Committee relies on the recommendation from approving senior HK management committees. A Stress Testing Forum is appointed by the Hong Kong & GCNARC to review and challenge the Stress Tests.

Based on the stress test results, the Chief Risk Officer and Chief Financial Officer can recommend strategic actions to ensure that the Group strategy remains within the Board approved Risk Appetite.

The Group has also undertaken Climate Risk stress tests as mandated by the regulators.

Principal risk types

Principal Risk Types are those risks that are inherent in our strategy and the Group's business model and have been formally defined in the Group's ERMF. These risks are managed through distinct RTFs which are approved by the Hong Kong & GCNARC CRO and the HK&GCNARC. The Principal Risk Types and associated Risk Appetite Statements are approved by the SCBHK Board.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Principal risk types (continued)

The PRTs are reviewed annually. The table below shows the Group's current PRTs:

Principal risks

Credit Risk	Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group.
Traded Risk	Potential for loss resulting from activities undertaken by the Group in financial markets.
Treasury Risk	Potential for insufficient capital, liquidity, or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Group's pension plans.
Operational and Technology Risk	Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).
Environmental, Social and Governance and Reputational (ESGR) Risk	Potential or actual adverse impact on the environment and/or society, the Group's financial performance, operations, or the Group's name, brand or standing, arising from environmental, social or governance factors, or as a result of the Group's actual or perceived actions or inactions.
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.
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.
Financial Crime Risk	Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to International Sanctions, Anti-Money Laundering and Anti-Bribery and Corruption.
Model Risk	Potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of Models, due to errors in the development, implementation or use of such models.

Notes to the consolidated financial statements continued

33. Risk management (continued)

Executive and Board risk oversight

Overview

The Board has ultimate responsibility for risk management and is supported by the Executive Committee, Board Audit Committee, Board Risk Committee and Nomination Committee. The Board approves the ERMF based on the recommendation from the Board Risk Committee, which also recommends the Group risk appetite statement.

The Board appoints the Executive Committee to maintain a sound system of internal control and risk management. The HK&GCNARC, through its authority delegated by the Board via Executive Committee, oversees effective implementation of the ERMF and is responsible for the management of all risks other than those delegated to the Combined cluster and Hong Kong Asset and Liability Committee ("ALCO") and the Country Pensions Committee. The HK&GCNARC CRO, as Chair of the HK&GCNARC, approves the use of sub-committees and forums to support the HK&GCNARC overseeing risk at Cluster, Business, Country, or Principal Risk Type level.

The Board Risk Committee receives regular reports on risk management, including the Group's portfolio trends, policies and standards, stress testing, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference. The Board Risk Committee also conducts deep dive reviews on a rolling basis of different sections of the consolidated risk information report that is provided at each scheduled committee meeting.

The committee governance structure ensures that risk-taking authority and risk management policies are cascaded down from the Board to the appropriate functional, client segment and country-level senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated to the appropriate client segment, functional and senior management and committees.

Hong Kong & GCNA Risk Committee ("HK&GCNARC")

The HK&GCNARC is responsible for ensuring the effective management of risk throughout the Group in support of the Group's strategy. The HK&GCNARC CRO chairs the HK&GCNARC, whose members are drawn from the management team. The Committee determines the overall ERMF for the Group on a consolidated basis, including the delegation of any part of its authorities to appropriate individuals or properly constituted committees.

The HK&GCNARC requests and receives information to fulfil its governance mandates relating to the risks to which the Group is exposed. As with the Board Risk Committee, the HK&GCNARC and ALCO receive reports that include information on risk measures, Risk Appetite metrics and thresholds, risk concentrations, forward-looking assessments, updates on specific risk situations or actions agreed by these committees to reduce or manage risk.

Combined cluster and Hong Kong Asset and Liability Committee ("ALCO")

The Cluster ALCO is chaired by the Cluster Chief Financial Officer. The Cluster ALCO will guide the SCBHK's strategy and ensure that, in executing its strategy, SCBHK operates within internally approved risk appetite and external regulatory requirements relating to Treasury risks, optimises returns and meets internal and external recovery and resolution planning requirements.

Country Pensions Committee

The Chief Executive Officer, supported by an appointed Country Pensions Committee that carries out relevant governance duties, is responsible for the financial risks arising from the defined benefit pension plan for the Group.

Risk profile

The Group manages and controls our Principal Risk Types through distinct risk types frameworks, policies and Board-approved Risk Appetite.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group in accordance with agreed terms. Credit exposures may arise from both the banking and trading books.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. The Group manages its credit exposures following the principle of diversification across products, regions, industry sectors, collateral types and client segments.

The credit quality of the portfolio continues to benefit from steps taken over the last two years, with more recent added focus on the implementation of a more granular risk appetite and active portfolio management.

SC PLC Group-wide credit policies and standards are established and approved by SC PLC's Group Risk Committee ("GRC") or individuals with authority delegated. The GRC oversees the delegation of credit approval and loan impairment provisioning authorities. The principles for the delegation, review and maintenance of credit approval authorities are defined in the Risk Authorities policy. In addition, there are other Group-wide policies integral to credit risk management such as those relating to stress testing, risk measurement and impairment provisioning.

The Hong Kong & GCNARC, as appropriate, approve policies and standards based on those approved by GRC. When approving risk policies and standards, Hong Kong & GCNARC takes into account the requirements of the local Hong Kong regulations and the guidelines issued by the HKMA.

Credit rating and measurement

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 for Corporate & Investment Banking ("CIB") is used. 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.

Wealth and Retail Banking ("WRB") IRB portfolios use application and behaviour credit scores that are calibrated to generate a probability of default and then mapped to the standard alphanumeric credit risk grade system. The Group refers to external ratings from credit bureau, however, the Group does not rely solely on these to determine WRB credit grades.

Advanced IRB models cover a substantial majority of the Group's exposure and are used in assessing risks at customer and portfolio level, setting strategy and optimising the Group's risk-return decisions.

IRB risk measurement models are approved by the Hong Kong & GCNARC, on the recommendation of the Model Assessment Committee ("MAC"). Prior to review by the MAF, all IRB models are validated in detail by a model validation team, which is separate from the teams which develop and maintain the models. Models undergo annual validation by the 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.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk *(continued)*

Credit Approval

The Bank has been locally incorporated since 1 July 2004. Since then, the approval process reflects strategic decisions that are being made in accordance with individual managers' delegated authorities and the terms of reference of appropriate committees. It is recognised that, as a major part of SC PLC, all significant risk decisions emanating from individual countries have an impact to SC PLC, be it regulatory, concentration, strategic, etc. It is therefore recognised that it is essential for SC PLC to consider such transactions to ensure that these issues are included as part of the decision making process. Delegated authorities approved by the Hong Kong & GCNARC are delegated to the key risk managers to ensure that all risk decisions are made within the Group.

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 usually based on the client's credit quality and the repayment capacity from operating cash flows 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. Lending activities that are considered as high risk or non-standard are subjected to stricter minimum requirements and require escalation to a senior credit officer or authorised body.

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 by counterparty or group of connected counterparties based on control and economic dependence criteria. Risk appetite metrics are set at portfolio level and monitored to control concentration, where appropriate, by industry, specific product, tenor, and top 20 client concentration.

Credit concentrations are monitored by the Hong Kong & GCNARC and concentration limits that are material to the Group are reviewed and approved at least annually by the Hong Kong & GCNARC.

Credit monitoring

The Group regularly monitors 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 environmental, political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance.

The Credit Issues Committee ("CIC") meets regularly to assess the impact of external events and trends on the CIB credit risk portfolios and to define and implement the Group's response in terms of appropriate changes to portfolio shape, portfolio and underwriting standards, risk policy and procedures.

Client accounts are placed on Early Alert 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, breach of covenants, non-performance of an obligation within the stipulated period, or there are concerns relating to ownership or management.

Such accounts and portfolios are subjected to a dedicated process overseen by the CIC. Client account strategies and credit grades are re-evaluated. In addition, remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Stressed Asset Risk ("SAR"), the Group's specialist recovery unit.

The WRB Credit Issues Committee ("CIC") is a sub-committee of the Hong Kong & GCNARC. The CIC meets regularly to assess relevant credit matters, which include market developments with direct credit implications, credit policy changes, prominent or emerging credit concerns, portfolio performance monitoring, and mitigating actions.

For WRB exposures, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and considered for lending decisions. Accounts that are past due or charge-off are subject to a collections or recovery process respectively and managed independently by the Risk function & Risk Operation.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk *(continued)*

Credit mitigation

Credit policies set out the key consideration for eligibility, enforceability and effectiveness of credit risk mitigation arrangements. Potential credit losses from any given account, customer 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 types which are eligible for risk mitigation include: cash; account receivables; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; risk participations; guarantees; credit insurance; and standby letters of credit. The Group also enters into collateralised reverse repurchase agreements. Physical collateral, such as property, fixed assets and commodities, and financial collateral must be independently valued, and an active secondary resale market must exist. The collateral must be valued prior to drawdown and regularly thereafter. The valuation frequency is at minimum annual and more frequent valuations are driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. For financial collateral to be eligible for recognition the collateral must be sufficiently liquid, and its value over time sufficiently stable, to provide appropriate certainty as to the credit protection achieved. Risk mitigation benefits may be reduced or removed where the collateral value is not supported by a recent independent valuation.

Documentation must be held to enable the Group to realise the collateral without the cooperation of the obligor in the event that this is necessary.

For certain types of lending, typically mortgages or asset financing where a first charge over the risk mitigant must be attained, the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default. Physical collateral is required to be insured at all times against risk of physical loss or damage.

Collateral values are, where appropriate, adjusted to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of liquidation. Stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks in those portfolios. The Group also seeks to diversify its collateral holdings across asset classes and markets.

Where guarantees, credit insurance, standby letter 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. The main types of guarantors include banks, insurance companies, parent companies, governments and export credit agencies.

Traded Products

Credit risk from traded products derives from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential future market movements. This counterparty credit risk is managed within the Group's overall credit risk appetite for corporate and financial institutions. In addition to analysing potential future movements, the Group uses various single and multi-risk factor stress test scenarios to identify and manage counterparty credit risk across derivatives and securities financing transactions.

Securities

Within CIB, the portfolio limits and parameters for the underwriting and purchase of all pre-defined securities assets to be held for sale are approved by the Group's Excess Approval Committee with support by the Group's Underwriting Committee ("UC"). The Excess Approval Committee is established under the authority of Hong Kong & GCNARC. CIB business operates within set limits, which include country, single issuer, holding period and credit grade limits.

Day to day credit risk management activities for traded securities are carried out by a specialist team within the Risk function whose activities include oversight and approval within the levels delegated by the UC. Issuer credit risk, including settlement and pre-settlement risk, and price risk are controlled by the Risk function.

The UC approves individual proposals to underwrite new corporate security issues for clients. Where an underwritten security is held for a period longer than the target sell-down period, the final decision on whether to sell the position rests within the Risk function.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk *(continued)*

HKFRS 9/IFRS 9 methodology

Approach for determining expected credit losses

Credit loss terminology

Component	Definition
Probability of default ("PD")	The probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. The PD is estimated at a point in time which means it will fluctuate in line with the economic cycle. The term structure of the PD is based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions. 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 cash flows 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 the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of facilities with limits, repayments of principal and interest, and amortization.

To determine the expected credit loss, these components are multiplied together (PD for the reference period (up to 12 months or lifetime) x LGD at the year-end x EAD at the year-end) and discounted to the balance sheet date using the effective interest rate as the discount rate.

Although the HKFRS 9/IFRS 9 models leverage the existing Basel advanced IRB risk components, several significant adjustments are required to ensure the resulting outcome is in line with the HKFRS 9/IFRS 9 requirements.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk *(continued)*

Credit loss terminology *(continued)*

Key differences between regulatory and IFRS expected credit loss models

	Basel advanced IRB Expected Loss (EL)	**HKFRS 9/IFRS 9 Expected credit loss**
Rating philosophy	Mix of point-in-time, through-the-cycle or hybrid	Point-in-time, forward looking
Parameters calibration	Often conservative, due to regulatory floors and downturn and long-run calibration requirements	Unbiased estimate, based on conditions known at the balance sheet date
– PD		Inclusion of forward-looking information and removal of conservatism and bias
– LGD		Removal of regulatory floors, exclusion of non-direct costs
– EAD	Floored at outstanding amount	Recognises ability to have a reduction in exposure from the balance sheet date to the default date
Timeframe	12-month period	Up to 12 months, and lifetime
Discounting applied	Discounting at the weighted average cost of capital to the time of default	Discounting at the effective interest rate (“EIR”) to the balance sheet reporting date

Global HKFRS 9/IFRS 9 expected credit loss models have been developed for the CIB businesses. Given the global nature of these portfolios; these models are global in nature at the base level. However, for some of the most material countries, country-specific models have been developed for the CIB clients.

The calibration of forward-looking information is assessed at a country level to take into account local macroeconomic conditions.

WRB expected credit loss models are country and product specific given the local nature of the WRB business.

For less material WRB loan portfolios, the SC PLC Group has adopted simplified approaches based on historical roll rates or loss rates:

- For medium-sized WRB portfolios, a roll rate model is applied, which 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.

- For smaller WRB 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.

Application of lifetime

Expected credit loss is estimated based on the period over which the Group is exposed to Credit Risk. For the majority of exposures this equates to the maximum contractual period. For retail credit cards and corporate overdraft facilities however, the Group does not typically enforce the contractual period, which can be as short as one day. As a result, the period over which the Group is exposed to Credit Risk for these instruments reflects their behavioural life, which incorporates expectations of customer behaviour and the extent to which Credit Risk management actions curtail the period of that exposure. The average behavioural life for retail credit cards is between 3 and 6 years across our footprint markets.

In 2024, the behavioural life for corporate overdraft facilities was re-estimated using recent data, and it was increased to 36 months.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Key assumptions and judgements in determining expected credit loss

Incorporation of forward-looking information and the impact of non-linearity

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 HKFRS 9/IFRS 9 that the provisions held against potential future credit risk losses should depend not just on the health of the economy today, but should also take account of potential changes to the economic environment in the future. 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 in the future, the computation of expected credit loss incorporates forward-looking information assumptions on the path of economic variables and asset prices that are likely to have an effect on the repayment ability of the Group's clients. For example, economic variables specific to individual countries include economic growth, interest rates, unemployment rates, property prices, and prices of assets that trade on global markets such as oil, industrial metals and other commodities. Less sophisticated approaches, such as loss rate models, do not directly incorporate forward-looking information.

The starting point for the projections of economic variables and asset prices is based on management's view, which underlies the plan to deliver the Group's strategy and ensure that it has sufficient capital over the medium term.

Management's view covers a core set of economic variables and asset prices required to set the strategic plan. To reach the full set of economic variables and asset prices required to compute expected credit loss for all the SC PLC Group's clients in all the SC PLC Group's footprint markets, management's view is augmented with projections from the SC PLC Group's in-house research team and outputs from a range of models that project specific economic variables and asset prices.

Forecast of key macroeconomic variables underlying the expected credit loss calculation

In the Base Forecast – management's view of the most likely outcome - the pace of growth of the world economy is expected to remain broadly unchanged from 2024 at around 3 per cent in 2025. This compares to the average of 3.7 per cent growth for the 10 years prior to COVID-19 (between 2010 and 2019). Support from easing financial conditions and expansionary fiscal policy may be partly offset by protectionist trade policies and still-high interest rates in the US and elsewhere. The US economy is set to moderate in 2025, after a resilient 2024 performance despite elevated interest rates. The euro area continues to struggle with major European economies including Germany and France risk slipping into recession. Asia is relatively healthy, although growth at the regional level is set to moderate slightly in 2025 as both China and India slow. The Middle-East is expected also to remain a bright spot for global growth, with the region's non-oil growth exceeding overall global growth.

The uncertainty around the economic outlook remains elevated. In particular, the change in US Presidency is expected to lead to significant changes in US policies, including new and higher tariffs on key US trading partners. On the geopolitical front, President Trump has said that he would end the wars in Ukraine and the Middle East, which would have far-reaching consequences globally.

While the quarterly Base Forecasts inform the Group's strategic plan, one key requirement of HKFRS 9/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), HKFRS 9/IFRS 9 requires reported ECL to be a probability-weighted ECL, calculated over a range of possible outcomes.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) *Credit risk* *(continued)*

Key assumptions and judgements in determining expected credit loss (continued)

Forecast of key macroeconomic variables underlying the expected credit loss calculation *(continued)*

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.

China's GDP growth is expected to ease slightly to 4.5 per cent in 2025 from 4.8 per cent in 2024. This reflects persistent weakness in the property sector, though it is expected to moderate, external headwinds and low consumer confidence. An uncertain global trade outlook will weigh on sentiment in trade-reliant economies. Recent economic activity may have also been partly driven by front-loading of orders of electronics ahead of potentially negative trade policies in 2025. Similarly, the uncertain external environment and likely trade protectionist measures will limit the upside to growth for both South Korea and Hong Kong who are expected to grow by 2.0% and 2.9% respectively in 2025.

Credit-impaired assets managed by SAR incorporate forward-looking economic assumptions in respect of the recovery outcomes identified and are assigned individual probability weightings. These assumptions are not based on a Monte Carlo simulation but are informed by the base forecast.

Sensitivity of expected credit loss calculation to macroeconomic variables

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

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

The Group faces downside risks in the operating environment related to the uncertainties surrounding the macroeconomic outlook. To explore this, a sensitivity analysis of ECL was undertaken to explore the effect of slower economic recoveries across the Group's footprint markets. Two downside scenarios were considered in particular to explore the current uncertainties over commodity prices. The Global Trade and Geopolitical Trade Tensions (GTGT) scenario is characterised by an escalating trade war between the US and China and other economies. The "Higher for Longer Commodities and Rates" scenario explores the impact from stickier than expected inflation due to persistent shipping disruptions and rise in energy prices amid fears of an escalation of the Middle East conflict.

The total modelled stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately HK$284 million higher under the Higher for Longer Commodities and Trade scenario, and HK$669 million higher under the Global Trade and Geopolitial Tensions 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). Stage 2 exposures as a proportion of stage 1 and 2 exposures would increase from 1.9 per cent in the base case to 2.1 per cent and 3.0 per cent respectively under the Higher for Longer Commodities and Trade and Global Trade and Geopolitial Tensions scenarios. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Sensitivity of expected credit loss calculation to macroeconomic variables (continued)

Under both scenarios, the majority of the increase in ECL in CIB came from the main corporate and CRE portfolios. For the main corporate portfolios, ECL would increase by HK$19 million and HK$112 million for the Higher for Longer Commodities and Trade scenario and Global Trade and Geopolitial Tensions scenarios respectively and the proportion of stage 2 exposures would increase from 3.3 per cent in the base case to 3.5 per cent and 7.2 per cent respectively.

Significant increase in credit risk ("SICR")

Quantitative criteria

SICR is assessed by comparing the risk of default at the reporting date to the risk of default at origination. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria. These quantitative significant deterioration thresholds have been separately defined for each business and where meaningful are consistently applied across business lines.

Assets are considered to have experienced SICR if they have breached both relative and absolute thresholds for the change in the average annualised lifetime probability of default over the residual term of the exposure.

The absolute measure of increase in credit risk is used to capture instances where the 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 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 PDs increase more quickly.

For CIB clients, the quantitative thresholds are a relative 100 per cent increase in PD and an absolute change in PD of between 50 and 100 bps for investment grade and sub-investment grade assets.

For WRB clients, the relative threshold is a 100 percent increase in PD and the absolute change in PD is between 100-350 basis points depending on the product.

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

Debt securities with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other debt securities to stage 2.

Qualitative factors that indicate 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, or through delinquency measures.

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

Notes to the consolidated financial statements continued

33. **Risk management** (continued)

(a) ***Credit risk*** *(continued)*

Significant increase in credit risk ("SICR") (continued)

Quantitative criteria *(continued)*

- 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 PD 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

Qualitative criteria

Qualitative factors that indicate there has been a significant increase in credit risk include processes linked to current risk management.

Backstop

Across all portfolios, accounts that are 30 or more days past due ("DPD") on contractual payments of principal and/or interest that have not been captured by the criteria above are considered to have experienced a significant increase in credit risk.

Expert credit judgement may be applied in assessing significant increase in credit risk to the extent that certain risks may not have been captured by the models or through the above criteria. Such instances are expected to be rare, for example due to events arising close to the reporting date.

CIB clients

Quantitative criteria

Exposures are assessed based on both the absolute and the relative movement in the 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 PDs is non-linear (e.g. a one-notch downgrade in the investment grade universe results in a much smaller 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 still managed by CIB Credit Team. All CIB clients are placed on CG12 when they are 30 DPD unless they are granted a waiver through a strict governance process.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

WRB clients

Material portfolios for which a statistical model has been built are assessed based on both the absolute and relative movement in the PD from origination to the reporting date as described above. For these portfolios, the original lifetime PD term structure is determined based on the original Application Score or Risk Segment of the client.

Qualitative 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, significant increase in credit risk is primarily assessed through the 30 DPD trigger.

Private Banking clients

For Private Banking clients, significant increase in credit risk 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, if these margining requirements have not been met within 30 days of a trigger, significant credit deterioration is assumed to have occurred.

For Class I and Class III assets, 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 5 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

The Bank is utilising the low credit risk simplified approach. All 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.

Qualitative criteria

Debt securities utilise the same qualitative criteria as the CIB client segments, including being placed on Early Alert or being classified as credit grade 12.

Assessment of credit-impaired financial assets

WRB 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. If the loan is paid to current and remains in current for more than 180 days (1 year for forborne loans) the account will be transferred to stage 2.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) *Credit risk (continued)*

Assessment of credit-impaired financial assets (continued)

CIB clients

Credit-impaired accounts are managed by the Group's specialist recovery unit Stressed Asset Group (SAG), which are 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 estimate future cash flows and timing of future recoveries which involve 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

Expected credit loss models are approved by the Hong Kong & GCNARC, on the recommendation of the Model Assessment Forum ("MAF"), who assesses the model for fitness for purpose and adequacy to interpretation of HKFRS 9/IFRS 9 requirements. Prior to review by the MAF, all models used for expected credit loss computation are validated in detail by an independent model validation team, which is separate from the teams which develop and maintain the models. Models undergo annual validation by the model validation team and results are presented to MAF for oversight and recommendation to Hong Kong & GCNARC on decisions for continued use of models.

Key inputs into the calculation and resulting expected credit loss provisions are subject to review and approval by Risk, Finance and Economic Research. Risk and Finance jointly review and approve the expected credit loss provisions and any judgmental override that may be necessary on a quarterly basis.

Expected credit loss for financial assets classified as stages 1, 2 and 3 for each reporting period, as well as material adjustments and overlays are reviewed and approved by Risk and Finance functions. Macroeconomic forecasts are approved via the Credit Issue Committee on a quarterly basis and utilised in the forward-looking expected credit loss computation.

Management overlay

China Commercial Real Estate

Total exposure to China CRE decreased by HK$4 billion to HK$15 billion (31 December 2023: HK$19 billion) mainly from exposure reductions. The proportion of credit impaired exposures increased to 70 per cent (2023: 58 per cent) due to repayments within the non-credit impaired portfolio. The overall provision coverage increased to 87 per cent (2023: 72 per cent), reflecting increased provision charges during the year. The proportion of the loan book rated as Higher Risk increased to 2.8 per cent (2023: 0.3 per cent) primarily due to downgrades during the year.

The Group continues to hold a judgemental management overlay, which decreased by HK$474 million to HK$544 million (2023: HK$1,018 million), reflecting repayments and utilisations during the year.

Notes to the consolidated financial statements continued

33. **Risk management** (continued)

(a) ***Credit risk*** *(continued)*

Management overlay (continued)

China Commercial Real Estate (continued)

	2024		
	China HK$'M	**Hong Kong HK$'M**	**Total HK$'M**
Loans to customers	**2,516**	**12,408**	**14,924**
Off balance sheet	**8**	**311**	**319**
Total as at 31 December 2024	**2,524**	**12,719**	**15,243**
Loans to customers – By Credit quality			
Gross			
Strong	**–**	**93**	**93**
Satisfactory	**1,336**	**2,625**	**3,961**
Higher risk	**93**	**326**	**419**
Credit impaired (stage 3)	**1,087**	**9,364**	**10,451**
Total as at 31 December 2024	**2,516**	**12,408**	**14,924**
Loans to customers – ECL			
Strong	**–**	**–**	**–**
Satisfactory	**(16)**	**(567)**	**(583)**
Higher risk	**–**	**(8)**	**(8)**
Credit impaired (stage 3)	**(489)**	**(8,627)**	**(9,116)**
Total as at 31 December 2024	**(505)**	**(9,202)**	**(9,707)**

	2023		
	China HK$'M	Hong Kong HK$'M	Total HK$'M
Loans to customers	4,555	14,204	18,759
Off balance sheet	328	640	968
Total as at 31 December 2023	4,883	14,844	19,727
Loans to customers – By Credit quality			
Gross			
Strong	257	–	257
Satisfactory	2,645	4,828	7,473
Higher risk	62	–	62
Credit impaired (stage 3)	1,591	9,376	10,967
Total as at 31 December 2023	4,555	14,204	18,759
Loans to customers – ECL			
Strong	–	–	–
Satisfactory	(23)	(1,045)	(1,068)
Higher risk	–	–	–
Credit impaired (stage 3)	(546)	(7,340)	(7,886)
Total as at 31 December 2023	(569)	(8,385)	(8,954)

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Other

In CIB, additional overlays of HK$449 million (2023: nil) have been taken in Hong Kong. The overlay in Hong Kong reflects subdued economic activity and increasing commercial property vacancy rates which contributes to an uncertain outlook that are not yet fully reflected in the credit grades and modelled ECL.

Maximum exposure to credit risk

The maximum exposures to credit risk of on-balance sheet financial instruments, before taking account of any collateral or other credit enhancements is the carrying amount reported on the statement of financial position. For off-balance sheet instruments, the maximum exposure to credit risk, which excludes loan commitments which are unconditionally cancellable, is the contractual nominal amounts as set out below:

	2024 **HK$'M**	2023 HK$'M
Financial guarantees and other credit related contingent liabilities	**76,204**	77,974
Loan commitments and other credit related commitments	**154,465**	152,407
	230,669	230,381

The requirement for collateral is not a substitute for the ability to pay. However, it is an important consideration for any lending decisions. In determining the financial effect of collateral held against loans neither past due nor credit impaired, the Group has assessed the significance of the collateral held in relation to the type of lending.

(i) Loans and advances

Loans not credit impaired

In CIB, the Group has HK$385,425 million (2023: HK$453,154 million) of corporate exposures that are not credit impaired. Based on the fair value of the collateral held, 21% (2023: 20%) of these exposures are secured by collateral.

The Group also undertakes collateralised lending and borrowing (reverse repos and repos) arrangements, and the collateral held against these types of loans are set out in note 35 to the financial statements.

Repossessed collateral

As at 31 December, the amount of assets obtained by taking possession of collateral held as security was as follows:

	2024 **HK$'M**	2023 HK$'M
Property, plant and equipment	**132**	61

Loan collateral acquired from borrowers due to restructuring or their inability to repay, continues to be recorded as "Loans and advances to customers" in the consolidated statement of financial position at the lower of fair value (less costs to sell) and the carrying amount of the loan (net of any impairment allowances), until the collateral is realised.

Repossessed collaterals obtained are intended to be realised in an orderly fashion to repay the impaired loans and are not held for the own use of the Group.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

(ii) 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. However, for trade finance products such as letters of credit, the Group will normally hold legal title to the underlying assets should a default take place.

Credit quality

Loans and advances

The following table sets out an analysis of the credit quality for loans and advances.

Mapping of credit quality

The group uses the following internal risk mapping to determine the credit quality for loan.

	Corporate & Investment Banking	*Private Banking*[1]	*Wealth and Retail Banking*
Credit quality description	*Default grade mapping*	*Internal ratings*	*Number of days past due*
Strong	Grade 1-5	Class I and Class IV	Current loans (neither past due nor impaired)
Satisfactory	Grade 6-11	Class II and Class III	Loans past due till 29 days
Higher Risk	Grade 12	SAG and SAR 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.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Credit quality (continued)

Loans and advances (continued)

	2024		2023	
	Loans and advances to customers HK$'M	Loans and advances to banks HK$'M	Loans and advances to customers HK$'M	Loans and advances to banks HK$'M
Stage 1				
– Strong	803,738	133,843	867,747	159,194
– Satisfactory	122,707	26,514	123,562	12,850
Stage 2				
– Strong	8,244	5	10,826	11
– Satisfactory	16,294	31	15,937	12
– Higher risk	1,389	–	1,092	–
of which (stage 2):				
– Less than 30 days past due	637	–	879	–
– More than 30 days past due	854	–	884	–
Stage 3, credit impaired	16,346	24	16,016	24
Gross loans and advances	968,718	160,417	1,035,180	172,091

Debt securities

The following table analyses debt securities (including certificates of deposit) and treasury bills. The standard credit ratings used by the Group are those used by Standard & Poor's or their equivalent. Debt securities held which have a short-term rating are reported against the long-term rating of the issuer.

	2024		2023	
	Treasury bills HK$'M	Other debt securities HK$'M	Treasury bills HK$'M	Other debt securities HK$'M
AAA	2,552	127,901	14,704	120,541
AA- to AA+	72,087	160,689	80,150	160,781
A- to A+	12,447	321,724	39,295	258,673
Lower than A-	–	17,956	–	15,749
Unrated	–	10,478	–	11,073
Total	87,086	638,748	134,149	566,817

Movement in credit impairment

The table below sets out the movement in gross exposures and credit impairment by stage in respect of loans and advances to customers. Gross exposures in this context means the balance sheet amount outstanding, together with undrawn committed facilities and undrawn cancellable facilities relating to overdrafts and credit cards.

Impairment allowances on loans to banks, debt securities and financial guarantees are not material to the Group.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) *Credit risk (continued)*

***Movement in credit impairment** (continued)*

The table is an aggregate of monthly movements. Transfers between stages are deemed to occur at the beginning of a month and therefore amounts transferred net to zero. The re-measurement of expected credit loss resulting from a change in stage is reported within the profit and loss line of the stage in which they are transferred to.

Loans and advances to customers

	2024											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance HK$M	Total credit impairment HK$M	Net carrying amount HK$M	Gross balance HK$M	Total credit impairment HK$M	Net carrying amount HK$M	Gross balance HK$M	Total credit impairment HK$M	Net carrying amount HK$M	Gross balance HK$M	Total credit impairment HK$M	Net carrying amount HK$M
As of 1 January 2024	991,309	(1,818)	989,491	27,855	(1,774)	26,081	16,016	(10,165)	5,851	1,035,180	(13,757)	1,021,423
Net transfers between stages	(34,682)	(1,028)	(35,710)	29,502	1,569	31,071	5,180	(541)	4,639	–	–	–
Net changes in exposure	9,501	(841)	8,660	(30,155)	(15)	(30,170)	(809)	56	(753)	(21,463)	(800)	(22,263)
Changes in models	–	–	–	–	–	–	–	–	–	–	–	–
Changes in risk parameters	–	1,310	1,310	–	(1,218)	(1,218)	–	(3,438)	(3,438)	–	(3,346)	(3,346)
Net re-measurement from stage change	–	484	484	–	(587)	(587)	–	(420)	(420)	–	(523)	(523)
Discount unwind	–	–	–	–	–	–	–	222	222	–	222	222
Written offs	–	–	–	–	–	–	(4,103)	4,103	–	(4,103)	4,103	–
Exchange translation difference and other movements	(39,683)	45	(39,638)	(1,275)	27	(1,248)	62	(1,437)	(1,375)	(40,896)	(1,365)	(42,261)
As at 31 December 2024	926,445	(1,848)	924,597	25,927	(1,998)	23,929	16,346	(11,620)	4,726	968,718	(15,466)	953,252
Income statement ECL release/(charge)		953			(1,820)			(3,802)			(4,669)	
Recoveries of amounts previously written off		–			–			648			648	
Total credit impairment release/(charge)		953			(1,820)			(3,154)			(4,021)	

Notes to the consolidated financial statements continued

33. Risk management (continued)

(a) Credit risk (continued)

Loans and advances to customers *(continued)*

	2023											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance HK$M	Total credit impairment HK$M	Net carrying amount HK$M	Gross balance HK$M	Total credit impairment HK$M	Net carrying amount HK$M	Gross balance HK$M	Total credit impairment HK$M	Net carrying amount HK$M	Gross balance HK$M	Total credit impairment HK$M	Net carrying amount HK$M
As of 1 January 2023	1,146,290	(2,266)	1,144,024	41,773	(2,013)	39,760	12,824	(6,861)	5,963	1,200,887	(11,140)	1,189,747
Net transfers between stages	(48,790)	(743)	(49,533)	41,953	1,062	43,015	6,837	(319)	6,518	–	–	–
Net changes in exposure	(98,730)	(105)	(98,835)	(55,573)	59	(55,514)	(1,239)	1,447	208	(155,542)	1,401	(154,141)
Changes in models	–	–	–	–	–	–	–	–	–	–	–	–
Changes in risk parameters	–	940	940	–	(134)	(134)	–	(6,171)	(6,171)	–	(5,365)	(5,365)
Net re-measurement from stage change	–	385	385	–	(725)	(725)	–	(411)	(411)	–	(751)	(751)
Discount unwind	–	–	–	–	–	–	–	39	39	–	39	39
Written offs	–	–	–	–	–	–	(2,438)	2,438	–	(2,438)	2,438	–
Exchange translation difference and other movements	(7,461)	(29)	(7,490)	(298)	(23)	(321)	32	(327)	(295)	(7,727)	(379)	(8,106)
As at 31 December 2023	991,309	(1,818)	989,491	27,855	(1,774)	26,081	16,016	(10,165)	5,851	1,035,180	(13,757)	1,021,423
Income statement ECL release/(charge)		1,220			(800)			(5,135)			(4,715)	
Recoveries of amounts previously written off		–			–			335			335	
Total credit impairment release/(charge)		1,220			(800)			(4,800)			(4,380)	

Notes to the consolidated financial statements continued

33. Risk management (continued)

(b) Traded Risk

Traded Risk is the potential for loss resulting from activities undertaken by the Bank in financial markets.

Mitigation

Traded Risk limits are defined at a level which ensures that the Group remains within Risk Appetite. 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 are reviewed and approved by the Global Head, TRM. The Group will adopt group policies where feasible with ongoing Hong Kong &GCNARC review annually to ensure their ongoing effectiveness and sustainability.

Governance committee oversight

At the Board level, the Board Risk Committee oversees the effective management of Traded Risk. At the executive level, the Group Risk Committee delegates responsibilities to the HK & GCNA RC") to act as the primary risk governance body for Traded Risk. Hong Kong & GCNARC further delegates stress testing and model risk to the Stress Testing Committee for stress testing and the Model Risk Committee for model risk.

For subsidiaries, authority for setting Traded Risk Limits is delegated from the local Board to the local risk committee, Chief Risk Officer and Traded Risk managers. Meetings are held regularly, and the committees monitor all material Traded Risk exposures, as well as key internal developments and external trends, and ensure that appropriate action is taken.

Decision-making authorities and delegation

Traded Risk authorities are reviewed at least annually to ensure 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.

All material Traded Risks 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.

Monitoring

TRM monitors the overall portfolio risk and ensures that it is within specified limits and therefore Risk Appetite. Limits are typically reviewed twice a year.

Most of the Traded Risk exposures are monitored daily against approved limits. Traded Risk limits apply at all times, unless separate intra-day limits have been set. Limit excess approval decisions are based on an assessment of the circumstances driving the excess and of the proposed remediation plan. Limits and excesses can only be approved by a Traded Risk manager with the appropriate delegated authority.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(b) Traded Risk *(continued)*

Market Risk

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

- Trading book:

  - The Group provides clients access to financial markets, facilitation of which entails the Group taking moderate market risk positions. All trading teams support client activity. There are no proprietary trading teams. Hence, income earned from market risk related activities is primarily driven by the volume of client activity.

- 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 foreign currencies. To the extent that these income streams are not hedged, the Group is subject to Structural Foreign Exchange Risk which is reflected in reserves.

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

- 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 and implied volatilities on equity options

Value at Risk ("VaR")

The Group uses a Value at Risk (VaR) model to measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities. VaR is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

For day-to-day risk management, VaR is calculated as at the close of business for expected movements over one business day and to a confidence level of 97.5 percent. Intra-day risk levels may vary from those reported at the end of the day.

The Group applies two VaR methodologies:

- Historical simulation: This approach is applied for general Market Risk factors and the majority of specific (credit spread) risk factors. Starting in January 2025 an enhanced VaR model, called Volatility Scaling VaR (VSV) will be implemented, where risk factors' returns are scaled to reflect historical volatility. This model is more responsive to volatility changes observed in the market.

- 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 capturing the idiosyncratic credit spread risk factors.

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 (RNIVs) are subject to capital add-ons.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(b) Traded Risk (continued)

The Group applies two VaR methodologies: *(continued)*

Trading and Non-trading (VaR at 97.5%, 1 day)

Value at risk:	2024				2023			
	Average HK$'M	**High** HK$'M**	**Low** HK$'M**	**Actual* HK$'M**	Average HK$'M	High** HK$'M	Low** HK$'M	Actual* HK$'M
Total	**181.7**	**228.6**	**143.1**	**153.6**	177.7	242.4	105.2	192.9

Trading (VaR at 97.5%, 1 day)

Value at risk:	2024				2023			
	Average HK$'M	**High** HK$'M**	**Low** HK$'M**	**Actual* HK$'M**	Average HK$'M	High** HK$'M	Low** HK$'M	Actual* HK$'M
Interest rate risk	**68.7**	**86.6**	**55.5**	**58.8**	62.4	106.4	34.1	59.0
Foreign exchange risk	**19.0**	**37.2**	**10.4**	**24.5**	18.6	37.8	7.3	21.4
Credit spread risk	**31.1**	**36.9**	**25.9**	**28.5**	35.4	46.9	26.0	33.2
Total^	**91.2**	**122.6**	**70.3**	**82.7**	75.7	134.6	40.4	82.0

Non-trading (VaR at 97.5%, 1 day)

Value at risk:	2024				2023			
	Average HK$'M	**High** HK$'M**	**Low** HK$'M**	**Actual* HK$'M**	Average HK$'M	High** HK$'M	Low** HK$'M	Actual* HK$'M
Interest rate risk^^	**123.2**	**157.6**	**97.5**	**109.6**	136.8	167.7	88.7	138.6

* Actual one day VaR at period end date.
** Highest and lowest VaR for each risk factor are independent and usually occur on different days.
^ Total Trading VaR shown in the tables above is not a sum of the component risks due to offsets between them.
^^ Includes credit spread risk arising from fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI") securities.

Total trading VaR includes Equity and Commodity risks which are immaterial in exposure.

Market risk changes

The global central banks shifted into easing cycle last year as inflation was slowing down. However, the impact of rate cuts on global growth in the coming year may be limited by the potential global trade war.

Management VaR allows SCB to manage the market risk across the trading book and most of the fair valued non-trading books. In September 2024, China's central bank unveiled the most aggressive stimulus package to revive the economy since the pandemic, the market reacted positively with a sharp rally in the bond and equity market. As a result, the trading book VaR has hit a high level as the stimulus measures have introduced additional market volatility into our portfolio. Furthermore, the diversification benefits were not high in the VaR as the risk exposures were similar across major currencies.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(b) Traded Risk (continued)

Risks not in VaR

In 2024, the main market risks not reflected in VaR were:

- Basis risks for which the historical market price data is limited and is therefore proxied, giving rise to potential proxy basis risk that is not captured in VaR.

Counterparty credit risk

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

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.

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 or other eligible collateral includes collateral called under a variation margin process from counterparties if total uncollateralized 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.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(c) *Foreign exchange risk*

Foreign exchange trading exposures are principally derived from customer driven transactions.

Foreign exchange risk in the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency. The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority.

The Group had the following non-structural foreign currency positions which exceeded 10% of the net non-structural position in all foreign currencies:

	2024 HK$'M	2023 HK$'M
US dollars exposure		
Spot assets	838,233	754,238
Spot liabilities	(986,236)	(909,430)
Forward purchases	3,135,810	2,693,851
Forward sales	(2,978,265)	(2,530,214)
Net option position	844	3,667
Net long/(short) non-structural position	10,386	12,112

	2024 HK$'M	2023 HK$'M
Chinese Renminbi exposure		
Spot assets	854,549	751,861
Spot liabilities	(659,845)	(680,905)
Forward purchases	2,402,892	1,686,161
Forward sales	(2,602,957)	(1,760,666)
Net option position	(56)	(2,914)
Net short non-structural position	(5,417)	(6,463)

	2024 HK$'M	2023 HK$'M
South Korean Won exposure		
Spot assets	427,718	473,872
Spot liabilities	(382,184)	(428,442)
Forward purchases	1,134,635	1,089,970
Forward sales	(1,181,888)	(1,138,354)
Net option position	(1,003)	(939)
Net (short)/long non-structural position	(2,722)	(3,893)

The Group had the following structural foreign currency positions which exceeded 10% of the net structural position in all foreign currencies:

	2024 HK$'M	2023 HK$'M
Chinese Renminbi	25,587	24,265
US dollars	29,034	27,676
South Korean Won	14,460	18,719
	69,081	70,660

Notes to the consolidated financial statements continued

33. Risk management (continued)

(d) Interest rate risk in the banking book

The Group defines Interest Rate Risk In The Banking Book ("IRRBB") as the potential for a reduction in future earnings or economic value due to changes in interest rates. The risk arises from differences in the repricing profile, interest rate basis, and optionality of banking book assets, liabilities and off-balance sheet items. IRRBB represents an economic and commercial risk to the Group and its capital adequacy. The Group monitors IRRBB in line with the HKMA Supervisory Policy Manual on "Interest Rate Risk Management". As at 31 December 2024, the IRRBB metric remained within the regulatory threshold.

(e) Liquidity and Funding risk

Liquidity and Funding risk is the risk that we may not have sufficient stable or diverse sources of funding to meet our obligations as they fall due.

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

The Group achieves this through a combination of setting risk appetite and associated limits, policy formation, risk measurement and monitoring, prudential and internal stress testing, governance and review.

Since the beginning of the year there were no significant changes in the bank's liquidity risk policies.

Primary sources of funding

The Group's funding strategy is largely driven by its policy to maintain adequate liquidity at all times, in all geographic locations and for all currencies, and hence to be in a position to meet all obligations as they fall due. The Group's funding profile is therefore well diversified across different sources, maturities and currencies.

A substantial portion of our assets are funded by customer deposits, aligned with our policy to fund customer assets predominantly using customer deposits. Wholesale funding is diversified by type and maturity and represents a stable source of funds for the Group.

The Group maintains access to wholesale funding markets in all major financial centres in which the Group operates. This seeks to ensure that the Group has market intelligence, maintains stable funding lines and can obtain optimal pricing when performing its interest rate risk management activities.

Liquidity risk management

The Treasury Liquidity and Finance Functions, as first line of defence, are jointly responsible for developing and performing necessary risk management activities in a risk type framework for liquidity risk and for complying with regulatory requirements in the countries in which the Group operates. The Treasury Risk is accountable, as the second line of defence, for providing independent challenge and oversight of the risk type framework and first line risk management activities relating to liquidity risk.

The Group develops and adopts policies to address material liquidity risks and aims to maintain its risk profile within the Group's Risk Appetite. In order to do this, metrics are set against the respective risk types. Where appropriate, Risk Appetite metrics are cascaded down to countries. The Group maintains a Recovery Plan which is a live document to be used by management in the event of stress in order to restore the Group to a stable and sustainable position. The Recovery Plan includes a set of Recovery Indicators, an escalation framework and a set of management actions capable of being implemented in a stress. A Recovery Plan is also maintained within each major country subsidiary.

At Group and country level, the Group implements various business-as-usual and stress risk measures and monitors these against limits and management action triggers. 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. A funding plan is also developed for efficient liquidity projections to ensure the Group is adequately funded in required currencies to meet its obligations and client funding needs.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(e) Liquidity and Funding risk (continued)

Governance

At the Board level, the Board Risk Committee oversees the effective management of liquidity risk. At the executive level, the Regional Asset and Liability Committee ensures the effective management of risk throughout the Group in support of the Group's strategy, guides the Group's strategy on balance sheet optimization and ensures that the Group operates within the internally approved Risk Appetite and other internal and external liquidity requirements.

Country oversight under the liquidity framework resides with country Asset and Liability Committees. Countries must ensure that they remain in compliance with Group liquidity policies and practices, as well as local regulatory requirements.

Monitoring

On a day-to-day basis, the management of liquidity is performed by Treasury Markets. The Group regularly reports and monitors liquidity risks inherent in its business activities and those that arise from internal and external events. The management of liquidity is monitored by Treasury Liquidity and Finance with appropriate escalation processes in place.

Internal risk management reports covering the balance sheet and the liquidity position of the Group are presented to Regional Asset and Liability Committee. The reports contain key information on balance sheet trends, exposures against Risk Appetite and supporting risk measures which enable members to make informed decisions around the overall management of the Group's balance sheet. Oversight at a country level is provided by the country Asset and Liability Committee, with a focus on the local liquidity risks, local prudential requirements and risks that arise from local internal and external events.

Liquidity and Funding risk metrics

The Group monitors key liquidity metrics regularly, both on a country basis and in aggregate across the Group.

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

Liquidity Coverage Ratio ("LCR")

The LCR is a regulatory requirement set to ensure that the Group has sufficient unencumbered high-quality liquid assets to meet its liquidity needs in a 30-calendar-day liquidity stress scenario.

The Group monitors and reports its liquidity position in line with the Banking (Liquidity) Rules issued by the HKMA and has maintained its liquidity position above the prudential requirement.

Stress Coverage

The Group intends to maintain a prudent and sustainable funding and liquidity position, in all countries and currencies, such that it can withstand a severe but plausible liquidity stress.

The Group's approach to managing liquidity and funding risk is reflected in the following Board-level Risk Appetite Statement:

"The Group should hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support."

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

Standard Chartered-specific – This scenario captures the liquidity impact from an idiosyncratic event affecting Standard Chartered only i.e. the rest of the market is assumed to operate normally.

Market-Wide – This scenario captures the liquidity impact from a market-wide crisis affecting all participants in a country, region or globally.

Combined – This scenario assumes both Standard Chartered-specific and Market-Wide events affecting the Group simultaneously and hence 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 the Group's credit rating.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(e) Liquidity and Funding risk *(continued)*

Stress Coverage *(continued)*

Stress testing results show that a positive surplus was maintained under all scenarios at 31 December 2024 i.e. respective countries are able to survive for a period of time as defined under each scenario. The combined scenario at 31 December 2024 showed the Group maintained liquidity resources to survive greater than 60 days, as per the Group's Board Risk Appetite. The results take into account currency convertibility and portability constraints across all major presence countries.

The Group's credit ratings as at 31 December 2024 were A+ with stable outlook (S&P) and A1 with stable outlook (Moody's). A downgrade in the Group's long-term credit ratings would increase derivative collateral requirements and outflows due to rating-linked liabilities. The impact of a two-notch long term ratings downgrade has a minimal impact on the Group's derivatives collateral requirements.

External wholesale borrowing

The Board sets a risk limit to prevent excessive reliance on wholesale borrowing. Limits are applied to all operating subsidiaries in the Group and as at the reporting date the Group remained within Board Risk Appetite.

Advances-to-deposits ratio

This is defined as the ratio of total loans and advances to customers relative to total customer deposits. An advances-to-deposits ratio of below 100 percent demonstrates that customer deposits exceed customer loans as a result of the emphasis placed on generating a high level of funding from customers.

	2024 **HK$'M**	2023 HK$'M
Loans and advances to customers	**953,252**	1,021,423
Customer accounts	**1,763,250**	1,808,547
Advances-to-deposits ratio	**54.1%**	56.5%

Net stable funding ratio ("NSFR")

The Group monitors and reports the NFSR in line with the Banking (Liquidity) Rules issued by the HKMA.

The NSFR is a balance sheet metric which requires institutions to maintain a stable funding profile in relation to the characteristics 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 the 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. At the last reporting date, the Group NSFR remained above 100 percent.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(e) Liquidity and Funding risk (continued)

Maturity profiles

(i) 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 cash flow.

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

	2024							
	Repayable on demand HK$'M	Due within 1 month HK$'M	Due between 1 month to 3 months HK$'M	Due between 3 months to 1 year HK$'M	Due between 1 year to 5 years HK$'M	Due after 5 years HK$'M	Undated HK$'M	Total HK$'M
Assets								
Cash and balances at central banks	51,951	–	–	–	–	–	–	51,951
Loans and advances to banks	11,332	73,843	63,972	47,707	13,390	6,348	–	216,592
Hong Kong SAR Government certificates of indebtedness	–	–	–	–	–	–	49,451	49,451
Derivative financial instruments	6	14,523	15,967	44,561	19,721	3,660	–	98,438
Investment securities	119	42,217	78,218	240,759	232,542	155,968	1,614	751,437
Loans and advances to customers	4,009	124,521	125,896	159,233	223,106	445,582	–	1,082,347
Amounts due from immediate holding company	–	–	–	208	–	–	–	208
Amounts due from fellow subsidiaries	117,942	21,642	6,887	22,219	23,652	21,780	-	214,122
Others	10,089	28,401	33,852	2,911	516	19	28,698	104,486
Total Assets	195,448	305,147	324,792	517,598	512,927	633,357	79,763	2,569,032
Liabilities								
Hong Kong SAR currency notes in circulation	–	–	–	–	–	–	49,451	49,451
Deposits by banks	20,194	3,726	1,554	2,567	446	–	–	28,487
Customer accounts	1,044,798	180,648	91,168	153,100	374,920	17,148	–	1,861,782
Derivative financial instruments	–	12,583	13,217	35,095	19,522	3,495	–	83,912
Debt securities in issue	–	490	2,798	10,528	6,673	6,231	–	26,720
Amounts due to immediate holding company	759	–	–	–	20,685	22,284	–	43,728
Amounts due to fellow subsidiaries	3,056	48,335	7,462	16,205	44,929	14,966	–	134,953
Others	424	2,530	100,844	25,998	6,847	261	10,240	147,144
of which: Lease liabilities	–	362	433	148	2,363	875	–	4,181
Total Liabilities	1,069,231	248,312	217,043	243,493	474,022	64,385	59,691	2,376,177

Loans and advances to banks, investment securities, loans and advances to customers, deposits by banks, customer accounts and debt securities in issue included balances recognised at fair value through profit or loss.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(e) Liquidity and Funding risk (continued)

***Maturity profiles** (continued)*

(i) Contractual maturity of assets and liabilities (continued)

	2023							
	Repayable on demand HK$'M	Due within 1 month HK$'M	Due between 1 month to 3 months HK$'M	Due between 3 months to 1 year HK$'M	Due between 1 year to 5 years HK$'M	Due after 5 years HK$'M	Undated HK$'M	Total HK$'M
Assets								
Cash and balances at central banks	43,839	–	–	–	–	–	–	43,839
Loans and advances to banks	16,991	70,105	72,818	44,394	2,836	–	–	207,144
Hong Kong SAR Government certificates of indebtedness	–	–	–	–	–	–	51,281	51,281
Derivative financial instruments	–	9,430	10,217	13,028	11,578	3,090	–	47,343
Investment securities	–	46,383	126,236	246,732	199,252	82,160	12,958	713,721
Loans and advances to customers	17,355	176,862	116,500	151,845	182,506	479,618	–	1,124,686
Amounts due from immediate holding company	–	–	–	–	9	–	–	9
Amounts due from fellow subsidiaries	134,651	22,705	8,118	13,773	22,796	9,608	–	211,651
Others	42,583	24,183	34,522	1,956	1,498	22	30,257	135,021
Total Assets	255,419	349,668	368,411	471,728	420,475	574,498	94,496	2,534,695
Liabilities								
Hong Kong SAR currency notes in circulation	–	–	–	–	–	–	51,281	51,281
Deposits by banks	25,981	11,116	2,123	3,877	670	–	–	43,767
Customer accounts	1,106,471	175,649	102,758	176,083	304,514	16,554	–	1,882,029
Derivative financial instruments	–	10,960	11,166	19,654	15,588	2,917	–	60,285
Debt securities in issue	–	1,136	5,087	21,549	13,489	2,520	–	43,781
Amounts due to immediate holding company	459	–	–	–	20,517	17,873	–	38,849
Amounts due to fellow subsidiaries	24,333	5,356	2,783	38,015	19,434	16,370	–	106,291
Others	12,073	23,381	44,153	20,787	5,819	1,081	14,480	121,774
of which: Lease liabilities	–	459	342	65	1,916	830	–	3,612
Total Liabilities	1,169,317	227,598	168,070	279,965	380,031	57,315	65,761	2,348,057

Loans and advances to banks, investment securities, loans and advances to customers, deposits by banks, customer accounts and debt securities in issue included balances carried at fair value through profit or loss.

(ii) Behavioural maturity of financial assets and liabilities

The cash flows presented in previous section reflect the cash flows 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 cash flow. 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.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(e) *Liquidity and Funding risk (continued)*

***Maturity profiles** (continued)*

(iii) Maturity of financial liabilities on an undiscounted basis

The following tables analyses the contractual cash flows payable for the Group's financial liabilities by remaining contractual maturities on an undiscounted basis. The financial liability balances in the tables below will not agree to the balances reported in the consolidated balance sheet as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Within the 'Undated' maturity band are undated financial liabilities, 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.

	2024							
	Repayable on demand HK$'M	Due within 1 month HK$'M	Due between 1 month to 3 months HK$'M	Due between 3 months to 1 year HK$'M	Due between 1 year to 5 years HK$'M	Due after 5 years HK$'M	Undated HK$'M	Total HK$'M
Liabilities								
Deposits by banks	20,220	3,746	1,569	2,587	446	–	–	28,568
Customer accounts	1,048,197	181,549	92,090	155,828	376,226	22,823	–	1,876,713
Derivative financial instruments[1]	–	12,583	13,217	35,095	19,522	3,495	–	83,912
Debt securities in issue	–	510	2,835	10,630	6,784	8,914	–	29,673
Amounts due to immediate holding company	759	101	203	911	24,545	23,705	–	50,224
Amounts due to fellow subsidiaries	3,055	48,596	7,476	16,268	45,188	14,966	–	135,549
Others	424	2,530	95,779	25,998	6,847	261	59,691	191,530
Total Liabilities	1,072,655	249,615	213,169	247,317	479,558	74,164	59,691	2,396,169

	2023							
	Repayable on demand HK$'M	Due within 1 month HK$'M	Due between 1 month to 3 months HK$'M	Due between 3 months to 1 year HK$'M	Due between 1 year to 5 years HK$'M	Due after 5 years HK$'M	Undated HK$'M	Total HK$'M
Liabilities								
Deposits by banks	26,030	11,154	2,172	3,917	670	–	–	43,943
Customer accounts	1,107,433	176,893	104,222	180,593	307,257	21,767	–	1,898,165
Derivative financial instruments[1]	–	10,960	11,166	19,654	15,588	2,917	–	60,285
Debt securities in issue	–	1,166	5,144	21,722	13,896	3,291	–	45,219
Amounts due to immediate holding company	458	97	194	871	24,581	19,105	–	45,306
Amounts due to fellow subsidiaries	24,333	6,963	2,811	38,155	19,820	16,474	–	108,556
Others	12,073	13,400	44,153	20,787	5,819	1,081	65,761	163,074
Total Liabilities	1,170,327	220,633	169,862	285,699	387,631	64,635	65,761	2,364,548

[1] Derivatives are on a discounted basis.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(f) Operational & Technology risk

The Group defines Operational & Technology risk as the potential for loss resulting from inadequate or failed internal processes, technology events, systems, human error, or from the impact of external events (including legal risks). The potential for operational risk events to occur is a constant challenge as operational risk arises from all activities carried out within the Group. To address this the Group maps risks across the Group at a process level with controls installed to mitigate these risks. The Group benchmarks practices against peers and regulatory requirements.

Operational Risk Governance

The formation of Operational, Technology and Cyber Risk (OTCR) team in 2024 in the second line of defense function integrates the oversight of the bank's Operational & Technology risk, and Information and Cyber Security Risk (ICS).

The Hong Kong & GCNARC provides oversight of operational risk management across GCNA. They are supported by country level forums and sub-committees including the Business/Function Risk Forums, Operational Risk & Resilience Committee, to oversee operational risks arising from businesses and functions, internal and external fraud, third party risk management, data quality management, and Operational Resilience respectively.

Risk Appetite approach

Operational & Technology risk is managed to achieve the Risk Appetite Statement approved by the Board. The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any losses related to conduct of business matters, do not cause material damage to the Group's franchise.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(f) Operational & Technology risk *(continued)*

Risk classification

Operational & Technology Risk sub-types are the different ways that the Group may be operationally exposed to loss. The Group uses operational & technology risk sub-types principally as an aid to ensure comprehensive and consistent identification of operational risks, wherever they may arise. Operational & Technology risk sub-types are listed in the table:

Operational & Technology Risk Sub-Types

Execution Capability	Transaction processing	Potential for loss due to failure in the design or execution of client facing transactions.
	Product Management	Potential for loss due to the failure to design and/or meet product management standards and product-related regulatory requirements.
Operational Resilience	Client service resilience	Potential for loss or adverse impact due to failures in design or maintenance of appropriate resilience measures for client services and underlying infrastructure and controls to withstand operational disruptions.
	Technology risk	Potential for loss or adverse impact due to technology failures (including hardware, software and networks).
	Change management	Potential for loss or adverse impact due to failures to manage project related change.
	People management	Potential for loss due to the failure to meet standards for people management including relevant regulations (e.g. employment, remuneration and benefits).
	Safety and security	Potential for loss or damage due to failure to create a safe, secure, and healthy environment for staff and clients. This risk considers both the protection of property and physical assets, health and safety standards, and resilience requirements.
Governance	Corporate governance	Potential for loss due to: (i) non-compliance with relevant laws, regulations, ordinances, market guidance, corporate governance codes and exchange listing requirements relating to corporate administration and board governance, OR, (ii) failure to have an appropriate framework for the delegation of authority from the board of an entity. Any risks from non-compliance with listing rules relating to remuneration, financial reporting, tax and capital requirements, or with company laws and regulations relating to financial records or reporting are outside the scope of this risk sub-type.
	Enterprise Risk Governance	Potential for loss or adverse impact due to the failure or ineffective implementation of the principles and standards for enterprise risk management framework.
Reporting and Obligations	Financial books and records	Potential for loss or adverse impact due to failure to comply with laws and regulations for financial books and records.
	Financial Regulatory Reporting	Potential for loss or adverse impact due to failure to comply with applicable financial regulatory reporting laws and regulations.
	Tax obligations	Potential for loss or adverse impact due to failure to comply with laws and regulations for tax.
Legal enforceability		The potential for loss due to difficulty in enforcing the Group's contractual rights.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(g) Environmental, Social and Governance and Reputational (ESGR) Risk

The Group defines ESGR as Potential or actual adverse impact on the environment and/or society, the Group's financial performance, operations, or the Group's name, brand or standing, arising from environmental, social or governance factors, or as a result of the Group's actual or perceived actions or inactions.

Risk Appetite Statement

The Group aims to measure and manage financial and non-financial risks arising from climate change, reduce emissions in line with our net zero strategy and protect the Group from material reputational damage by upholding responsible conduct and striving to do no significant environmental and social harm.

ESGR continues to be an area of growing importance, driving a need for strategic transformation across business activities and risk management to ensure that we uphold the principles of Responsible Business Conduct and continue to do the right thing for our stakeholders, the environment and affected communities. Our policy frameworks and Position Statements integrate our values into our core working practices by articulating our approach to clients in sensitive sectors and our commitments to climate change and human rights. We continue to progress on our transformation agenda, driving the Bank's Net Zero commitments and building a leading sustainable franchise. Our progress to date includes the setting of public Net Zero targets, leadership in voluntary carbon markets, and ongoing support of innovation in green, transition, and social finance.

The growth of Sustainable Finance products offering across the banking industry has prompted stronger and more robust regulations to prevent greenwashing. We are moving quickly to integrate anti-greenwashing policies, standards and controls into our risk management activities. As we prepare for the varying regulatory developments across our footprint, we continue to invest in data and infrastructure to reinforce our compliance efforts and are actively engaging with several of our regulatory super visors.

Roles and responsibilities

The Hong Kong & GCNA CRO with delegation to Head of Enterprise Risk Management, Hong Kong & SCBHK Group is the Risk Framework Owner for ESGR under the SCB Group's Enterprise Risk Management Framework. They constitute the second line of defence, overseeing and challenging the first line of defence, which resides with the Hong Kong & GCNA Chief Executive Officer, Business Heads, Product Heads and Function Heads in respect of risk management activities of reputational and sustainability-related risks respectively.

In the first line of defence, the SCB Group has appointed a Chief Sustainability Officer ("CSO") whose remit spans across both Sustainability strategy and client solutions. Reporting to the CSO is our Sustainability Strategy team, who manages the overall Group Sustainability strategy and engagement. On client solutions, the Sustainable Finance team is responsible for pan-bank sustainable finance products and frameworks to help identify green and sustainable finance and transition finance opportunities to aid our clients on their sustainability journey. Furthermore, the Environmental and Social Risk Management team ("ESRM") provides dedicated advisory and challenge to businesses on the management of environmental and social risks and impacts arising from the Group's client relationships and transactions.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(g) *Environmental, Social and Governance and Reputational (ESGR) Risk* *(continued)*

Mitigation

In line with the principles of Responsible Business Conduct and Do No Significant Harm, the Group deems ESGR to be driven by:

- negative shifts in stakeholder perceptions due to decisions related to clients, products, transactions, third parties and strategic coverage
- potential material harm or degradation to the natural environment (environmental) through actions/inactions of the Group
- potential material harm to individuals or communities (social) risks through actions/inactions of the Group.

The Group's Reputational Risk policy sets out the principal sources of Reputational Risk driven by negative shifts in stakeholder perceptions as well as responsibilities, control and oversight standards for identifying, assessing, escalating and effectively managing Reputational Risk. The 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 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 minimum regulatory and compliance requirements, including criteria from the 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 Group's Supplier Charter which sets out the Group's expectations on ethics, anti-bribery and corruption, human rights, environmental, health and safety standards, labour and protection of the environment. The Group is committed to respecting universal human rights, and we assess our clients and suppliers against various international principles, as well as through our social safeguards.
- Within our operations, the 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.
- We rely on our frameworks to help the labelling of Sustainable Finance Use of Proceeds products and transactions as well as the classification of pureplay clients.

ESGR policies and standards are applicable to all Group entities. However, local regulators in some markets may impose additional requirements on how banks manage and track Reputational and Sustainability Risk. In such cases, these are complied with in addition to Group policies and standards.

Governance Committee Oversight

The Board retains the overall oversight responsibility for Reputational and Sustainability Risk. Oversight from an operational perspective falls under the remit of the HK&GCNARC and the Board Risk Committee.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(g) Environmental, Social and Governance and Reputational (ESGR) Risk *(continued)*

Monitoring

ESGR policies and standards are applicable to the Group. However, HKMA may impose additional guidelines and requirements on how banks manage Reputational and Sustainability Risk. In such cases, these are complied with in addition to the policies and standards.

Exposure to stakeholder perception risks arising from transactions, clients, products and strategic coverage are monitored through established triggers outlined in risk materiality matrices to prompt the right levels of risk-based consideration by the first line and escalations to the second line where necessary. Risk acceptance decisions and thematic trends are also being reviewed on a periodic basis.

Exposure to Sustainability Risk is monitored through triggers embedded within the first-line processes where environmental and social risks are considered for clients and transactions via the Environmental and Social Risk Assessments, and considered for vendors in our supply chain through the Modern Slavery questionnaires.

Furthermore, monitoring and reporting on the risk appetite metrics ensures that there is appropriate oversight Board over performance and breaches of thresholds across key metric namely in concentration of material reputational risk, level of alignment with Group's Net Zero aspirations and Position Statements, and modern slavery risks in our suppliers.

Climate Risk

We have designed an approach that begins to embed Climate Risk with impacted PRTs within our central ERMF 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 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

Risk Appetite Statement

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

Roles and responsibilities

The three lines of defence model as per the ERMF applies to Climate Risk. The HK&GCNA CRO has the ultimate second-line and senior management responsibility for Climate Risk. HK&GCNA CRO is supported by the Head of Enterprise Risk Management who has day-to-day oversight and central responsibility for second-line Climate Risk activities. As Climate Risk is embedded into the relevant PRTs, second-line responsibilities lie with the Risk Framework Owner (at regional and country level), with subject matter expertise support from the central Climate Risk team.

Mitigation

Climate Risk assessments are considered as part of Reputational and Sustainability transaction reviews for clients and transactions in high carbon sectors. In 2023, we have directly engaged with clients on their adaptation and mitigation plans using client level Climate Risk questionnaires and integrated climate risk into the credit process for ~85-90% of our corporate client exposure in CIB. As part of quarterly credit portfolio reviews in WRB, physical risk assessments for the residential mortgage portfolios are also being monitored for concentration levels.

The Traded Risk stress testing framework covers market impacts from Climate Risk – this includes a transition risk and two physical risk scenarios. Physical and transition risk ratings for sovereigns are widely used across the Group for risk management and reporting purposes.

Notes to the consolidated financial statements continued

33. Risk management (continued)

***Mitigation** (continued)*

The focus for Operational and Technology Risk was originally on Property, Resilience and Third-Party Risk management, and is now being expanded to material technology arrangements. We have also completed liquidity risk assessments for our top liquidity providers.

Governance committee oversight

Board-level oversight is exercised through the Board Risk Committee, and regular Climate Risk updates are provided to the Board and Board Risk Committee. At the executive level, the HK&GCNARC oversees implementation of the Climate Risk workplan.

Tools and methodologies

Applying existing risk management tools to quantify Climate Risk is challenging given inherent data and methodology challenges, including the need to be forward-looking over long time horizons. To quantify climate physical and transition risk we leverage and have invested in a number of areas, including tools and partnerships:

- Munich Re – we are using Munich Re's physical risk assessment tool, which is built on extensive re-insurance experience

- Baringa Partners – we are using Baringa's flagship climate models to understand climate scenarios, and compute transition risk and temperature alignment.

- Standard & Poor – we are leveraging S&P and Trucost's wealth of climate data covering asset locations, energy mixes and emissions.

- Imperial College – we are leveraging Imperial's academic expertise to advance our understanding of climate science, upskill our staff and senior management, and progress the state of independent research on climate risks with an acute focus on emerging markets.

Monitoring

The Group has developed its first-generation Climate Risk reporting and Management Team level Risk Appetite metrics. The first version of these metrics was shared with the Country Risk Information Report since September 2021. The metrics were included in the HK&GCNARC risk reports quarterly, and management information is also being progressively rolled out at the regional and country level.

Stress testing

Climate Risk intensifies over time, and future global temperature rises depend on today's transition pathway. Considering different transition scenarios is crucial to assessing Climate Risk over the next 10, 20 and 50 years. Stress testing and scenario analysis are used to assess capital requirements for Climate Risk and since 2020, physical and transition risks have been included in the Group Internal Capital Adequacy Assessment Process ("ICAAP"). In 2024, we undertook the Hong Kong Monetary Authority led short term and long tenor Climate Risk stress tests. This required significant client engagement and helped grow our understanding and management of Climate Risk.

(h) Compliance risk

The Group defines Compliance Risk as "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; recognizing that whilst incidents are unwanted, they cannot be entirely avoided.

Risk mitigation takes place through the process of identification of material new and amended regulations and the implementation of necessary process and control changes to address these. Processes, controls and control monitoring are governed by the O&T RTF, and any elevated risks will be governed through the relevant Non-Financial Risk Committees.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(i) Conduct risk

To simplify risk governance and improve risk management effectiveness, Conduct Risk has been elevated to be an integral component of the Enterprise Risk management Framework ("ERMF").

The Group defines Conduct Risk as "Risk of detriment to the Group's clients, investors, shareholders, counterparties, employees, as well as market integrity, and competition arising from (a) the business activities performed by the Group, or (b) individual behaviour and actions including instances of wilful or negligent misconduct".

Conduct risk management and abiding by the Group Code of Conduct and Ethics are the responsibilities of all employees in the Group. Conduct risk is always considered when making strategic decisions that may impact clients, investors, shareholders, counterparties, employees, markets, and competition. The First Line Businesses and Functions are responsible for reviewing their processes and identifying the conduct related outcomes that are relevant and ensure there are controls in place to mitigate these conduct risks. The Group and Country Risk Framework Owners ("RFO") are required to ensure that the relevant conduct outcomes are achieved through risk identification, control, monitoring and governance arrangements. The RFOs are responsible for ensuring that their Business or Function tags the appropriate conduct outcomes for risks identified under their Principal Risk Types ("PRT"), and that breaches from these risks which result in significant impact on the conduct outcomes are escalated in accordance with the mechanism set out under their relevant PRT framework.

The Conduct Risk Management approach is stated in the Group's ERMF. It is backed by a number of more detailed policies and procedures, and any employees who identify an issue with the Group's conduct are encouraged to speak up using processes and safeguards documented in the Group Speaking Up Policy. The Policy sets out the requirements to ensure a consistent approach to the identification, measurement, management, monitoring and reporting of conduct related risk.

(j) Information and cyber security risk

The Bank defines Information and Cyber Security ("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. 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.

The Group Chief Information Officer (GCIO) has overall first line of defence responsibility for ICS Risk and holds accountability for the Group's ICS strategy. The Group Chief Information Security Officer ("CISO") leads the development and execution of the ICS strategy. The Operational, Technology and Cyber Risk (OTCR) function within Group Risk, , operates as the second line of defence and sets the strategy and methodology for assessing, and prioritising ICS risks across the Group. This function has overall responsibility for guidance, oversight and independent challenge of 1LOD risk management.

The ICS Risk Type Framework ("RTF") emphasises business ownership and individual accountability for managing ICS Risk. It defines the first line roles and responsibilities of Information Asset Owners, Information System Owners, Application Owners, Technology Infrastructure Owners and Process Owners, as named individuals within each business and function for managing risks to the Information Assets, Information Systems, Applications and Technology Infrastructure. The Cluster CISO serves as a first line point of contact to ensure controls are embedded effectively and consistently across the Group.

ICS Risk is managed through a structured ICS Risk framework comprising a risk assessment methodology and supporting policy, standards and methodologies which are aligned to industry best practice models. The OTCR function monitors compliance to the ICS framework through the review of the ICS risk assessments conducted by CISO through the ICS Risk profile report. Within the ICS Risk profile, appropriate mitigating activity for each ICS risk is identified, undertaken and reported against by the business.

ICS risk management oversight and governance within the Group falls under the responsibility of the Hong Kong & GCNARC. This includes oversight of ICS RTF implementation, monitoring of Risk Appetite and monitoring of ICS Risk Management activities across the first line. Escalation of ICS risks which fall outside the defined appetite for the Group are reported into and overseen by the Hong Kong & GCNARC to ensure effective mitigation and appropriate risk management.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(k) *Financial Crime*

Financial crime risk

The SCBHK Group defines Financial Crime risk as the potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to International Sanctions, Anti-Money Laundering, Anti-Bribery and Corruption, and Fraud.

Financial Crime risk within the SCBHK Group is governed by the countries' Financial Crime Risk Committee ("FCRC") which is appointed by and reports into the respective in-country Hong Kong and GCNA Risk Committee ("RC"). Material risks of SCBHK Group are escalated to the RC. Both the RC and FCRCs are concerned with ensuring the effective management of Financial Crime Compliance risk in supporting of the SCBHK Group's strategy and in line with its Risk Appetite, as determined under the ERMF.

Metrics and tolerances covering the key operational processes in support of Financial Crime risk management have been documented. Metrics are subject to periodic review and performance against them is regularly reported to the countries' FCRC. Risks for breaching SCBHK Group tolerances are escalated to the RC.

(l) *Capital management*

The HKMA sets capital requirements for the Bank and certain subsidiaries specified by the HKMA. In implementing current capital requirements, the HKMA requires the Group to maintain prescribed ratios of capital to risk-weighted assets and a leverage ratio of tier 1 capital to total on- and off-balance sheet exposures. The leverage ratio is a complementary volume-based measure to the risk-based capital requirements. The Group calculates its capital adequacy ratios and leverage ratio on both a consolidated and solo-consolidated basis in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance. Individual banking subsidiaries are directly regulated by their local banking supervisors, who set and monitor their capital adequacy requirements. Non-banking subsidiaries are also subject to the supervision and capital requirements of local regulatory authorities.

The HKMA sets loss absorbing capacity ("LAC") requirements for the Bank. In implementing LAC requirements, the HKMA requires the Group to maintain prescribed ratios of LAC expressed as a percentage of risk-weighted assets, LAC expressed as a percentage of exposure measure, and LAC debt expressed as a percentage of LAC regulatory minimum. The Group calculates its LAC ratios in accordance with the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules").

Hong Kong LAC Rules came into operation on 14 December 2018. Following classification by the HKMA (as resolution authority), in-scope entities are required under these rules to issue LAC instruments that can be written down or converted in the event of failure and maintain minimum LAC resources.

The Bank was notified by HKMA of its classification as a material subsidiary under the LAC Rules with effect from 1 April 2019, with Standard Chartered PLC ("SC PLC") as the non-HK resolution entity. Following this classification, the Bank has met its minimum LAC requirements since 1 July 2019.

In addition to meeting the regulatory requirements, the Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The process of allocating capital to specific operations and activities is undertaken by Treasury, ALCO and Country ALCO and is reviewed regularly by the Board. With oversight by ALCO, each subsidiary manages their allocated capital to support their planned business growth and meet their local regulatory requirements.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(l) Capital management *(continued)*

Consistent with industry practice, the Group monitors its capital structure on the basis of the capital adequacy ratio and there have been no material changes in the Group's policy on the management of capital on both the consolidated and solo-consolidated basis during the year.

The Group has complied with all externally imposed capital and LAC requirements during 2024.

The Group uses the advanced internal ratings based ("IRB") approach for both the measurement of credit risk capital requirements and the management of credit risk for the majority of its portfolios. The Group also uses the standardized (credit risk) approach for certain insignificant portfolios exempted from IRB. For counterparty credit risk, the Group uses the standardized (counterparty credit risk) approach ("SA-CCR") to calculate its default risk exposures. For securitization exposures, the group uses the securitization internal ratings-based approach ("SEC-IRBA"), securitization external ratings — based approach ("SEC-ERBA"), securitization standardised approach ("SEC-SA") or securitization fallback approach ("SEC-FBA") to determine credit risk for its banking book securitization exposures.

For market risk, the Group uses the internal models approach ("IMM approach") to calculate majority of its general market risk capital charge in respect of the risk categories of interest rates and foreign exchange (including gold) and uses the standardized (market risk) approach to calculate the general market risk capital charge for its equity exposures and commodity exposures, market risk capital charge on exempted foreign exchange exposures and the specific risk capital charge for its interest rate exposures and equity exposures. The Group also uses a stochastic asset-liability model approach for two guaranteed retirement funds. In addition, the Group adopts the standardized (operational risk) approach for operational risk.

The Banking (Capital) Rules issued by the HKMA require all authorised institutions in Hong Kong to meet three levels of minimum capital ratios, namely common equity tier 1, tier 1 and total capital ratios, and minimum leverage ratio.

The Group's consolidated capital as at 31 December 2024 consists of tier 1 capital after deductions of HK$174,108 million (2023: HK$164,882 million) and tier 2 capital after deductions of HK$10,571 million (2023: HK$14,249 million). Tier 2 capital includes subordinated debt and impairment allowances and regulatory reserve eligible for inclusion in Tier 2 capital.

(m) Model Risk

The Group defines Model Risk as the potential loss that may occur because of decisions or the risk of misestimation that could be principally based on the output of models due to errors in the development, implementation or use of such models.

Roles and responsibilities

The Hong Kong & GCNA CRO is the Risk Framework Owner for Model Risk under the Group's Enterprise Risk Management Framework. Responsibility for the oversight and implementation of the Model Risk Type Framework and for the second line oversight of Model Risk is delegated to the Head of Model Risk Management, Hong Kong and GCNA.

The Model Risk Type Framework and the related Policy set out clear accountability and roles for Model Risk management through the three lines of defence. First line ownership of Model Risk resides with Model Sponsors, who are the business or function heads and who assign a Model Owner for each model. Model Owners, also part of the first line, represent local model users and are responsible for end-to-end model development, ensuring continued model performance through regular model monitoring and communicating model limitations, assumptions and risks to model-related stakeholders. Model Owners also coordinate the submission of models for validation and approval and ensure appropriate model implementation and use. Second line oversight is provided by Model Risk Management, which also includes Group Model Validation. Local model users are accountable for local consequences of model use in the business processes that require the use of models. Local model users must be in regular contact with respective model owners (and sponsors, as required) to understand model design, agree with new models or changes to models in use, understand the on-going performance of models, and to agree on model risk mitigation actions that might be required in case of model underperformance.

Notes to the consolidated financial statements continued

33. Risk management (continued)

(m) Model Risk *(continued)*

Roles and responsibilities *(continued)*

Group Model Validation independently review and grade models, assessing whether they are in line with design objectives, expected business uses and results, compliance to regulatory requirements, and identifying model-related risks. Model Risk Management team provides second line oversight of Model Risk, performing regular identification of risks arising from model use, challenge to first line stakeholders (including local model users), and providing risk profile reporting to senior management, including expert advice on identified and upcoming Model-related risk and their prevention and/or remediation.

Mitigation

The Model Risk policy and its subordinated standards define requirements for activities related to model development, validation, approval, and use, including the explicit need for regular monitoring of model performance. Any model issues and/or deficiencies identified through the validation or monitoring processes are to be mitigated through the application of model overlays, redevelopment of affected models, or other appropriate risk mitigation measure. Any mitigation method chosen undergoes robust review, challenge, and approval. Operational controls are applied to 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, which remediation plans implemented where necessary.

Governance committee oversight

At the Board level, the Board Risk Committee exercises oversight of Model Risk within the Group. At the executive level, the Hong Kong & GCNARC has appointed the Model Assessment Committee to exercise effective second line oversight of the management of Model Risk, while retaining authority to approve models for use across the Group. In parallel, business and function-level risk committees, where applicable, oversee models used in their respective processes.

Decision-making authorities and delegation

The Model Risk Type Framework ("RTF") is the formal mechanism through which the delegation of Model Risk authorities is made. The Model Risk Type Framework is implemented in the Group through a "Local Addendum" to the Framework that further details local regulatory requirements to be met in addition to the ones required by the Framework.

The Global Head, Enterprise Risk Management delegates authorities to designated individuals or Policy Owners through the RTF. The second line ownership for Model Risk at Group and country level is delegated to the Hong Kong & GCNA CRO. Day-to-day implementation of the framework and second line risk oversight are further delegated to the Head of Model Risk Management, Hong Kong and GCNA.

The Hong Kong and GCNA Risk Committee is responsible for approving models for use, after subject models undergo assessment of their risks through the Model Assessment Committee. Approval of certain models can be further delegated to the Model Assessment Committee by the Hong Kong and GCNA Risk Committee, with consideration of models' Model Risk Rating and materiality.

Monitoring

The Group monitors Model Risk via a set of Risk Appetite metrics that are approved by the Board. Adherence to Model Risk appetite and any threshold breaches are reported regularly to the Board Risk Committee and to the Hong Kong & GCNARC.

The first line performs regular monitoring of models used locally, with respect to each model's Model Risk Rating. Monitoring results and breaches are presented to model sponsors, owners, local model users and to senior executives, through summaries reported through the Model Assessment Committee and the Hong Kong and GCNA Risk Committee.

Model Risk Management produces reports in relation to the model landscape, which include performance metrics, identified issues and remediation plans. These are presented for discussion at the Model Assessment Committee and the Hong Kong & GCNARC on a regular basis.

Notes to the consolidated financial statements continued

34. Financial instruments

(a) Valuation of financial instruments carried at fair value

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

Valuation methodologies

The valuation hierarchy is set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted price in an active market for identical assets and liabilities	Directly or indirectly observable inputs other than unadjusted quoted prices included within Level 1 that are observable[1]	Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs) (see note 34 (a)(i))

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

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

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

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December:

	2024			
	Level 1 HK$'M	**Level 2 HK$'M**	**Level 3 HK$'M**	**Total HK$'M**
Financial assets at fair value through profit or loss:				
– Trading assets	**175,623**	**328,288**	**9,291**	**513,202**
– Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**154,306**	**5,562**	**159,868**
– Financial assets designated at fair value through profit or loss	**–**	**544**	**–**	**544**
Investment securities at fair value through other comprehensive income	**167,274**	**54,822**	**1,502**	**223,598**
Amounts due from immediate holding company				
– Positive fair values of derivatives	**–**	**179**	**–**	**179**
– Debt securities	**–**	**29**	**–**	**29**
Amounts due from fellow subsidiaries				
– Positive fair values of derivatives	**75**	**84,938**	**9**	**85,022**
– Debt securities	**–**	**7,592**	**–**	**7,592**
Total assets measured at fair value	**342,972**	**630,698**	**16,364**	**990,034**
Financial liabilities at fair value through profit or loss:				
– Trading liabilities	**47,493**	**87,205**	**175**	**134,873**
– Financial liabilities designated at fair value through profit or loss	**–**	**90,796**	**22,527**	**113,323**
Amounts due to fellow subsidiaries				
– Negative fair values of derivatives	**65**	**98,348**	**120**	**98,533**
Total liabilities measured at fair value	**47,558**	**276,349**	**22,822**	**346,729**

	2023			
	Level 1 HK$'M	Level 2 HK$'M	Level 3 HK$'M	Total HK$'M
Financial assets at fair value through profit or loss:				
– Trading assets	126,055	267,524	13,764	407,343
– Non-trading financial assets mandatorily at fair value through profit or loss	–	34,017	542	34,559
– Financial assets designated at fair value through profit or loss	–	611	–	611
Investment securities at fair value through other comprehensive income	232,530	89,350	1,668	323,548
Amounts due from immediate holding company				
– Debt securities	–	9	–	9
Amounts due from fellow subsidiaries				
– Positive fair values of derivatives	134	52,679	–	52,813
– Debt securities	–	184	–	184
Total assets measured at fair value	358,719	444,374	15,974	819,067
Financial liabilities at fair value through profit or loss:				
– Trading liabilities	39,122	67,834	279	107,235
– Financial liabilities designated at fair value through profit or loss	–	75,670	10,366	86,036
Amounts due to immediate holding company				
– Negative fair values of derivatives	–	97	–	97
Amounts due to fellow subsidiaries				
– Negative fair values of derivatives	121	55,131	83	55,335
Total liabilities measured at fair value	39,243	198,732	10,728	248,703

There were no significant transfers between level 1 and level 2 instruments during 2024 and 2023.

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

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

(i) Valuation of financial instruments with significant unobservable inputs

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

Financial assets

	2024			
	Financial assets at fair value through profit or loss HK$'M	Financial assets at fair value through other comprehensive income HK$'M	Amount due from fellow subsidiaries HK$'M	Total Level 3 Assets HK$'M
At 1 January 2024	14,306	1,668	–	15,974
Total gains recognised in the consolidated income statement				
– Net trading income	566	–	6	572
Total losses recognised in other comprehensive income				
– Net change in fair value	–	(165)	–	(165)
Purchases	10,132	–	15	10,147
Settlements	(9,989)	(1)	(12)	(10,002)
Transferred into level 3[1]	(162)	–	–	(162)
At 31 December 2024	14,853	1,502	9	16,364
Total gains recognised in the consolidated income statement relating to assets held at 31 December 2024				
– Net trading income	591	–	6	597

Financial liabilities

	2024		
	Financial liabilities at fair value through profit or loss HK$'M	Amounts due to fellow subsidiaries HK$'M	Total Level 3 Liabilities HK$'M
At 1 January 2024	10,645	83	10,728
Total gains recognised in the consolidated income statement			
– Net trading income	(21)	(76)	(97)
Additions	24,547	236	24,783
Settlements	(11,441)	(88)	(11,529)
Transfer out of level 3[1]	(1,028)	(35)	(1,063)
At 31 December 2024	22,702	120	22,822
Total gains recognised in the consolidated income statement relating to liabilities held at 31 December 2024			
– Net trading income	(175)	(8)	(183)

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

Notes to the consolidated financial statements continued

34. **Financial instruments** (continued)

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

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

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

Financial assets

	2023			
	Financial assets at fair value through profit or loss HK$'M	Financial assets at fair value through other comprehensive income HK$'M	Amount due from fellow subsidiaries HK$'M	Total Level 3 Assets HK$'M
At 1 January 2023	6,932	1,312	4	8,248
Total losses recognised in the consolidated income statement				
– Net trading income	(894)	–	–	(894)
Total losses recognised in other comprehensive income				
– Net change in fair value	–	(34)	–	(34)
Purchases	14,127	390	–	14,517
Settlements	(5,874)	–	(4)	(5,878)
Transferred into level 3[1]	15	–	–	15
At 31 December 2023	14,306	1,668	–	1 5,974
Total losses recognised in the consolidated income statement relating to assets held at 31 December 2023				
– Net trading income	(883)	–	–	(883)

Financial liabilities

	2023		
	Financial liabilities at fair value through profit or loss HK$'M	Amounts due to fellow subsidiaries HK$'M	Total Level 3 Liabilities HK$'M
At 1 January 2023	7,696	35	7,731
Total (gains)/losses recognised in the consolidated income statement			
– Net trading income	214	(38)	176
Additions	13,169	99	13,268
Settlements	(10,434)	(13)	(10,447)
At 31 December 2023	10,645	83	10,728
Total (gains)/losses recognised in the consolidated income statement relating to liabilities held at 31 December 2023			
– Net trading income	242	(30)	212

1 Transfers into level 3 during the period relate to financial instruments where the valuation parameters became unobservable during the period.

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

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

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

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

Type of instruments	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Debt securities	Discounted cash flows	Price/Yield	0.66% to 9.49% (2023: 10%)	4.70% (2023: 10%)
Loans and advances to banks	Discounted cash flows	Price/Yield	6.64% (2023: NA)	6.64% (2023: NA)
Loans and advances to customers	Discounted cash flows	Credit Spreads	NA (2023: 1%)	NA (2023: 1%)
		Price/Yield	2.25% to 27.40% (2023: 2.43% to 100%)	9.63% (2023: 7.48%)
		Recovery rates	93.22% to 95.55% (2023: NA)	95.06% (2023: NA)
Equity shares	Discounted cash flows	Discount rates	8.30% to 12.40% (2023: 9.80% to 14.50%)	9.90% (2023: 10.94%)
	Comparable pricing/Yield	Price-Book multiple	0.34x to 1.24x (2023: 0.30x to 1.20x)	1.20x (2023: 1.17x)
		Liquidity discount	19.10% to 30% (2023: 7.50% to 29.70%)	19.20% (2023: 11.20%)
	Option pricing model	Equity value based on volatility	30.20% (2023: 21.25%)	30.20% (2023: 21.25%)
Debt securities issued	Discounted cash flows	Credit spreads	0.05% to 1.97% (2023: 0.35% to 1.59%)	0.80% (2023: 1.11%)
		Interest Rate Curves	3.54% to 4.36% (2023: NA)	4.14% (2023: NA)
	Option pricing model	Bond Option Implied Volatility	4.01% to 4.71% (2023: NA)	4.38% (2023: NA)
Deposits by banks	Discounted cash flows	Credit spreads	0.15% to 3.52% (2023: 0.07% to 2.00%)	1.01% (2023: 1.13%)
Customer deposits	Discounted cash flows	Credit spreads	NA (2023: 1.00% to 2.00%)	NA (2023: 1.17%)
		Price/Yield	0.66% to 12.98% (2023: 4.77% to 11.48%)	9.27% (2023: 7.87%)
		Interest Rate Curves	1.38% to 2.20% (2023: NA)	1.65% (2023: NA)
	Internal pricing model	Equity-Equity correlation	44.93% to 100% (2023: 44.13% to 100%)	80.02% (2023: 80.70%)
		Equity-Foreign exchange correlation	–36.43% to 48.86% (2023: -35.93% to 45.46%)	5.05% (2023: 14.18%)
Derivatives	Discounted cash flows	Credit spreads	0.21% to 1.85% (2023: 1%)	1.03% (2023: 1%)
		Price/Yield	6.64% (2023: 1.74% to 4.49%)	6.64% (2023: 2.55%)
	Internal pricing model	Equity-Equity correlation	44.93% to 100% (2023: 44.13% to 100%)	80.02% (2023: 80.70%)
		Equity – Foreign exchange correlation	–36.73% to 48.86% (2023: -35.93% to 45.46%)	5.05% (2023: 14.18%)
	Option pricing model	Bond option implied volatility	4.01% to 4.71% (2023: NA)	4.38% (2023: NA)

[1] The ranges of values shown represent the highest and lowest used in the valuation of the level 3 financial instruments as at 31 December 2024 and 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 reporting date. However, these ranges of values may not represent the uncertainty in fair value measurements of these level 3 financial instruments.

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

Notes to the consolidated financial statements continued

34. **Financial instruments** (continued)

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

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

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

Credit spreads

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

Discount rates

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

Equity-Equity correlation and Equity-Foreign Exchange correlation

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

Interest rate curves

Interest rate curves are the term structure of interest rates and measures of future interest rates at a particular point in time.

Liquidity discount

Liquidity discount in the valuation of unlisted investments reflect the fact that these investments are not actively traded. An increase in liquidity discount will result in an unfavourable movement in the fair value of the unlisted firm.

Price-Book (P/B) Multiple

Price-Book 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.

Recovery rates

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

Repo Curve

Repo Curve is the term structure of repo rates on repos and reverse repos at particular point in time.

Volatility

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.

Yield

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

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

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

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

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

	2024					
	Held at fair value through profit or loss			**Held at fair value through other comprehensive income**		
	Net exposure HK$'M	**Favourable changes HK$'M**	**Unfavourable changes HK$'M**	**Net exposure HK$'M**	**Favourable changes HK$'M**	**Unfavourable changes HK$'M**
Debt securities	**4,822**	**4,919**	**4,714**	**–**	**–**	**–**
Loans and advances to customers	**4,634**	**4,764**	**4,507**	**–**	**–**	**–**
Loans and advances to banks	**5,179**	**5,682**	**4,675**	**–**	**–**	**–**
Equity shares	**209**	**230**	**188**	**1,502**	**1,651**	**1,351**
Positive fair values of derivatives	**18**	**19**	**17**	**–**	**–**	**–**
Debt securities issued	**(1,717)**	**(1,692)**	**(1,741)**	**–**	**–**	**–**
Deposits by banks	**(2,495)**	**(2,495)**	**(2,495)**	**–**	**–**	**–**
Customer deposits	**(18,314)**	**(17,048)**	**(19,529)**	**–**	**–**	**–**
Negative fair values of derivatives	**(296)**	**(282)**	**(309)**	**–**	**–**	**–**
	(7,960)	**(5,903)**	**(9,973)**	**1,502**	**1,651**	**1,351**

	2023					
	Held at fair value through profit or loss			Held at fair value through other comprehensive income		
	Net exposure HK$'M	Favourable changes HK$'M	Unfavourable changes HK$'M	Net exposure HK$'M	Favourable changes HK$'M	Unfavourable changes HK$'M
Debt securities	65	71	58	–	–	–
Loans and advances to customers	13,945	14,195	13,684	–	–	–
Equity shares	262	288	236	1,668	1,830	1,497
Positive fair values of derivatives	34	36	32	–	–	–
Debt securities issued	(116)	(116)	(116)	–	–	–
Deposits by banks	(2,077)	(2,077)	(2,077)	–	–	–
Customer deposits	(8,173)	(7,598)	(8,749)	–	–	–
Negative fair values of derivatives	(362)	(348)	(363)	–	–	–
	3,578	4,451	2,705	1,668	1,830	1,497

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

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

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

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

Financial instruments	Fair value changes	2024 HK$'M	2023 HK$'M
Held at fair value through profit or loss	Possible increase	2,057	873
	Possible decrease	2,013	873
Held at fair value through other comprehensive income	Possible increase	149	162
	Possible decrease	151	171

(b) Valuation of financial instruments carried at amortised cost

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

	2024					2023				
	Carrying value HK$'M	Fair Value Level 1 HK$'M	Level 2 HK$'M	Level 3 HK$'M	Total HK$'M	Carrying value HK$'M	Fair Value Level 1 HK$'M	Level 2 HK$'M	Level 3 HK$'M	Total HK$'M
Assets										
Loans and advances to banks	160,360	–	160,344	24	160,368	172,045	–	172,048	–	172,048
Loans and advances to customers	953,252	–	41,006	884,490	925,496	1,021,423	–	47,067	935,883	982,950
Total	1,113,612	–	201,350	884,514	1,085,864	1,193,468	–	219,115	935,883	1,154,998
Liabilities										
Deposits by banks	23,733	–	23,233	–	23,233	35,219	–	34,468	–	34,468
Customer accounts	1,763,250	–	1,739,241	–	1,739,241	1,808,547	–	1,760,656	–	1,760,656
Debt securities in issue	16,683	–	14,510	–	14,510	38,061	–	35,317	–	35,317
Subordinated liabilities and other borrowed funds	46,024	–	46,030	–	46,030	43,392	–	42,636	–	42,636
Total	1,849,690	–	1,823,014	–	1,823,014	1,925,219	–	1,873,077	–	1,873,077

1 The subordinated liabilities comprise of internal issuance grouped under amounts due to immediate holding company and amounts due to fellow subsidiaries (note 16).

Other financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

(c) *Transfers of financial assets*

The Group enters into collateralised repurchase agreements (repos). These 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. Assets pledged in respect of repos continue to be recognised on the consolidated statement of financial position as the Group retains substantially the associated risk and rewards of these assets.

The table below sets out the financial assets provided by the Group as collateral for repurchase transactions:

	2024 HK$'M	2023 HK$'M
Collateral pledged against repurchase agreements		
On balance sheet		
Investment securities	20,047	13,057
Off balance sheet		
Repledged collateral received	195	2,790
	20,242	15,847
Balance sheet liabilities – repurchase agreements		
Deposits by banks	3,504	4,820
Customer accounts	12,415	11,385
	15,919	16,205

(d) *Offsetting financial assets and financial liabilities*

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	2024					
				Related amounts not offset in the consolidated statement of financial position		
Assets	Gross amounts of recognised financial assets HK$'M	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'M	Net amounts of financial assets presented in the consolidated statement of financial position HK$'M	Financial instruments HK$'M	Financial collateral HK$'M	Net amount HK$'M
Positive fair values of derivative financial instruments	200,337	(16,698)	183,639	(123,074)	(10,016)	50,549
Reverse repos, securities borrowing and similar agreements	192,225	–	192,225	–	(179,205)	13,020
	392,562	(16,698)	375,864	(123,074)	(189,221)	63,569

	2024					
				Related amounts not offset in the consolidated statement of financial position		
Liabilities	Gross amounts of recognised financial liabilities HK$'M	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'M	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'M	Financial instruments HK$'M	Financial collateral HK$'M	Net amount HK$'M
Negative fair values of derivative financial instruments	199,143	(16,698)	182,445	(123,074)	(5,823)	53,548
Repos and similar agreements	15,919	–	15,919	–	(2,953)	12,966
	215,062	(16,698)	198,364	(123,074)	(8,776)	66,514

Notes to the consolidated financial statements continued

34. Financial instruments (continued)

(d) Offsetting financial assets and financial liabilities (continued)

Assets	2023 Gross amounts of recognised financial assets HK$'M	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'M	Net amounts of financial assets presented in the consolidated statement of financial position HK$'M	Related amounts not offset in the consolidated statement of financial position Financial instruments HK$'M	Financial collateral HK$'M	Net amount HK$'M
Positive fair values of derivative financial instruments	113,667	(13,511)	100,156	(95,787)	(2,081)	2,288
Reverse repos, securities borrowing and similar agreements	201,487	–	201,487	–	(193,425)	8,062
	315,154	(13,511)	301,643	(95,787)	(195,506)	10,350

Liabilities	2023 Gross amounts of recognised financial liabilities HK$'M	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'M	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'M	Related amounts not offset in the consolidated statement of financial position Financial instruments HK$'M	Financial collateral HK$'M	Net amount HK$'M
Negative fair values of derivative financial instruments	129,228	(13,511)	115,717	(95,787)	(1,495)	18,435
Repos and similar agreements	16,205	–	16,205	–	(2,735)	13,470
	145,433	(13,511)	131,922	(95,787)	(4,230)	31,905

The Group is able to offset assets and liabilities which do not meet the HKAS/IAS 32 netting criteria (see note 2(l)). Such arrangements include master netting arrangements for derivatives and global master repurchase agreements for repos and reverse repos. These agreements generally allow that all outstanding transactions with a particular counterparty can be offset but only in the event of default or other pre-determined events, therefore the related financial assets and financial liabilities are not offset in the consolidated statement of financial position.

Under repos and reverse repos, the Group would pledge (legally sell) and obtain (legally purchase) financial collateral which are mainly highly liquid assets which can be sold in the event of a default.

The related amounts not offset in the consolidated statement of financial position which are disclosed in the table above include financial instruments covered by master netting arrangements and financial collateral pledged and obtained but exclude the effect of over collateralisation.

Notes to the consolidated financial statements continued

35. Assets pledged as security for liabilities

The Group maintains pledged cash and securities accounts to secure any borrowings or other obligations resulting from the Group's use of clearing systems and to cover short positions. As at 31 December 2024, the Group had securities amounting to HK$50,961 million (2023: HK$45,236 million) to cover the short positions.

Reverse repos and securities borrowing transactions

The Group also undertakes reverse repos and securities borrowing transactions as set out in the table below:

	2024 HK$'M	2023 HK$'M
Consolidated statement of financial position assets – reverse repos and securities borrowing		
Loans and advances to banks	**55,276**	35,408
Loans and advances to customers	**109,246**	72,527
Amounts due from fellow subsidiaries	**27,703**	93,552
	192,225	201,487

Under reverse repos and securities borrowing arrangements, the Group obtains securities on terms that permit it to repledge or resell the securities to others. The amount of securities which the Group is able to repledge or resell are as follows:

	2024 HK$'M	2023 HK$'M
Securities and collateral that can be repledged or sold (at fair value)	**196,964**	226,951
Thereof repledged/transferred to others under repos (at fair value)	**195**	2,790

These transactions are conducted under terms that are usual and customary to standard lending and stock borrowing activities.

Notes to the consolidated financial statements continued

36. Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) *Key management personnel remuneration*

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 7 is as follows:

	2024 HK$'M	2023 HK$'M
Short-term employee benefits	239	267
Post-employment benefits	11	12
Equity compensation benefits	151	166
Termination benefits	7	17
	408	462

Total employee staff costs during the year are included on note 4(f).

(b) *Credit facilities and loans to key management personnel*

During the year, the Group provided credit facilities to key management personnel of the Group and their close family members and companies controlled or significantly influenced by them. The credit facilities were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

	2024 HK$'M	2023 HK$'M
Loan balances:		
At 1 January	42	61
At 31 December	37	42
Average balance during the year	40	77
Income earned	1	2
Undrawn commitments	72	69

(c) *Loans, quasi-loans and other dealings to directors and entities controlled by directors*

Information of the Group disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2024 HK$'M	2023 HK$'M
Aggregate amount of relevant loans by the Group outstanding at 31 December	31	35
Maximum aggregate amount of relevant loans by the Group outstanding during the year	36	40

(d) *Related party transactions with associates and joint ventures of SC PLC Group*

During the year, the Group entered into transactions with associates and joint ventures of SC PLC Group in the ordinary course of its banking business and on substantially the same terms as for comparable transactions with third-party counterparties. The amounts of material transactions during the year are set out below:

	2024 HK$'M	2023 HK$'M
Deposits from associates and joint ventures	1,093	1,262
Operating income	24	45

Notes to the consolidated financial statements continued

37. Share based payments

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

2021 Standard Chartered Share Plan (the '2021 Plan') and 2011 Standard Chartered Share Plan (the '2011 Plan')

The 2021 Plan was approved by shareholders in May 2021 and is the SC PLC'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:

(i) Long Term Incentive Plan (LTIP) awards

These are awards granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: 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.

(ii) Deferred share awards

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.

(iii) Restricted shares awards

Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures.

Under the 2021 Plan and 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2021 Plan during which new awards can be made is seven years. The 2011 Plan has expired and no further awards will be granted under this plan.

Sharesave Plan

Under the 2023 Sharesave Plan, employees may open a savings contract. Employees can save up to £500 (increased from £250 since 2024) 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 Sharesave Plans 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 nine years.

Notes to the consolidated financial statements continued

37. Share based payments (continued)

2021 Standard Chartered Share Plan (the 2021 plan) and 2011 Standard Chartered Share Plan (the 2011 plan)

Valuation – LTIP awards

The vesting of awards granted in 2024, 2023 and 2022 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 award also have additional conditions under strategic measures related to targets set for sustainability linked to business strategy. The fair value of the 'TSR' component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the 'RoTE' and strategic measures in the scorecard, to determine the accounting charge.

No dividend equivalents accrue for the LTIP awards made in 2024, 2023 or 2022 and the fair value takes this into account, calculated by reference to market consensus dividend yield.

	2024	2023
Grant date	**12-March**	13-March
Share price at grant date (£)	**6.60**	7.40
Vesting period (years)	**3-7**	3-7
Expected dividends (yield) (%)	**4.2**	3.1
Fair value (RoTE) (£)	**1.55, 1.61, 1.68**	1.91,1.85
Fair value (TSR) (£)	**0.95, 1.01, 1.06**	1.08,1.04
Fair value (Strategic) (£)	**2.06, 2.15, 2.24**	2.54,2.46

Valuation – deferred shares and restricted shares

The fair value for deferred awards which are not granted to material risk takers is based on 100 percent 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 2024, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

Deferred share awards

	2024			
Grant date	**17 June**		**11 March**	
Share price at grant date (£)	**7.24**		**6.56**	
Vesting period (years)	**Expected dividend yield (%)**	**Fair value (£)**	**Expected dividend yield (%)**	**Fair value (£)**
1-3 years	**N/A**	**9.17**	**4.2, 4.2**	**7.65, 8.30**
1-5 years	**3.8, 3.8, 3.8**	**8.05, 8.20, 8.35**	**4.2, 4.2, NA**	**7.19, 7.49, 8.30**
3-7 years	**–**	**–**	**4.2, 4.2**	**6.49, 6.76**

	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	7.4
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

Notes to the consolidated financial statements continued

37. Share based payments (continued)

Restricted Share Awards

	2024							
Grant date	**18 November**		**23 September**		**17 June**		**11 March**	
Share price at grant date (£)	9.43		7.59		7.24		6.56	
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	–	–	4.2	9.59	3.8	9.07	4.2	8.22
4 months	4.2	11.83	–	–	–	–	–	–
6 months	–	–	4.2	9.49	3.8	8.99	4.2	8.14
7 months	4.2	11.69	–	–	–	–	–	–
9 months	–	–	4.2	9.4	3.8	8.9	4.2	8.06
10 months	–	–	–	–	–	–	–	–
1 year	4.2	11.22, 11.36	4.2	9.02, 9.11, 9.21, 9.30	3.8	8.58, 8.66, 8.74	4.2	7.73, 7.81, 7.89, 7.97
2 years	4.2	10.77, 10.90	4.2	8.65, 8.74, 8.83, 8.93	3.8	8.26, 8.34	4.2	7.42, 7.50, 7.57, 7.65
3 years	4.2	10.46	4.2	8.39	–	–	4.2	7.20, 7.34
4 years	4.2	10.04	–	–	–	–	4.2	7.05
5 years	–	–	–	–	–	–	–	–

	2023							
Grant date	20 November		18 September		19 June		13 March	
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	6.70	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 year	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, 6.79, 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

Notes to the consolidated financial statements continued

37. **Share based payments** (continued)

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 director. The fair value per option granted and the assumptions used in the calculation are as follows:

	2024	2023
Grant date	**23 September**	18 September
Share price at grant date (£)	**7.59**	7.35
Exercise price (£)	**6.10**	5.88
Vesting period (years)	**3**	3
Expected volatility (%)	**32.9**	36.7
Expected option life (years)	**3.5**	3.5
Risk free rate (%)	**3.88**	4.48
Expected dividends (yield) (%)	**4.2**	3.0
Fair value (£)	**2.73**	3.05

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.

Reconciliation of share award movements for the year to 31 December 2024

	LTIP	**Deferred/ Restricted shares**	**Sharesave**	**Weighted average Sharesave exercise price (£)**
Outstanding at 1 January 2024	**627,336**	**7,309,092**	**5,592,527**	**4.22**
Granted	**262,507**	**4,147,198**	**3,139,015**	**6.10**
Lapsed	**(112,860)**	**(102,906)**	**(290,323)**	**7.41**
Exercised	**(60,482)**	**(2,958,651)**	**(1,644,345)**	**3.39**
Outstanding at 31 December 2024	**716,501**	**8,394,733**	**6,796,874**	**5.44**
Exercisable at 31 December 2024	**–**	**38,868**	**383,514**	
Range of exercise prices (£)	**–**	**–**	**3.14 - 6.10**	
Weighted average contractual remaining life (years)	**7.77**	**8.34**	**2.55**	

Reconciliation of share award movements for the year to 31 December 2023

	LTIP	Deferred/ Restricted shares	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2023	631,432	6,988,898	7,179,676	3.75
Granted	122,881	3,482,715	1,198,381	5.88
Lapsed	(96,716)	(192,620)	(382,389)	4.05
Exercised	(30,261)	(2,969,901)	(2,403,141)	3.69
Outstanding at 31 December 2023	627,336	7,309,092	5,592,527	4.22
Exercisable at 31 December 2023	–	110,951	1,158,639	
Range of exercise prices (£)	–	–	3.14-5.88	
Weighted average contractual remaining life (years)	7.63	8.30	2.02	

Notes to the consolidated financial statements continued

38. Ultimate and immediate holding company

The Bank's ultimate and immediate holding company is SC PLC, a company registered in England and Wales. SC PLC has listings on the London Stock Exchange and the Stock Exchange of Hong Kong.

39. Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions about the effects of uncertain future events on those assets and liabilities at the reporting date. These estimations and assumptions are based on historical experience and expectation of future events and are reviewed periodically as actual results may differ from these estimates.

Pensions

Actuarial assumptions are made in valuing defined benefit obligations as set out in note 27 and are updated periodically.

Taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Deferred tax liabilities are recognised on all temporary differences and deferred tax assets are recognised on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgements as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

Valuation of financial instruments

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 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.

- 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.

- 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.

Interest in an associate

The Group applies judgement in determining if it has significant influence over associates. 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.

Impairment testing of investments in associates 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. 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 operates.

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.

Notes to the consolidated financial statements continued

39. Significant accounting estimates and judgements (continued)

Impairment of leased assets

The carrying amount of the Group's leased assets is based on the application of judgement and estimates to determine the most appropriate recoverable amount for each asset. Estimates involve the appropriate cash flows, discount rates and residual values used in determining a value-in-use, whilst whereby the recoverable amount is determined with reference to a current market value, judgement is required in determining the appropriate observable third party valuations to use.

Impairment of financial assets

Policies on impairment of financial assets are set out in note 2(k).

Goodwill impairment

An annual assessment is made, as set out in note 20, as to whether the current carrying value of goodwill is impaired.

Climate impact

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

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.

Notes to the consolidated financial statements continued

40. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2024

There were no new accounting standards or interpretations that had a material effect on the Group's financial statements in 2024.

HKAS/IAS 21 Amendment – Lack of Exchangeability

Amendments to HKAS/IAS 21 The Effects of Changes in Foreign Exchange Rates were issued to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users to understand the impact of a currency not being exchangeable. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. The amendment is not expected to have a material impact on the Group's financial statements.

HKFRS/IFRS 18 Presentation and Disclosure in Financial Statements

The new standard HKFRS/IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 but earlier application is permitted. This new standard replaces HKAS/IAS 1 Presentation of Financial Statements and amends HKAS/IAS 7 Statement of Cash Flows. HKFRS/IFRS 18 introduces three defined categories for income and expenses – operating, investing and financing – to improve the structure of the income statement, and requires all companies to provide new defined subtotals, including operating profit. HKFRS/IFRS 18 will require disclosure of explanations of company-specific measures that are related to the income statement, referred to as management-defined performance measures. HKFRS/IFRS 18 sets out enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes. The Group will apply HKFRS/IFRS 18 for annual reporting periods beginning on 1 January 2027, which is currently not expected to have a material impact on the Group's financial statements other than a change in the presentation of the primary statements.

HKFRS/IFRS 9 Financial Instruments and HKFRS/IFRS 7 Financial Instruments: Disclosures Amendments

Amendments to the Classification and Measurement of Financial Instruments were issued to amend requirements related to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features. Disclosure requirements were also amended relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs. The amendments are not expected to have a material impact on the Group's financial statements.

41. Post balance sheet events

On 16 January 2025, the Bank issued fixed rate undated Additional Tier 1 capital securities to SC PLC with a face value of US$1,000 million. The securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules and LAC debt instruments under the LAC Rule.

In addition, on 21 January 2025, the Bank issued fixed rate notes with a face value of US$700 million to SC PLC. The notes qualify as Tier 2 notes under the Banking (Capital) Rules and LAC debt instruments under the LAC Rules.

Notes to the consolidated financial statements continued

42. Statement of financial position of the Bank as at 31 December 2024

	2024 HK$'M	2023 HK$'M
Assets		
Cash and balances at central banks	4,364	4,576
Loans and advances to banks	116,312	124,563
Hong Kong SAR Government certificates of indebtedness	49,451	51,281
Financial assets at fair value through profit or loss	516,090	319,898
Investment securities	188,385	275,839
Loans and advances to customers	544,946	556,142
Amounts due from immediate holding company	208	9
Amounts due from fellow subsidiaries	136,255	167,026
Amounts due from subsidiaries of the Bank	96,735	65,694
Investments in subsidiaries of the Bank	52,816	52,209
Interest in an associate	3,168	3,168
Property, plant and equipment	5,869	4,627
Goodwill and intangible assets	5,177	5,320
Other assets	35,178	28,752
	1,754,954	1,659,104
Liabilities		
Hong Kong SAR currency notes in circulation	49,451	51,281
Deposits by banks	19,697	29,650
Customer accounts	1,220,704	1,154,476
Financial liabilities at fair value through profit or loss	129,220	96,246
Amounts due to immediate holding company	31,259	34,376
Amounts due to fellow subsidiaries	62,512	56,440
Amounts due to subsidiaries of the Bank	36,880	52,141
Current tax liabilities	911	1,342
Deferred tax liabilities	494	550
Other liabilities	54,278	38,548
	1,605,406	1,515,050
Equity		
Share capital	65,025	65,025
Reserves	61,139	58,378
Shareholders' equity	126,164	123,403
Other equity instruments	23,384	20,651
	149,548	144,054
	1,754,954	1,659,104

Approved and authorised for issue by the Board of Directors on 5 March 2025.

HUEN Wai Yi Mary
Director

Gaurav BAGGA
Director

Notes to the consolidated financial statements continued

43. Statement of changes in equity of the Bank for the year ended 31 December 2024

	Share capital HK$'M	Own credit adjustment reserve HK$'M	Cash flow hedge reserve HK$'M	FVOCI reserve – Debt HK$'M	FVOC reserve – Equity HK$'M	Other reserves HK$'M	Retained profits[1] HK$'M	Sub-total HK$'M	Other equity instruments HK$'M	Total HK$'M
At 1 January 2023	65,025	(3)	(8)	(646)	(47)	175	52,172	116,668	20,651	137,319
Profit for the year	–	–	–	–	–	–	17,764	17,764	–	17,764
Other comprehensive income/(loss), net of tax	–	44	1,091	418	(171)	76	(37)	1,421	–	1,421
Dividend paid	–	–	–	–	–	–	(11,803)	(11,803)	–	(11,803)
Movement in respect of share-based compensation plans	–	–	–	–	–	–	(647)	(647)	–	(647)
At 31 December 2023	65,025	41	1,083	(228)	(218)	251	57,449	123,403	20,651	144,054
Issuance of Additional Tier 1 Capital	–	–	–	–	–	–	–	–	4,687	4,687
Redemption of Additional Tier 1 Capital	–	–	–	–	–	–	–	–	(1,954)	(1,954)
Profit for the year	–	–	–	–	–	–	12,741	12,741	–	12,741
Other comprehensive income/(loss), net of tax	–	(25)	(930)	460	15	127	142	(211)	–	(211)
Dividend paid	–	–	–	–	–	–	(9,948)	(9,948)	–	(9,948)
Movement in respect of share-based compensation plans	–	–	–	–	–	–	179	179	–	179
At 31 December 2024	**65,025**	**16**	**153**	**232**	**(203)**	**378**	**60,563**	**126,164**	**23,384**	**149,548**

[1] Retained profits are the cumulative net earnings of the Bank that have not been paid out as dividends, but retained to be reinvested in the business. To satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes, the Bank has earmarked a 'regulatory reserve' from retained profits. Movements in the reserve are made directly through retained earnings. As at 31 December 2024, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK$555 million (2023: HK$810 million).

Appendix I: Corporate Governance Report

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority ("HKMA")

Corporate Governance Practices and objectives

Standard Chartered Bank (Hong Kong) Limited (the "Bank") has followed the module on "Corporate Governance of Locally Incorporated Authorised Institutions" ("CG-1") under the Supervisory Policy Manual ("SPM") issued by the HKMA throughout the year ended 31 December 2024.

Organisational and governance structure and policies

Board Composition

Chairman

Stephen Robert ENO

Executive Directors

Gaurav BAGGA (appointed on 23 September 2024)

HUEN Wai Yi Mary (redesignated as CEO on 3 September 2024)

Non-Executive Directors

HUNG Pi Cheng Benjamin (redesignated on 3 September 2024)

LEE Cheuk Kuen Gloria

Saleem RAZVI (redesignated on 1 June 2024)

Xiaomin RONG (appointed on 20 September 2024)

Independent Non-Executive Directors

Stephen Robert ENO

LEE Man Yuen Margaret

LEONG Kwok Kuen Lincoln

John Peter SHELLEY (appointed on 6 January 2025)

Carlson TONG (appointed on 15 August 2024)

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority ("HKMA") (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

Stephen Robert ENO

Board Chair, Independent Non-Executive Director

Mr. Eno was appointed to the Board in July 2013 and appointed as the Board Chair in October 2022.

Mr. Eno was a partner of Baker & McKenzie from July 1987 to December 2011 and continued as a global consultant from 1 January 2012 to 30 June 2013. He was the Chairman of the Education Committee of the British Chamber of Commerce from 2004 to 2014, a member of the Board of Governors of Chinese International School from 1995 to 2017 and being its Vice Chairman from 2014 to 2017. He was also a director of the Hong Kong Youth Arts Foundation until October 2024.

Mr. Eno holds a BA (hons.) degree in law (2:1) from the University of Kent in England. He is qualified as a solicitor in Hong Kong and England and Wales, as a notary in Hong Kong, and is also an accredited Hong Kong Mediator.

HUEN Wai Yi Mary

Executive Director and Chief Executive Officer, Hong Kong and Greater China & North Asia ("GCNA")

Ms. Huen was appointed to the Board in September 2016. She was appointed as CEO for Hong Kong and GCNA in August 2024. She sits on the Group Management Team and is the chairperson of the Board of Standard Chartered Bank (Taiwan) Limited.

Ms. Huen has over 30 years of experience in business management and banking services. She joined Standard Chartered in 1991 and has held key senior management positions across balance sheet product management, wealth management and distribution. Ms. Huen was the Regional Head of Retail Banking, GCNA, before being appointed CEO for Hong Kong in March 2017 and taking on an expanded role as Cluster CEO for Hong Kong, Taiwan and Macau in January 2021.

Ms. Huen also serves the broader Hong Kong community as a representative of Hong Kong, China to the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council, a Council member of the Hong Kong Management Association and a member of the Hong Kong Trade Development Council's Belt and Road & Greater Bay Area Committee, the Aviation Development and Three-runway System Advisory Committee, the Hong Kong Women's Commission and the Human Resources Planning Commission. Ms. Huen also holds Board positions in the Hong Kong Hospital Authority and the Hong Kong Tourism Board.

Ms. Huen received a Bachelor of Arts degree from the University of Hong Kong.

Gaurav BAGGA

Executive Director and Chief Financial Officer, Hong Kong and Cluster CFO GCNA

Mr. Bagga was appointed to the Board in September 2024. He was appointed as the Chief Financial Officer ("CFO") Hong Kong and Cluster CFO GCNA in July 2024.

Mr. Bagga joined Standard Chartered Bank in 2009 and has held numerous key positions in Standard Chartered including CFO of Cluster Markets (Philippines, Sri Lanka, Australia, Nepal and Brunei), Head of Performance Management Analytics Wholesale Banking, and Global Head Asset & Liability Management Product Control. He was most recently the CFO, Singapore and ASEAN Cluster (Thailand, Malaysia, Vietnam and Trust Bank Singapore) from 2017 to 2024.

Prior to joining Standard Chartered, Mr. Bagga was the Engagement Manager with McKinsey & Company, focusing on advisory for Banking and Insurance clients. He counseled senior executives/boards of local and multinational banks as they developed their growth strategies, acquired and divested businesses, entered new markets, revamped their organisations and transformed entire businesses.

Mr. Bagga holds a Master of Business Administration, focus in Finance from the University of Texas and a Bachelor of Science in Computer Science from Iowa State University Ames.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority ("HKMA") (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

HUNG Pi Cheng Benjamin

Non-Executive Director

Mr. Hung was appointed to the Board in January 2008 and was the Chairperson between May 2014 and May 2019. He was redesignated as Non-Executive Director of the Bank on 3 September 2024.

Mr. Hung was appointed Standard Chartered's President, International in April 2024. He sits on the Group's Management Team and is the Chairman of Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited.

Mr. Hung joined Standard Chartered in 1992 and has held a number of senior management positions spanning corporate, commercial and retail banking. Prior to his current role, he was CEO, Asia, overseeing the Bank's presence in 21 Asian markets.

Mr. Hung is a member of the Hong Kong Chief Executive's Council of Advisers, Exchange Fund Advisory Committee and the General Committee of the Hong Kong General Chamber of Commerce. He is the Chairman of the Board of Directors of the Financial Services Development Council, Co-Chair of B20's Finance and Infrastructure Taskforce. He also serves as an economic advisor at the International Consultative Conference on the Future Economic Development of Guangdong Province, Mainland China. He was previously the chairman of the Hong Kong Association of Banks, a member of the Financial Services Development Council, a board member of the Hong Kong Exchanges and Clearing Limited, the Hong Kong Airport Authority and the Hong Kong Hospital Authority, and a Council Member of the University of Hong Kong.

He holds a Master of Business Administration from University of Toronto and a Bachelor of Arts in Business Administration from University of Washington.

LEE Cheuk Kuen Gloria

Non-Executive Director

Ms. Lee was appointed to the Board in May 2017.

Prior to her appointment as Non-executive Director of the Bank, Ms. Lee had held numerous roles in Standard Chartered Group including Vice Chair, Commercial Banking, Hong Kong; Vice Chair, Corporate & Institutional Clients, Hong Kong; Head, Corporate & Institutional Clients, Hong Kong; Head of Origination & Client Coverage, Hong Kong; Head of Client Relationships, Hong Kong; Head of Local Corporates, Hong Kong and Pearl River Delta and Senior Manager, General Manufacturing and Trading, Hong Kong.

Ms. Lee received a Bachelor of Social Sciences Degree majoring in Economics from the University of Hong Kong.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority ("HKMA") (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

Saleem RAZVI

Non-Executive Director

Mr. Razvi was appointed to the Board in June 2021 and appointed to the role of Chief Financial Officer, Asia in April 2021 based in Hong Kong before retiring from the Bank in May 2024. He was redesignated as a Non-Executive Director in June 2024.

He joined Standard Chartered Bank in 2006 as Head of Finance, Hong Kong and went on to become Chief Financial Officer for Hong Kong and Greater China in 2010. He moved to the role of CFO Wholesale Bank in 2012 and then to the role of CFO, Corporate and Institutional Banking & Client Businesses in 2014. Immediately prior to his appointment to the current role, he was the Group Treasurer, based in Singapore but regularly spending time in London also.

Before joining Standard Chartered, Mr. Razvi was Chief Accounting Officer for HSBC Hong Kong and Asia Pacific. He worked for HSBC for twelve years in a variety of Finance related roles, with specialisation in Investment Banking and Financial Markets in Asia.

Mr. Razvi is a member of the Institute of Chartered Accountants in England and Wales and holds a Bachelor of Science (Hons) in Theoretical Physics, University of London.

Xiaomin RONG

Non-Executive Director

Mr. Rong was appointed to the Board in September 2024. He was appointed as the Chief Risk Officer, Global Wealth & Retail Banking in January 2021 and took on an expanded role for the GCNA markets in July 2024.

Mr. Rong first joined Standard Chartered Group in May 2017 as Chief Risk Officer Hong Kong & Chief Credit Officer GCNA, responsible for enterprise-wide risk management and governance for the Bank and credit risk management for Retail Banking business in GCNA. Prior to his roles in Standard Chartered Group, Mr. Rong was the Chief Risk Officer of HSBC Bank Taiwan from August 2014 to May 2017 and held multiple senior risk roles in the HSBC group in China and North America during 2002 to 2014.

Mr. Rong holds a Master of Business Administration with concentrations in Finance, Strategy and General Management from Kellogg School of Management at Northwestern University and Master of Arts from University of Chicago.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority ("HKMA") (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

LEONG Kwok Kuen Lincoln

Independent Non-Executive Director

Mr. Leong was appointed to the Board in June 2021.

Mr. Leong is a Chartered Accountant with experience in general management, investment management and investment banking. He has a wealth of executive and non-executive board experience across a range of industries and markets, a deep commercial network and understanding of, and connection with, the Hong Kong market.

Mr Leong spent over 15 years at MTR Corporation limited in a range of executive roles, becoming its Chief Executive Officer from 2015 to 2019. Prior to this he held a number of senior roles within private equity and investment banking including as a partner at Capital Z Asia Limited from 1999 to 2002, Senior Vice President of Investment Banking at Lehman Brothers Asia Ltd from 1997 to 1999 and Director of, followed by Head of Corporate Finance at Schroders Asia Ltd from 1991 to 1997. Mr. Leong started his career as an accountant at Pricewaterhouse (now PricewaterhouseCoopers) in 1982 in London and subsequently joined Pricewaterhouse in Vancouver in 1986.

Mr. Leong was previously a non-executive director of Jardine Strategic Holdings Limited and Mandarin Oriental International Limited, and an independent non-executive director of Link Asset Management Limited (manager of the listed Link Real Estate Investment Trust) and SUNeVision Holdings Ltd.

Mr. Leong was appointed as an independent non-executive director ("INED") of Standard Chartered PLC and to the Court of Standard Chartered Bank in November 2024. He is also an INED of the Hong Kong listed China Resources Land Limited, a non-executive director of Hongkong Land Holdings Limited and holds a number of roles on the boards of not-for-profit companies including, The Community Chest of Hong Kong, Hong Kong Management Association and the Hong Kong Housing Society.

Mr. Leong is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales and Canadian Institute of Chartered Accountants. He holds a Master and a Bachelor of Arts Degree from Cambridge University.

LEE Man Yuen Margaret

Independent Non-Executive Director

Ms. Lee was appointed to the Board in April 2023.

Ms. Lee has over 30 years of experience in banking industry. From 1987 to 2015, Ms. Lee worked at Standard Chartered Bank (Hong Kong) Limited, mainly responsible for corporate banking business. From 2016 to 2022, Ms. Lee was an independent non-executive director of Scotiabank (Hong Kong) Limited. She was previously an Independent Non-Executive Director and a member of the Nomination Committee of Haitong International Securities Group Limited from 2021 to 2024.

Ms. Lee is an executive committee member of the Belt and Road Youth Foundation Limited, honorary adviser of the Hong Kong Family Planning Association and committee member of project management committee for Project Aspire, The Education University of Hong Kong.

Ms. Lee holds a Bachelor Degree of Commerce from University of Calgary.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority ("HKMA") (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

John Peter Shelley

Independent Non-Executive Director

Mr. Shelley was appointed to the Board in January 2025.

Mr. Shelley is a seasoned banker with over four decades of experience leading and shaping businesses in Hong Kong, Beijing, New York, Channel Islands and London. His experience spans corporate, institutional, consumer and private banking and roles that encompass most aspects of businesses.

Mr. Shelley held various senior roles with Royal Bank of Scotland ("RBS") during 2000 and 2016 including Non-Executive directorships for group subsidiaries within RBS group. Following his RBS career, John held an advisory role at KPMG in Hong Kong prior to joining the Bank. He was previously an independent non-executive director, Board Risk Committee Chair and Member of Audit Committee and Remuneration Committee of Standard Chartered Bank (China) Limited from 2020 to 2024.

Mr. Shelley holds a Master of Business Administration from the University of Warwick and is an Associate of Chartered Institute of Bankers (ACIB) in the United Kingdom.

Carlson TONG

Independent Non-Executive Director

Mr. Tong was appointed to the Board in August 2024.

Mr. Tong has a deep understanding and knowledge of operating in the financial services and regulatory sectors in mainland China and Hong Kong.

Mr. Tong joined KPMG UK in 1979, becoming an Audit Partner of the Hong Kong firm in 1989. He was elected Chairman of KPMG China and Hong Kong in 2007, before becoming Asia Pacific chairman and a member of the global board and global executive team in 2009. He spent over 30 years at KPMG and was actively involved in the work of the securities and futures markets, serving as a member of the Main Board and Growth Enterprise Market Listing Committee of the Stock Exchange of Hong Kong from 2002 to 2008 (Chair from 2006 to 2008). After retiring from KPMG in 2011, he was appointed a non-executive director of the Securities and Futures Commission, becoming its Chair in 2012 until he stepped down in October 2018. From 2017 until July 2020, Mr. Tong was a non-executive director of the Hong Kong International Airport Authority. He was a member of the Hong Kong Human Resource Planning Commission from April 2020 until December 2022 and Chair of the Hong Kong University Grants Committee from January 2016 until he stepped down in December 2022. Before joining the Bank, Mr. Tong was an Independent Non-Executive Director of Standard Chartered PLC from 2019 to 2024. He was also an observer on behalf of the Hong Kong SAR Government for Cathay Pacific Airways Limited from 2020 to 2024.

Mr. Tong is an independent non-executive director of MTR Corporation Limited, Chairman of its Audit and Risk Committee and a member of its Finance and Investment Committee. He sits on various Hong Kong SAR government bodies and is the Chairman of Hong Kong Exchanges and Clearing Limited and a board member of Hong Kong Investment Corporation Limited. He is also a director of the World Federation of Exchanges and a member of the International Advisory Council of National Financial Regulatory Administration.

Mr. Tong is a Fellow of both the Institute of Chartered Accountants in England and Wales ("ICAEW") and the Hong Kong Institute of Certified Public Accountants. He received the 2022 ICAEW Outstanding Achievement Award and was awarded an honorary Doctor of Business Administration by the Hong Kong University of Science and Technology, an honorary Doctor of Social Science by the Chinese University of Hong Kong, as well as an honorary Doctor of Social Sciences by the Education University of Hong Kong.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority ("HKMA") (continued)

Organisational and governance structure and policies (continued)

Board selection process

The Nomination Committee regularly reviews the structure, size and composition of the Board and identifies individuals suitably qualified to become members of the Board. The Committee makes recommendations to the Board on the appointment of and succession planning for Directors (subject to the approval of the HKMA), having regard to the skills, knowledge, experience and diversity the candidate adds to the Board and compliance with corporate governance standards set out in the HKMA Supervisory Policy Manual CG-1 and the guidance on Empowerment of Independent Non-Executive Directors ("INEDs") in the Banking Industry in Hong Kong issued by the HKMA.

A candidate being considered for Board appointment is expected to devote adequate time to attend all Board meetings and, where relevant, Committee meetings in person. An individual who is to be appointed as an INED should also meet the independence status prior to their appointment.

In accordance with the Articles of Association of the Bank, a Director appointed by the Board shall hold office only until the next following Annual General Meeting and shall be eligible for re-election.

Board Committees

(a) The Board of Directors ("the Board")

The Board is responsible for overseeing the management of the business and affairs of the Bank including the determination and approval of the Bank's financial objectives and strategic plan. It oversees the Bank's compliance with statutory and regulatory obligations, its capital and corporate structure and ensures a sound system of internal control and risk management. The Board also reviews performance in light of the Bank's strategy, objectives, corporate and business plans and budgets and determines appropriate levels for the Bank's capital and liquidity positions. The Board delegates day-to-day management of the Bank's risks to a number of committees. Risk profiles and capital related matters are reviewed by the Board on a regular basis. After the Restructuring, the scope of the Board had been expanded to govern the consolidated Group of SCBHK.

The Board has held four scheduled and six ad hoc meetings in 2024.

The below committees operate under the direct authority of the Board.

(b) Executive Committee ("EXCO")

The EXCO was created on 1 June 2019 with Asia regional scope since 1 January 2021 until 31 March 2024 due to internal restructuring. It resumed operations and continues its supervision responsibility for the overseas subsidiaries since 30 September 2024 and operates as the Hong Kong and GCNA EXCO. The EXCO meets regularly in relation to the day to day management, operation and control of Hong Kong and GCNA businesses. It also sub-delegates to various committees certain aspects of the conduct of the business as detailed below. The EXCO includes the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer ("CRO") of the Bank, the country CEOs of the overseas subsidiaries and the heads of various businesses and functions in Hong Kong and GCNA.

The EXCO and previous Regional Executive Committee have held six meetings in 2024.

(c) Audit Committee ("AC")

The AC reviews, on behalf of the Board, the Bank's internal financial controls to identify, assess, manage and monitor financial risks and to review the bank's internal control systems. The AC also reviews the annual and interim financial statements, discusses matters raised by Internal Audit and external auditors and ensures that audit recommendations are implemented accordingly. After the Restructuring, the AC had an expanded scope to oversee GCNA subsidiaries.

The AC comprises four independent non-executive directors ("INEDs" or "INED") and two non-executive directors ("NED"), namely, Leong Kwok Kuen Lincoln (AC Chairperson and INED), Stephen Robert Eno (INED), Lee Man Yuen Margaret (INED), Lee Cheuk Kuen Gloria (NED), Saleem Razvi (NED) and John Peter Shelley (INED).

The AC has held five scheduled meetings in 2024.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority ("HKMA") (continued)

Organisational and governance structure and policies (continued)

Board Composition (continued)

(d) Board Risk Committee ("BRC")

The BRC exercises oversight on behalf of the Board of the overall risk appetite and risk management strategy and its implementation by management of SCBHK as well as SCB China, SCB Korea and SCB Taiwan. The BRC reviews the appropriateness and effectiveness of the Bank's risk management systems and controls. The BRC also advises and assists the Board in discharging its responsibilities for the Bank's culture-related matters, including the oversight of effective mechanisms to assess behavioural standards and whistleblowing policy.

The BRC comprises four INEDs and two NEDs, namely, Stephen Robert Eno (BRC Chairperson and INED), Leong Kwok Kuen Lincoln (INED), Lee Cheuk Kuen Gloria (NED), Saleem Razvi (NED), Carlson Tong (INED) and John Peter Shelley (INED).

The BRC has held four scheduled meetings in 2024.

(e) Nomination Committee ("NomCo")

The NomCo is responsible for identifying individuals suitably qualified to become members of the Board or of key senior management, and selecting, or recommending such individuals to the Board. The NomCo reviews succession plans of the Board and key senior management roles. It also reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary.

The NomCo comprises four INEDs and one ED, namely, Lee Man Yuen Margaret (NomCo Chairman and INED), Stephen Robert Eno (INED), Leong Kwok Kuen Lincoln (INED), Carlson Tong (INED) and Huen Wai Yi Mary (ED).

The NomCo has held three scheduled meeting in 2024.

(f) Remuneration Committee ("RemCo")

The RemCo was established on 1 October 2018. It is responsible for reviewing the framework and policies for remuneration and compliance with the applicable laws and regulatory guidelines. The RemCo shall ensure, on behalf of the Board, that the Company's remuneration policies are consistent with effective risk management.

Following the establishment of the revised SCB HK corporate governance structure in 2019, the RemCo discharges the necessary oversight and control of the subsidiaries remuneration for SCB China, SCB Korea and SCB Taiwan, through:

(i) Adoption of a detailed and consistent remuneration framework that already exists across the SCB Group where the subsidiaries are all subject to the Group Subsidiary Governance Policy and have adopted Group remuneration policies and procedures similar to those of SCB HK; and

(ii) Existing subsidiary corporate governance, which are already subject to local guidance, regulations and rules including requirements relating to their independent directors, boards and committees.

The RemCo comprises four INEDs and one ED (as permanent invitee) namely Carlson Tong (RemCo Chairman and INED), Lee Man Yuen Margaret (INED), Leong Kwok Kuen Lincoln (INED), John Peter Shelley (INED) and Huen Wai Yi Mary (ED).

The RemCo has held two scheduled meetings in 2024.

Appendix I: Corporate Governance Report continued

Disclosure on Corporate Governance of Locally Incorporated Authorised Institutions issued by the Hong Kong Monetary Authority ("HKMA") (continued)

Organisational and governance structure and policies (continued)

Sub-committees of EXCO

(a) Hong Kong and GCNA Asset and Liability Committee ("ALCO")

The ALCO, appointed by the EXCO, is responsible for the implementation of, and compliance with, the Group's balance sheet management policies, including those relating to treasury risks and ensure that, in executing its strategy, SCBHK Group operates within internally approved risk appetite and external regulatory requirements relating to Treasury risks including recovery and resolution planning requirements. The ALCO comprises of the Hong Kong and GCNA CEO, CFO, CRO, and the key business and treasury management heads as voting members, with attendance from key business segment and risk management heads and the subsidiary CEOs. The ALCO also ensures that the SCBHK Group jointly and severally complies, at all times, with the rules and regulations set by the SCBHK Group's lead regulator, the Hong Kong Monetary Authority and where applicable, individual regulators in the countries in which the SCBHK Group has a presence. There were six scheduled meetings held in 2024.

(b) Hong Kong and GCNA Risk Committee ("RC")

The Hong Kong and GCNA RC, through its authority delegated by the EXCO, is responsible for the management of all Principle Risk Types ("PRTs") in the SCBHK Group other than those delegated to Hong Kong and GCNA Asset and Liability Committee ("ALCO") and the Country Pensions Committee ("CPC"). The RC oversees effective application of the Bank's Enterprise Risk Management Framework ("ERMF"), recommends risk appetite for approval by the SCBHK Board or Board level committee, approves and reviews new models and risk control parameters including policies, risk exposure limits, or other control levers. The RC is chaired by the Hong Kong and GCNA CRO with members including the Hong Kong and GCNA CEO and CFO, and the key business and risk management heads. There were in total six standing RC meetings held in 2024.

(c) Pillar III Committee ("Pillar III")

The Pillar III, through its authority delegated by the Board, is responsible for reviewing, approving and upholding compliance of the Pillar III disclosure statement in accordance with the Bank's Disclosure Policy, the Banking (Disclosure) Rules and the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules. The Pillar III is chaired by the Hong Kong and GCNA CFO and CRO, with members including key finance and risk management heads. There were four meetings held in 2024.

Risk appetite

The details of the Group's risk appetite are disclosed in note 33 to the consolidated financial statements.

Major share ownership and voting rights

The Bank was wholly owned by Standard Chartered PLC.

Related party transactions

All related party transactions during the year ended 31 December 2024 are disclosed in notes 16 and 36 to the consolidated financial statements.

Complex structures

A structured entity is consolidated into the Group's consolidated financial statements where the Group controls the structured entity. For details, please refer to note 17 to the consolidated financial statements.

Appendix II: directors of the Bank's subsidiaries

The names of all directors who have served on the board of the subsidiaries of the Bank during the year and up to 5 March 2025:

Aldcroft, Stewart Robert Kenneth
Anderson, Ian Charles (resigned from Standard Chartered Bank (Taiwan) Limited on 1 August 2024)
Bagga, Gaurav (resigned from Marina Aquata Shipping Pte. Ltd., Marina Aruana Shipping Pte. Ltd., Marina Cobia Shipping Pte. Ltd., Marina Opah Shipping Pte. Ltd. and Marina Partawati Shipping Pte. Ltd. on 7 July 2024)
Boland, Shelley (resigned from Standard Chartered (Guangzhou) Business Management Co., Ltd. on 4 January 2024)
Chen, Ban-Ren (Benny)
Cheng, Lai Ching (Christy)
Chiu, Jason Felix Tsz Kiu
Chiu, Lerrence (appointed in Standard Chartered (Guangzhou) Business Management Co., Ltd. on 4 January 2024)
Cho, Jin-Woo (resigned from Standard Chartered Securities Korea Co., Ltd on 22 October 2024)
Choi, Hee Nam
Choi, Moon Hee
Chou, Han Yin
Chow, Frankie
Chua, Meng Keong
Cook, Joel
Daniels, Christopher John (resigned from Standard Chartered NEA Limited on 13 January 2025)
Feng, Yan
Geng, Lin Grace
Gorriz, Michael Andres
Han, Fei
Hardacre, Andrew James
Hau, Yee Mann (resigned from SC Ventures Management Consulting (Shenzhen) Limited on 11 June 2024; resigned from Standard Chartered Securities (China) Limited on 23 September 2024; resigned from Standard Chartered Trust (Hong Kong) Limited, Standard Chartered Leasing Group Limited and Marina Leasing Limited on 15 September 2024)
Hia, Sebastian Poh Lee
Huen, Mary Wai Yi
Hui, Helen S.
Hui, Hon Hing Susanna
Hung, Luzia Rosa
Hung, Pi Cheng Benjamin
Jones, Richard Percival Trefor (appointed in Mox Bank Limited on 25 January 2024)
Kee Sun Tuan
Kee Sun Tuan (resigned from SC Ventures Management Consulting (Shenzhen) Limited on 11 June 2024)
Kellaway, Simon Mark
Kim, Darren Suk
Kim, Hong Sik
Kim, Joo Hyun
Kwang, Kookjae
Kwon, Yong Kwan
Lai, Yan Hong (resigned from Horsford Nominees Limited on 2 February 2024)
Lau, Suet Chiu Frederick
Lau, Tze Hau William
Lee, Hoi Keung
Lee, Kwang Hee
Leow, Jinn Yiun
Lin, Anthony Yuen Tung (resigned from SC Ventures Management Consulting (Shenzhen) Limited on 11 June 2024)
Lin Mei
Lu, Jean (appointed in Standard Chartered Bank (China) Limited on 27 August 2024)
Lyn, Frank Yee Chon
Ma, Kam Sing Allen
Mengal, Pierre Georges Joseph
Mohanty, Subhradeep (appointed in Marina Aquata Shipping Pte. Ltd. on 1 August 2024)
Nam, Daehee
Ngan, Vivian Man Ching
Pandey, Abhishek
Park, Alex

Appendix II: directors of the Bank's subsidiaries continued

Park, Jong Bok
Park, Jong Bok (resigned from Standard Chartered Securities Korea Co., Ltd on 7 January 2025)
Parthasarathy, Lakshminarasimhan
Powell, Gregory John (resigned from Standard Chartered Bank (Taiwan) Limited on 1 December 2024)
Razvi, Saleem (resigned from Standard Chartered NEA Limited on 31 May 2024)
Rong, Xiaomin
Sew, Simon Joseph
Shah, Angela Kumari (resigned from Standard Chartered NEA Limited on 31 May 2024)
Shelley, John Peter (resigned from Standard Chartered Bank (China) Limited on 6 January 2025)
Sohn, Byoung Ok (resigned from Standard Chartered Bank Korea Limited on 10 October 2024)
Staff, Richard Douglas John
Subberwal, Samir
Tan, Ming Kiu John
Tan, Ming Kiu John (resigned from Standard Chartered Securities (Hong Kong) Limited on 24 June 2024)
Thang, Kai Chi John
Tung, Lieh Cheung Andrew (appointed in Standard Chartered Bank (China) Limited on 19 December 2024)
Uygun, Barbaros
Wang, Cindy Xin Xin (appointed in SC Ventures Management Consulting (Shenzhen) Limited on 11 June 2024)
Weng (Ang), Hsiu-Ying (Sam)
Wong, Kenneth Koon Kan
Wong, Norbert Siew Hieng
Xie, Wen
Xie, Wen (resigned from Standard Chartered Bank (China) Limited on 28 February 2024)
Yeung, Wai Keung (resigned from Horsford Nominees Limited on 7 July 2024)
Yuan, Wang (resigned from Standard Chartered Bank (China) Limited on 17 October 2024)
Zhai, Yanqun (appointed in Standard Chartered Bank (China) Limited on 21 February 2024)
Zhang, Danian
Zhang, Xiao Lei
Zhong, Xichen Johnson