



standard
chartered

Annual Report 2023

► Connecting
the world's
most dynamic
markets ◀



here for
good™

We are a leading international cross-border bank

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

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

Financial KPIs¹

Return on tangible equity

10.1% ↑240bps
Underlying basis

8.4% ↑160bps
Reported basis

Common Equity Tier 1 ratio

14.1% ↑10bps
Above our 13-14 per cent target range

Total shareholder return

9.4% 2022: 41.4%

Non-financial KPIs²

Diversity and inclusion: women in senior roles⁴

32.5% ↑0.4ppt

Mobilising Sustainable Finance \$

\$87.2bn ↑\$29.8bn

Employee net promoter score (eNPS)

25.86 ↑8.31 points

Other financial measures^{1,3}

Operating income

\$17,378m ↑13%
Underlying basis

\$18,019m ↑10%
Reported basis

Profit before tax

\$5,678m ↑27%
Underlying basis

\$5,093m ↑24%
Reported basis

Earnings per share

128.9cents ↑31.0 cents
Underlying basis

108.6cents ↑22.7 cents
Reported basis

Tangible net asset value per ordinary share

\$13.93 ↑12%

Stakeholders

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



Clients



Regulators and governments



Investors



Suppliers



Society



Employees

¹ Reconciliations from underlying to reported and definitions of alternative performance measures can be found on pages 80 to 87

² For more information on our culture of inclusion see page 24, and for more on our Sustainability Aspirations see page 66

³ Year-on-Year growth on Operating Income and Profit before tax is on constant currency basis

⁴ Senior leadership is defined as Managing Directors and Band 4 roles (including Management Team)

In this report

Strategic report

- 02 Who we are and what we do
- 04 Where we operate
- 06 Group Chairman's statement
- 10 Group Chief Executive's review
- 14 Key performance indicators
- 16 Market environment
- 20 Business model
- 24 Our strategy
- 26 Our Stands
- 28 Client segment reviews
- 31 Regional reviews
- 34 Group Chief Financial Officer's review
- 44 Group Chief Risk Officer's review
- 52 Stakeholders and Sustainability overview
- 80 Underlying versus reported results reconciliations
- 86 Alternative performance measures
- 88 Viability statement



Sustainability review

- 92 Sustainability review
- 94 Sustainability Aspirations
- 99 Sustainability Strategic Pillars
- 120 Climate- and sustainability-related governance
- 125 Managing Environmental and Social Risk
- 126 Managing Climate Risk
- 130 Integrity, conduct and ethics

Directors' report

- 136 Group Chairman's governance overview
- 137 Board of Directors
- 142 Management Team
- 145 Corporate governance
- 182 Directors' remuneration report
- 208 Additional remuneration disclosures
- 217 Other disclosures
- 229 Statement of Directors' responsibilities

Risk review and Capital review

- 234 Risk profile
- 298 Climate risk
- 314 Enterprise Risk Management Framework
- 320 Principal risks
- 338 Capital review

Financial statements

- 346 Independent Auditor's report
- 359 Financial statements
- 366 Notes to the financial statements

Supplementary information

- 490 Supplementary financial information
- 498 Supplementary people information
- 504 Supplementary sustainability information
- 517 Shareholder information
- 521 Main awards and accolades in 2023
- 523 Glossary



About this report

Sustainability and ESG reporting

The Group includes Environmental, Social and Governance (ESG) and sustainability information in this Annual Report, providing investors and stakeholders with an understanding of the implications of relevant sustainability-related risks and opportunities, and progress against our objectives.

We have observed our obligations under: (i) sections 414CA and 414CB of the UK Companies Act 2006; (ii) the UK's Financial Conduct Authority's Listing Rules in respect of climate-related disclosures; and (iii) the ESG Reporting Guide contained in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. We have made disclosures consistent with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and recommended disclosures throughout this Annual Report.

In preparing this report we have given consideration to (but do not align in full with) the guidance provided by the International Sustainability Standards Board (ISSB) Standards finalised in 2023. IFRS S1 and IFRS S2, noting that IFRS S2, although largely based on TCFD, requires a more granular level of disclosure. IFRS S1 and S2 are voluntary standards and compliance is not yet required in the Group's listing locations. Additionally, we publish an ESG reporting

index against the voluntary Global Reporting Initiative (GRI) Universal Standards and select GRI Topic Standards, and the World Economic Forum Stakeholder Capitalism Metrics framework.

The Group's sustainability-related disclosures can be accessed via sc.com/sustainabilityhub

Alternative performance measures

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

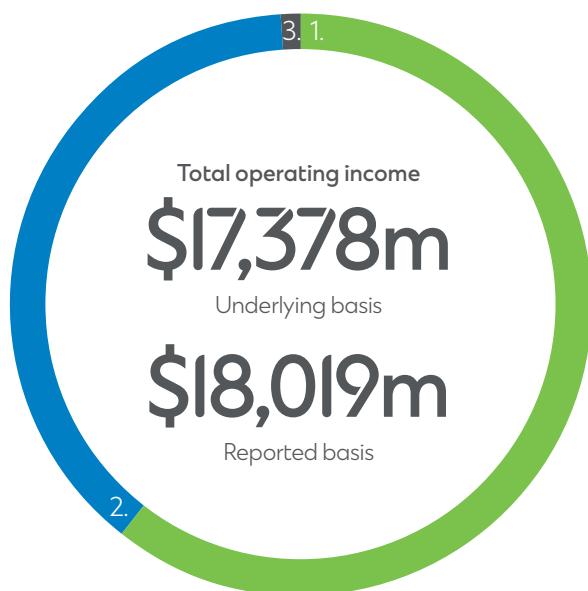
For more information on Standard Chartered please visit sc.com

All information presented in the Chairman, CEO and CFO statements are on an underlying basis unless otherwise stated. A reconciliation from underlying to reported and definitions of alternative performance measures can be found on pages 80 to 87.

Unless another currency is specified, the word 'dollar' or symbol '\$' in this document means US dollar and the word 'cent' or symbol 'c' means one-hundredth of one US dollar. Disclosures in the Strategic report, Sustainability review, Directors' report, Risk review and Capital review and Supplementary information are unaudited unless otherwise stated. Unless context requires within the document, 'China' refers to the People's Republic of China and, for the purposes of this document only, excludes Hong Kong Special Administrative Region (Hong Kong), Macau Special Administrative Region (Macau) and Taiwan. 'Korea' or 'South Korea' refers to the Republic of Korea. Asia includes Australia, Bangladesh, Brunei, Cambodia, India, Indonesia, Laos, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Thailand, Vietnam, Mainland China, Hong Kong, Japan, Korea, Macau, Taiwan; Africa and Middle East (AME) includes Bahrain, Botswana, Côte d'Ivoire, Egypt, Ghana, Iraq, Kenya, Mauritius, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, South Africa, Tanzania, UAE, Uganda, and Zambia; and Europe & Americas (EA) include Argentina, Brazil, Colombia, Falkland Islands, France, Germany, Israel, Jersey, Poland, Sweden, Türkiye, the UK, and the US. Within the tables in this report, blank spaces indicate that the number is zero and 'n.m' stands for not meaningful. Standard Chartered PLC is incorporated in England and Wales with limited liability, and is headquartered in London. The Group's head office provides guidance on governance and regulatory standards. Standard Chartered PLC Stock codes are: LSE STAN.LN and HKSE 02888.

Who we are and what we do

Our client segments



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

	Operating income
1. Corporate, Commercial & Institutional Banking	\$11,218m Underlying basis
2. Consumer, Private & Business Banking	\$11,788m Reported basis
3. Ventures	\$7,106m Underlying basis
4. Central and other items	\$7,151m Reported basis
	\$156m Underlying basis
	\$156m Reported basis
	\$(1,102)m Underlying basis
	\$(1,076)m Reported basis

Enabling and supporting our businesses

Global functions

Conduct, Financial Crime and Compliance

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

Corporate Affairs, Brand and Marketing

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

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

Group Chief Financial Officer

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

Group Internal Audit

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

Human Resources

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

Legal

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

Risk

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

Transformation, Technology & Operations

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

Our regions



	Operating income
1. Asia	\$12,429m Underlying basis
We are present in 21 markets, including Hong Kong and Singapore which contribute the highest income.	
2. Africa and Middle East	\$12,651m Reported basis
We have a presence in 18 markets of which the most sizeable by income are UAE, Pakistan, Kenya, Nigeria, South Africa and Ghana.	
3. Europe and the Americas	\$2,806m Underlying basis
Centred in London, with a growing presence across continental Europe, and New York, we operate in both North America and several markets in Latin America.	
4. Central and other items	\$2,924m Reported basis
	\$1,397m Underlying basis
	\$1,702m Reported basis
	\$746m Underlying basis
	\$742m Reported basis

Valued behaviours

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



Never settle

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

Better together

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

Do the right thing

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

Where we operate

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

For more than 170 years, we have used the power of our network to maximise opportunities for people and businesses who trade, operate or invest in these regions.

Our diverse experience, capabilities and culture set us apart.

► We are present in 52 markets ◄



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

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

→ Read more on page 31



Africa and the Middle East



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

Bahrain
Botswana
Côte d'Ivoire
Egypt
Ghana
Iraq

Kenya
Mauritius
Nigeria
Oman
Pakistan
Qatar

Saudi Arabia
South Africa
Tanzania
UAE
Uganda
Zambia



Read more on **page 32**



Europe and the Americas



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

Argentina
Brazil
Colombia
Falkland Islands
France

Germany
Israel
Jersey
Poland

Sweden
Türkiye
UK
US



Read more on **page 33**



Group Chairman's statement

► Embedding
a culture of
excellence
to deliver
sustained
value

Dr José Viñals
Group Chairman



During 2023, the Group continued to improve profitability, delivering on our objective to achieve a double-digit return on tangible equity (RoTE) for the full year. Our high-growth markets, where we are intent on making further investment, continue to deliver strongly despite an uncertain picture for the global economy.

This performance came against a backdrop of rising interest rates in many large economies, which undoubtedly gave a strong tailwind for the business. However, it is also a product of our clear strategy, discipline and tireless execution – a significant achievement for our colleagues, led by our Group Chief Executive, Bill Winters, and his Management Team. Their skills and dedication remain essential to our performance, and my deepest thanks go to all of them.

We have recently bid a fond farewell to Andy Halford, who formally stepped down as Group Chief Financial Officer on 3 January 2024. Since his arrival in the role in 2014, Andy has been a much-valued colleague and friend and made a phenomenal contribution by helping to steer the business through a challenging external environment. Under his watch we strengthened our foundations, reset our risk appetite and redefined the Group's strategy. He leaves with our very best wishes, and will continue in an advisory role until his retirement in August. It is with pleasure that we welcome Diego De Giorgi who joins us as Andy's successor. I am looking forward to working closely with Diego and Bill to drive further excellence for clients and higher value for shareholders.

Advancing our strategic and financial goals

I have said before that our objective is to grow income in a strong, safe and sustainable manner, while maintaining both cost and capital discipline, and I am delighted to say that was the case last year. We are confident that our improved RoTE, which reached 10.1 per cent in 2023, will be a milestone on the way to further long-term success for the Group, underpinned by strong performance across the business. We grew income 13 per cent on a constant currency basis while maintaining a strong capital and liquidity position and positive income-to-cost jaws. We expect our RoTE to steadily increase from 10 per cent, and are targeting 12 per cent in 2026 and to progress thereafter.

The strength of our financial performance affirms that the strategy that we set out in 2021 is working. We remain focused on investment in high-growth markets and have made significant progress against our strategic priorities across Network, Affluent, Mass Retail, and Sustainability.

I am acutely aware of the underperformance of our share price in recent months, which I believe does not reflect the progress we are making. Both the Board and the Management Team are absolutely focused on delivering sustained, long-term value for our shareholders. I believe our solid performance in 2023 gives us a good base from which to do this. As Bill details in the following pages, we have further sharpened the actions we will take to accelerate performance and future growth.

'We remain focused on investment in high-growth markets and have made significant progress against our strategic priorities'

Firstly, we will continue to rely on our stronger capabilities to further enhance returns in our Corporate, Commercial & Institutional Banking and Consumer, Private & Business Banking businesses, with a focus on driving income growth in high-returning areas. Secondly, we will improve operational leverage within the Group, addressing structural inefficiencies and complexities whilst protecting income. Finally, we will continue to return substantial capital to shareholders. This year, we are pleased to be able to provide an increased full-year dividend of 27 cents per share and are announcing a further share buyback of \$1 billion.

Alongside the importance of delivering improved financial performance, our Purpose and brand promise to be here for good remain cornerstones of our business. We are keenly aware of our role in supporting our clients and communities as they anticipate and respond to economic and social challenges. This is why we remain true to our Stands – Accelerating Zero, Resetting Globalisation and Lifting Participation – which are delivered through the execution of our strategy, and which give us an active framework for positive impact across our footprint.

We updated our net zero roadmap in April 2023, committing to an absolute emissions target and trajectory for the oil and gas sector. In this year's Annual Report, we disclose the targets and science-based methodologies for our financed emissions in 11 of the 12 high-emitting sectors identified as decarbonisation priorities by the Net Zero Banking Alliance, demonstrating our commitment to support the transition of the real-world economy.

We have also recently announced our decision to become an early adopter of the Taskforce on Nature-related Financial Disclosures, highlighting the rising importance of nature and biodiversity as a necessary consideration in sustainability. Given that our footprint represents some of the most complex and diverse natural capital in the world, working across our business and with our clients to preserve, restore and enhance nature is critically important.

It is my honour to be able to act as a voice for our Stands on behalf of the Group as Co-Chair of the United Nations' Global Investors for Sustainable Development Alliance, as well as at various global platforms and by engaging with stakeholders across our markets.

Driving higher standards

The Board remains committed to firmly embedding a culture of excellence across the organisation, building high standards through a 'one bank' culture of ambition, action and accountability that puts our clients at the heart of all we do. We are at our best when we harness the full talent and potential of the diverse markets in which we operate.

Both the Board and the Management Team are dedicated to maintaining our status as an employer of choice. That means offering our colleagues a variety of ways to build their skillset, attracting the best talent through our doors with a diverse set of career paths within the Group and progressive employee policies, such as the standardised parental leave announced last year.

As the world continues to change around us, we also recognise the ongoing importance of technology and continuous improvement in maintaining our competitive edge, and in building an innovation-led culture that allows colleagues to try new things within an effective and comprehensive risk management framework. We are intent on capturing the benefits of new, game-changing technologies like artificial intelligence, whilst protecting the information and financial security of our clients.

Group Chairman's statement

continued

It has been an extremely active year for the Board, with frequent in-depth briefings on geopolitical, cyber and sectoral risks, and a sharp focus on corporate governance. We continue to build out our resilience in both the financial and non-financial dimensions of risk and compliance across our varied markets. This gives us the confidence to achieve our strategic goals and act decisively to grasp new business opportunities.

We continue to maintain a diverse range of skillsets and backgrounds on our Board. Jasmine Whitbread, a long-standing director and impactful former chair of the Culture and Sustainability Committee, stepped down from the Board at last year's AGM. As announced on 16 February 2024, Gay Huey Evans will step down from the Board with effect from 29 February 2024 after serving nine years and contributing significantly to the Board and its Committees, especially as Chair of the former Board Financial Crime Risk Committee. Carlson Tong, another much-valued Board member, will step down from the Board on 9 May 2024, ahead of the AGM. I would like to thank Jasmine, Gay and Carlson for their many contributions during their time with us.

On 16 February 2024, we announced that Diane Jurgens will join the Board from 1 March 2024. Diane is a highly experienced and respected technologist who will bring significant technology and transformation expertise and insight to the Board having operated across a variety of sectors and the Group's key markets.

Our dynamic markets

In 2023 I continued to spend time across our markets, seeing their dynamism first-hand and experiencing the ambition of our colleagues as they work together for greater growth.

Guided by our Purpose – to drive commerce and prosperity through our unique diversity – we are investing heavily in fast-growing economies and trade corridors in Asia, Africa and the Middle East, and bringing innovative digital products to new clients. A good example of this is Solv, our e-commerce platform for small and medium-size enterprises. We're also positioning ourselves to be a positive force in the expansion of sectors that will deliver a more sustainable global economy, like renewables and electric vehicles.

I'm more confident than ever that we are investing in the right places for strong, safe and sustainable growth, and in our role as a connector bank in an ever more complex and fragmenting world. We provide our clients with the right solutions gained from deep experience of our markets, and continue to be a trusted partner for them as they look to seize opportunities across our footprint.

'I'm more confident than ever that we're investing in the right places for strong, safe and sustainable growth, and in our role as a connector bank in an ever more complex, fragmenting world'

Looking ahead with confidence

We expect to see a 'soft landing' for the world economy in 2024. This is no small achievement as we have witnessed the most aggressive period of monetary policy tightening in decades. This, plus other favourable supply side developments have led to a fall in inflation in most countries, engendering expectations of official interest rate cuts in many economies this year. Growth, in turn, remains resilient, with emerging markets expected to keep growing considerably faster than developed economies, and Asia continuing to lead global growth.

However, one cannot be complacent about the years ahead. The 'last mile' of inflation may prove stickier than expected, and geopolitical risks abound. As we begin 2024, the war between Ukraine and Russia continues, increasing uncertainty for nations in Europe and elsewhere. We see renewed conflict in the Middle East, bringing tragedy to many communities and disruption to the Red Sea, a key chokepoint in global supply chains.

2024 is also a year of major elections in the United States, India and probably the United Kingdom, as well as other markets in our footprint. These all have the potential to affect the economic situation.

With so much at stake, we must take care not to needlessly damage the means of growth and wealth creation. I have frequently spoken in defence of open, rules-based trade as a lynchpin of global economic growth. This year, the challenges around it remain powerful, with the risk of further fragmentation.

I believe the system of global trade that has been created with such care over many decades is one of humanity's foremost achievements. It is not perfect by any means, but it has arguably brought more opportunity and prosperity to a greater number of people than any other force in history. Like every intricate system, it is easy to damage and hard to rebuild. Safeguarding and making it more inclusive and sustainable requires constant vigilance and cooperation from policymakers, legislators, and the private sector in an evolved, modernised multilateral system.

While the external landscape remains uncertain, we are confident that we are well positioned to navigate the challenges and seize the opportunities ahead. Our results in 2023 show we are doing just that. We remain focused on continuing to deliver excellence for our clients, and sustained value for shareholders, in 2024 and beyond.



Dr José Viñals
Group Chairman

23 February 2024



• Standard Chartered and IFC aim to boost global trade by more than \$6 billion •

In April, we signed a deal to invest \$700 million in the IFC's Global Trade Liquidity Programme, which is expected to support up to \$6.4 billion in trade over three years across Asia, the Middle East, Africa, and Latin America.

The deal is a renewal of a facility first launched in 2009 and has supported \$20.5 billion in global trade through more than 150 Emerging Market Issuing Banks in 37 countries.



Read more at sc.com/IFC

Group Chief Executive's review

► Delivering sustainably higher returns ◀

Bill Winters
Group Chief Executive



We produced strong results in 2023, demonstrating the value of our franchise and delivering our target to push past the 10 per cent Return on Tangible Equity ('RoTE') milestone. But 10 per cent is not the extent of our ambition. We have the right strategy, business model and intent to build on this momentum. We have set out clear actions to deliver sustainably higher returns, with RoTE increasing steadily from 10 per cent, targeting 12 per cent in 2026, and to progress thereafter.

Full year 2023 income of \$17.4 billion was up 13 per cent on a constant currency basis, benefitting not only from rising interest rates but also encouraging underlying business momentum. Good cost discipline has enabled us to generate significantly positive income-to-cost jaws of 4 per cent for the year, even with continued underlying investment. Loan impairment declined, primarily due to reduced impairments from China commercial real estate and sovereign risks, with the overall portfolio remaining resilient. All this has helped us grow underlying profit before tax 27 per cent year-on-year, to \$5.7 billion, the highest level for ten years.

We remain highly liquid and strongly capitalised. We finished the year with a Common Equity Tier 1 ('CET1') ratio of 14.1 per cent, above the top of our target range, allowing us to increase our full year ordinary dividend by 50 per cent to 27 cents per share. We undertook in February 2022 to return over \$5 billion to shareholders by the end of 2024. With this full year dividend and the \$1 billion share buyback announced today, we will have exceeded that target well ahead of schedule.

As we start the new year, I would like to take a moment to thank my friend and much valued colleague, Andy Halford, who decided to retire this year. Andy has been a great partner to me and the Board and has successfully helped steer the Group over the last ten years. I'd also like to extend a warm welcome to Diego De Giorgi as he takes over as the Group Chief Financial Officer. Diego brings with him over 30 years of financial services experience and I am sure he will continue to build on the progress we have made.

Our strategy is driving success

Our strategy is designed to deliver our Purpose: to drive commerce and prosperity through our unique diversity. We set out four strategic priorities in early 2021: continue to grow our **Network** and **Affluent client** businesses, return to growth in **Mass Retail** and advance on all fronts of our **Sustainability** agenda. We are making good progress in every area.

- Income from our cross-border **Network** business grew 31 per cent in 2023, with standout growth rates in our China offshore corridors to the Middle East and ASEAN, up 67 per cent and 53 per cent respectively
- We increased the total number of **Affluent clients** to 2.3 million. This helped drive significantly higher levels of net new money in 2023, with net inflows of \$29 billion, up 50 per cent, year-on-year, and deliver 24 per cent growth in income from this client segment
- We grew our **Mass Retail** client base by over 1 million to 9.5 million. We have continued to grow our digital banks, Mox in Hong Kong and Trust in Singapore. They remain two of the fastest growing digital banks globally and underline our ability to partner and launch differentiated customer propositions. The Mass Retail business also serves a valuable strategic purpose as a pipeline for future Affluent clients, with 224,000 of our Mass Retail clients moving up to Affluent clients in 2023
- Our dedicated Chief Sustainability Office unit acts as a centre of excellence and a catalyst for the execution of the Group-wide **Sustainability** strategy and the achievement of our net zero roadmap, further details of which are set out in the Annual Report. Our Sustainable Finance franchise generated over \$0.7 billion income in 2023, a year-on-year growth rate of 42 per cent and we are well on our way to deliver a billion dollars in income by 2025. We have mobilised \$87 billion of sustainable finance since the beginning of 2021, making good progress as we advance towards our \$300 billion target by 2030

Great execution on our 2022 strategic actions

We set out five actions in 2022 designed to accelerate delivery of double-digit RoTE. The strong execution of these actions over the last two years, where we have either achieved our targets ahead of plan or they are well on track, has enabled us to reach that milestone in 2023.

- We are ahead of schedule to **drive improved returns** in Corporate, Commercial & Institutional Banking ('CCIB'). We targeted around 160 basis points improvement in income return on risk-weighted assets ('IRoRWA') to 6.5 per cent in 2024. The team exceeded this target in 2023, delivering an IRoRWA of 7.8 per cent. This was driven by particularly strong growth in income from Financial Institution clients, which now accounts for 49 per cent of CCIB income, delivering close to the 50 per cent target one year early. The team has also successfully executed \$24 billion in risk-weighted assets optimisation over the last two years, exceeding the target of \$22 billion. The completion of the sale of the Aviation Finance business also created further capacity for CCIB to grow higher returning business
- We are also ahead of our 2024 target to **transform profitability** in Consumer, Private and Business Banking ('CPBB'). The team has achieved its 60 per cent cost-to-income target one year ahead of plan, with a nine-percentage point improvement in 2023. They have delivered \$0.4 billion of structural expense savings from rationalising the branch network, process re-engineering, headcount efficiencies and further automation
- We have continued to **seize the China opportunity**, with our China-related business performing well, despite post-COVID domestic recovery tracking below expectations. We set a target of doubling the operating profit before tax of our onshore and offshore China business by the end of 2024 and we almost achieved that in 2023, generating \$1.3 billion. This was driven primarily by offshore-related income, which delivers significantly higher returns, growing 42 per cent. Our onshore income, despite the domestic headwinds, grew 4 per cent. Looking forward, we continue to be confident in the long-term opportunities that China re-opening will generate for our unique franchise
- We continued to **create operational leverage**, and are on track to deliver the three-year \$1.3 billion expense savings target, which has helped us absorb inflationary pressure and continue to invest. Our cost-to-income ratio is down 7 percentage points since the end of 2021 to 63 per cent for 2023, so we are well advanced towards our target of around 60 per cent by 2024
- Our equity generation and discipline on risk-weighted assets this year have created capacity for us to continue to **deliver substantial shareholder distributions**. With the final ordinary share dividend for 2023 and a new \$1 billion share buyback programme starting imminently, means we are well ahead of our total target of returning in excess of \$5 billion by the end of 2024. We will continue to actively manage the Group's capital position with the target of a further capital return of at least \$5 billion over the next three years

Group Chief Executive's review

continued

Building on our achievements to deliver sustainably higher returns

Our unique footprint across the world's most dynamic markets gives us a strategic advantage and underpins my confidence that we can continue to grow even in a less supportive interest rate environment. Our objective is to ensure that income growth translates into structurally higher profitability, striking a balance between maintaining the diversity that our clients value, while taking out unnecessary complexity that slows us and drags returns.

We are therefore taking further action in each of our three client businesses to drive income growth:

- In CCIB, we will seek to **drive growth in high-returning businesses** such as cross-border income, targeting an 8 to 10 per cent underlying growth rate over the next three years. Additionally, building on our strength as a top two network trade bank, we are targeting to grow Trade and Working Capital income by 6 to 8 per cent between 2024 and 2026. The team is also driving growth in financing related income (Global Credit and Lending) with a particular focus on accelerating the originate to distribute strategy, targeting an 8 to 10 per cent CAGR to 2026
- In CPBB, we will **build on our strengths in the Affluent client business**, targeting to attract over \$80 billion of net new money over the next three years, a 19 per cent increase from the previous three years. We also intend on accelerating the growth in our international client business, with the target of increasing the number of international Affluent clients from 274,000 to over 375,000 by 2026
- Building on the remarkable momentum in our two digital banks, Mox and Trust, we are targeting for the **Ventures segment to be RoTE accretive** by 2026

By executing these actions, we expect to grow income at a compound annual rate of between 5 and 7 per cent over the next three years, well above the anticipated rate of growth for the global economy.

We are also taking action to transform the way we operate, addressing structural inefficiencies and complexity whilst protecting income. Starting this year, we will run a bank-wide programme called Fit for Growth, to accelerate our previous efforts to simplify, standardise and digitise our business. We will fundamentally improve our productivity, client and employee experience and create capacity to reinvest in incremental growth initiatives.

This programme will save around \$1.5 billion of cumulative expenses over the next three years and we expect to incur a similar amount in terms of the cost to achieve these permanent organisational and financial benefits. This will help us to deliver positive income-to-cost jaws in each of the next three years and keep operating expenses below \$12 billion in 2026.

Continuing to deliver strong income growth, combined with improving operational leverage and maintaining our responsible approach to risk and capital, means we expect RoTE to increase steadily from 10 per cent, targeting 12 per cent in 2026 and to progress thereafter.

Uniquely positioned and confident in the future

We are in a privileged position to take advantage of significant growth opportunities that will continue to come from the markets in our footprint, generating value for our clients and the communities in which we operate.

Whilst we expect global growth to stay below potential at 2.9 per cent in 2024, as high interest rates put a drag on consumers as well as investment spending, Asia is likely to be the fastest-growing region continuing to drive global growth, expanding by 4.9 per cent. Easing inflation is likely to allow major central banks to start cutting rates in the second half of 2024, with a focus on supporting softening economic activity.

Downside risks to this outlook include a sharper than expected slowdown in major economies, sustained inflationary pressures, a sluggish housing market in China and increased geopolitical tensions. But we also see significant opportunities emerging:

- Higher capex to meet sustainability targets and moves towards digitalisation could boost productivity growth
- Within emerging markets, countries in Asia are best placed to take advantage of digitalisation, including generative AI
- Relatively younger populations, as well as the adoption of digital technology, will allow emerging markets to become increasingly important to global growth

Our share price reflects little of our optimism about prospects and seems heavily influenced by the downside concerns mentioned above. The concerns are real, and we take them seriously. We maintain a strong capital position and liquidity to absorb any adverse impact on us and our clients. We believe that the value of our franchise will become increasingly clear to the broader market as we continue to grow our profits and exceed market expectations in those very areas of most concern.

In conclusion: significant progress with ambition for more

We delivered a strong performance in 2023, achieving our 10 per cent RoTE milestone, while maintaining a strong balance sheet and a robust capital position. But we know we must do more.

We have made significant progress on our five strategic actions, with most targets either delivered ahead of plan or well on track, providing a strong platform to grow and drive sustainably higher returns. And while much external uncertainty persists, we are optimistic for the markets and strength of our businesses in our footprint. But we are far from complacent, and my Management Team and I remain focused on delivering on our targets, seizing the growth opportunities we have, driving a culture of excellence and creating exceptional long-term value for our clients, shareholders and communities.

Finally, I would like to acknowledge the remarkable efforts of our colleagues again this year. Their impressive dedication to our customers and the communities that we serve help to manifest our brand promise to be here for good.



Bill Winters
Group Chief Executive

23 February 2024

Management Team



1. **Bill Winters**
Group Chief Executive
2. **Diego De Giorgi**
Group Chief Financial Officer
3. **Simon Cooper**
CEO, Corporate, Commercial & Institutional Banking and Europe & Americas
4. **Claire Dixon**
Group Head, Corporate Affairs, Brand and Marketing
5. **Judy Hsu**
CEO, Consumer, Private and Business Banking

6. **Mary Huen**
CEO, Hong Kong and Cluster CEO for Hong Kong, Taiwan and Macau
7. **Benjamin Hung**
CEO, Asia
8. **Tanuj Kapilashrami**
Group Head, Human Resources
9. **Sunil Kaushal**
CEO, Africa & Middle East
10. **Roel Louwhoff**
Chief Technology, Operations and Transformation Officer

11. **Tracey McDermott, CBE**
Group Head, Conduct, Financial Crime and Compliance
 12. **Sandie Okoro**
Group General Counsel
 13. **Sadia Ricke**
Group Chief Risk Officer
 14. **Paul Day***
Group Head, Internal Audit
- * Paul represents Group Internal Audit as an invitee at Management Team meetings

Key performance indicators

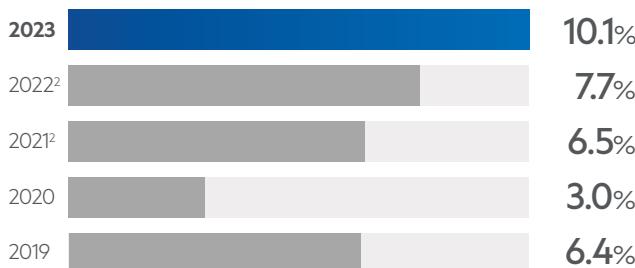
We measure our progress against Group key performance indicators (KPIs), as detailed below, as well as client KPIs, which can be found on pages 28 to 30. Our Group KPIs include non-financial measures reflecting our commitment to build an engaged, diverse and inclusive culture and support social and environmental outcomes.

Financial KPIs



Underlying return on tangible equity (RoTE)^{1,2} %

+240 bps



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

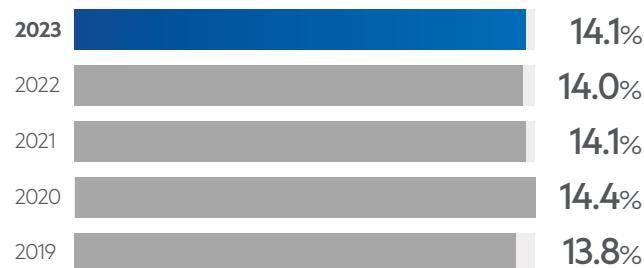
Progress in 2023 Our strategy to drive improved levels of return on tangible equity (RoTE) is working. RoTE for the year of 10.1 per cent is 240 basis points higher year-on-year.

- 1 The underlying profit attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' tangible equity.
- 2 2021-2022 have been restated to reflect market and business exits announced in 1Q'23.



Common Equity Tier 1 ratio %

+10 bps



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

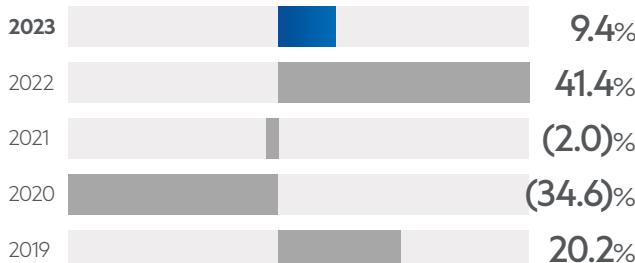
Progress in 2023 The Group remains well capitalised and highly liquid with a CET1 ratio of 14.1 per cent above our target range, enabling the Board to announce a 50 per cent increase in the full-year dividend and a further \$1 billion share buyback programme to start imminently.

- The components of the Group's capital are summarised in the Capital review on [page 338 to 343](#).



Total shareholder return (TSR)¹ %

9.4%



Alignment to remuneration

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

Progress in 2023 Our TSR for the full year was 9.4%.

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

Alignment to remuneration

Reward for all Group employees, including executive directors, continues to be aligned to the Group's strategic priorities, through our annual and long-term incentive scorecards. Our approach to remuneration is consistent for all employees and is designed to create alignment with our Fair Pay Charter, which applies globally. However, our pay structures may vary according to location (to comply with local requirements). Variable remuneration falls into two categories: annual incentive and a long-term incentive plan (LTIP) which are aligned to the KPIs indicated:

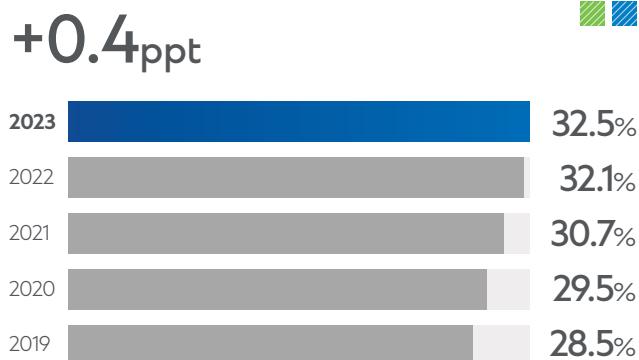
 **Annual incentive** is based on measurable performance criteria linked to the Group's strategy and assessed over a period of one year.

 **LTIP** awards are granted to senior executives who have the ability to influence the long-term performance of the Group. Awards are performance dependent based on measurable, long-term criteria.

→ Read more in our Directors' Remuneration Report on [pages 182 to 216](#)

Non-financial KPIs

Diversity and inclusion: Women in senior roles¹ %



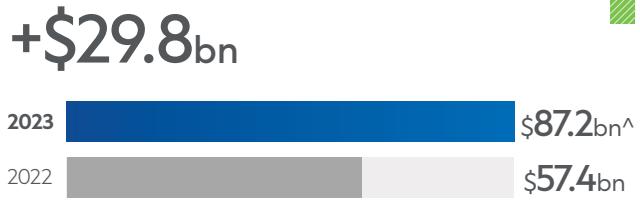
Aim Increase representation of women in senior leadership roles¹ to 35 per cent by 2025.

Progress in 2023 In 2023, the proportion of senior leadership roles occupied by women has increased to 32.5 per cent. This is up by 0.4 percentage points from December 2022 (32.1 per cent) and 7 percentage points since December 2016 (25.3 per cent).

¹ Senior leadership is defined as Managing Director and Band 4 roles (including Management Team).

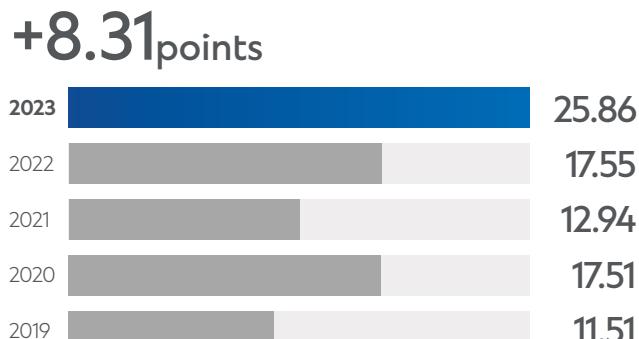
Alignment to
remuneration

Mobilisation of Sustainable Finance^{1,2} \$



Alignment to
remuneration

Employee net promoter score (eNPS)¹



Alignment to
remuneration

Aim Improve the overall employee experience across the Group by creating a better work environment for our colleagues that should translate into an improved client experience.

Progress in 2023 The eNPS score is up by 8.31 points to 25.86, which is our highest ever score.

¹ eNPS ranges from -100 to +100 and is based on a single question which measures whether colleagues would recommend working for the Bank. It is calculated by deducting percentage of detractors from percentage of promoters.

Market environment

Macroeconomic factors affecting the global landscape

Global macro trends

Trends in 2023

- Global GDP growth continued to slow in 2023, likely to 3.1 per cent, from 3.5 per cent in 2022, as central banks continue to tighten policy and the boost from post-pandemic reopening of economies faded.
- Asia was the best-performing region, recording growth of 5.1 per cent, on strong momentum in India and favourable base effects in China. Sub-Saharan Africa likely saw growth of 3 per cent in 2023, nearly unchanged from 2022, supported by domestic reform momentum in key economies.
- Among the majors, despite a banking-sector crisis in the first half of the year, the US recorded annual growth of 2.5 per cent on the back of resilient domestic demand, while growth slowed sharply in the UK to 0.1 per cent.

- The euro-area economy grew by 0.5 per cent in 2023 following 3.4 per cent growth in 2022, supported by household demand and a positive contribution from exports in H1.
- In most majors, labour markets remained strong, with low unemployment rates that helped support consumer confidence.
- Major central banks like the Fed and ECB continued to tighten monetary policy in the first three quarters of 2023 with a view to bringing inflation back to target levels. Fiscal policy remained accommodative as governments tried to shield consumers and businesses from still elevated prices.

Outlook for 2024

- Global growth is likely to stay below-trend at 2.9 per cent in 2024 as high interest rates drag on consumers as well as investment spending.
- Asia will likely be the fastest-growing region and will continue to drive global growth, expanding by 4.9 per cent. Among the majors, the US is expected to experience below-trend growth of 1.8 per cent in 2024, the UK will grow just 0.1%, while the euro area is likely to see an overall modest expansion of 0.6 per cent.
- Easing inflation is likely to allow major central banks to start cutting rates from Q2 2024, with a focus on supporting softening economic activity.

- Unfavourable global liquidity conditions are likely to make it difficult for some emerging markets to access international financing, forcing them to seek multilateral support.
- Downside risks to this outlook include a sharper than expected slowdown in major economies, sustained inflationary pressures, a sluggish housing market in China, and another flare-up of geopolitical tensions.

Medium- and long-term view

High interest rate environment

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

Broader global trends

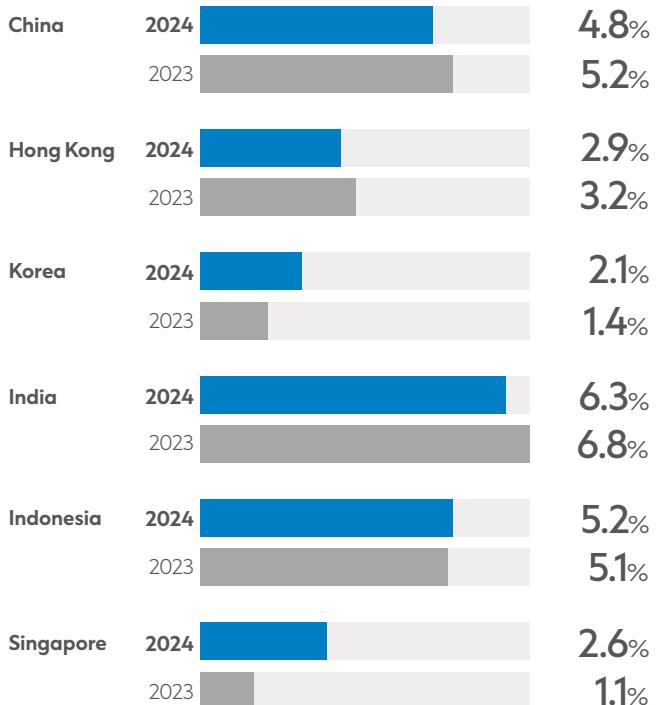
- The world economy could see a permanent loss of economic output or 'scarring' due to the recession following the pandemic. This would make it harder for emerging markets to catch up with developed markets.
- Long-term growth in the developed world is constrained by ageing populations and high levels of debt, exacerbated by the policy response to COVID-19.
- Rising nationalism, anti-globalisation and protectionism are threats to long-term growth prospects in emerging markets.
- However, there are potential offsets. Higher capex to meet sustainability targets, and moves towards digitalisation could boost productivity growth, proving an antidote to economic scarring concerns. Within emerging markets, countries in Asia are best placed to take advantage of digitalisation, including generative artificial intelligence (AI).
- Relatively younger populations, and the adoption of digital technology, will allow emerging markets to become increasingly important to global growth.
- In order to meet net zero targets, energy-related spending will have to increase significantly; headwinds include insufficient funds across emerging markets, labour shortages and supply chain constraints.

Regional outlook

Asia

- China's economic activity remains below potential, leaving room for further recovery. We forecast 2024 growth at 4.8 per cent. The post-COVID recovery has been disappointing, due to continuing contraction of the property sector, a negative contribution from foreign trade, and a lack of confidence on the part of consumers and private businesses. While GDP growth picked up to 5.2 per cent in 2023 on the reopening boost, policy support and a favourable base, economic activity is currently 2-3 percentage points below trend according to our estimate. We expect the government to set a growth target of around 5 per cent in 2024, the same as in 2023, to narrow the negative output gap and prevent deflation expectation from becoming entrenched.
- While housing market adjustment will likely continue, we expect it to exert less of a drag on growth next year. The authorities have turned more supportive of the sector since the July Politburo meeting, relaxing purchase restrictions, lowering mortgage rates, accelerating renovation of urban villages, and pledging to meet reasonable financing need from eligible property developers. Consumption is likely to remain the key driver of the economy, with consumers showing renewed willingness to draw on their excess savings. The easing bias of macro policies is likely to remain to consolidate the recovery. We expect the People's Bank of China to increasingly rely on expansion of its balance sheet to inject ample liquidity, keeping the credit condition relatively easy. The official budget deficit may exceed the implicit ceiling of 3 per cent of GDP, with the central government more willing to share the debt burden. However, the upside is likely to be capped by private sector's hesitation to expand investment.
- Hong Kong's outlook remains challenging. We expect growth to slow to 2.9 per cent in 2024 from 3.2 per cent in 2023, a reflection of still cautious household and business sentiment. The positive factors, including a continued normalisation in tourist arrivals and a persistently tight labour market, may not be sufficient to offset a weak property market and elevated US interest rates that keep weighing on investment appetite. We expect Korea's growth to accelerate to 2.1 per cent from 1.4 per cent in 2023, benefiting from a potential upcycle of semiconductors, but prolonged high-interest rates and rising commodity prices will adversely affect Korean consumption and construction investment.
- In India, we expect FY25 (year beginning April 2024) GDP growth to likely moderate to 6.3 per cent vs 6.8 per cent for FY24 amid slower global growth, higher interest rates and slowing consumer demand. However, the growth dynamics are likely to stay strong. Rising real wages are likely to support rural demand and we expect private capex recovery post national elections in April/May 2024; the current ruling party is widely expected to return to power. Meanwhile, inflation pressures are expected to ease slightly to 5 per cent in FY25 vs 5.4 per cent in FY24. Hence, we see a shallow rate cut cycle of 50 bps starting June 2024 amid easing global rates. Ample foreign exchange (FX) reserves and yet another year of balance of payment surplus led by index inclusion related inflows, remain a strong buffer for the economy and are likely to limit FX market volatility. The key risks to our view can emanate from higher oil prices and/or tighter global financial conditions.

Actual and projected growth by market in 2023 and 2024 %



- While global demand may remain soft in 2024, we expect the external drag on externally oriented economies in Association of South East Asian Nations (ASEAN), including Singapore, Vietnam, Malaysia and Thailand, to be more moderate due to favourable base effects. In addition, a bottoming of the global electronics cycle may help these economies, though we do not expect a significant recovery given weak external demand and uncertainty. Domestic activity may see consumption and investment sentiment partly affected by higher interest rates and still-high inflation earlier in the year. But potential rate cuts and easing inflation in H2 and likely stable labour markets should provide support. Election spending in Indonesia may also provide a boost to consumption earlier in the year. Tourism recovery may continue to bolster growth in 2024 but the support may be fading. Inflation is expected to moderate in 2024 on favourable base effects and tighter monetary policies but upside risks arise from potentially higher food and energy prices, especially with the latest developments in the Middle East.
- Monetary policy in the region may remain tight for longer given upside risks to inflation, and this poses a downside risk to economic growth, but some easing is expected in H2 which will help support growth sentiment. On balance, growth may remain somewhat subdued and similar to 2023, but lower inflation and rate cuts in H2 may help offset a weaker H1.

Market environment

continued

Regional outlook continued

Africa and the Middle East

Actual and projected growth by market in 2023 and 2024 %

Nigeria	2024		3.5%
	2023		2.7%
UAE	2024		4.0%
	2023		2.7%

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

→ See our regional performance on [page 32](#)

Europe and the Americas

Actual and projected growth by market in 2023 and 2024 %

UK	2024		0.1%
	2023		0.1%
USA	2024		1.8%
	2023		2.5%

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

→ See our regional performance on [page 33](#)



► Zodia Custody and Zodia Markets flourish in 2023 ◀

SC Ventures backed, UK-based Zodia Custody and Zodia Markets both continued to grow in 2023. Zodia Custody – an institution first digital asset custodian – launched in Australia, Hong Kong, Japan, Luxembourg and Singapore and secured \$36 million in Series A funding. Meanwhile, Zodia Markets – a digital asset brokerage and exchange platform - expanded into UAE and was registered as a Virtual Asset Service Provider with the Central Bank of Ireland.



Read more at zodiemarkets.com and zodia.io

Business model

We help corporates and financial institutions connect and maximise opportunities across our global network, and we support individuals and local businesses in growing their wealth.

Our business

Corporate, Commercial and Institutional Banking (CCIB)

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

Consumer, Private and Business Banking (CPBB)

We support small and medium-sized enterprises and individuals, from Mass Retail clients to Affluent including high-net-worth individuals, both digitally and in person.

Ventures

We promote innovation, invest in disruptive financial technology and explore alternative business models. Our diverse portfolio of ventures includes two market-leading digital banks in Singapore and Hong Kong.

Our products and services

Financial Markets

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

Transaction Banking

- Cash management
- Trade finance
- Working capital

Wealth Management

- Investments
- Insurance
- Wealth advice
- Portfolio management

Retail Products

- Deposits
- Mortgages
- Credit cards
- Personal loans

How we generate returns

We earn net interest income on loans and deposit products, fee income on financing solutions, advisory and other services, and trading income from providing risk management in financial markets.

Income

Net interest income
Fee income
Trading income

Profit after tax

Income gained from providing our products and services minus expenses, impairments and taxes

Return on tangible equity

Profit after tax generated relative to tangible equity invested

What makes us different

Our Purpose is to drive commerce and prosperity through our unique diversity – this is underpinned by our brand promise, here for good. Our Stands – aimed at tackling some of the world's biggest issues – Accelerating Zero, Lifting Participation and Resetting Globalisation (see page 26 for more) challenge us to use our unique position articulated below.



Client focus

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



Distinct proposition

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



Robust risk management

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



Sustainable and responsible business

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



How we are shaping our future

We have progressed strongly in delivering our strategy to accelerate returns.

In 2022, we set out to uplift our return on tangible equity (RoTE) to 10% by 2024. In 2023, we have improved our RoTE to 10.1%, with strong progress in delivering against the five strategic actions we set out to accelerate our returns:

- Driving improved returns in CCIB: income return on risk weighted assets further enhanced to 7.8% (2022¹: 6.2%) and plan to reduce \$22bn of risk weighted assets between 2022 and 2024 fully delivered early during the year
- Transforming profitability in CPBB: cost-to-income ratio further improved to 60% (2022¹: 69%), supported by the continuous delivery of business savings and digitisation programme
- Seizing opportunities in China: China onshore and offshore profit before tax grown to \$1.3bn (increased 1.6 times vs. 2022¹), despite recent market challenges
- Creating operational leverage by delivering \$1.3bn of sustainable cost saves over 2022–2024: \$0.4bn of cost saves in 2023, bringing 2022–2023 total to \$0.9bn
- Delivering sustainable shareholder distributions in excess of \$5bn over 2022–2024: \$2.7bn total distributions for 2023, bringing 2022–2023 total to \$4.5bn; plus a new \$1bn share buyback programme starting imminently in 2024.

We have further optimised our businesses and footprint. In 2023, we completed the sale of our Aviation Finance leasing business. For the seven Africa and Middle East (AME) markets and two additional AME CPBB businesses we announced to exit in 2022, we have completed the sale of our Jordan business and closed our Lebanon representative office, and have signed binding agreements for the divestment of the remainder.

The significant progress we have made on our strategic agenda has provided us with a strong platform to grow and drive sustainably higher returns. We target RoTE to increase steadily from 10%, targeting 12% in 2026 and to progress thereafter. Key actions for the next three years include:

- Continue to deliver strong income growth targeting 5–7% income growth CAGR² for the next three years
- Improving operational leverage through the Fit for Growth programme, to simplify, standardise and digitise key elements of the Group, enabling the Group to keep annual operating expenses below \$12bn in 2026
- Continuing active management of the Group's capital position, with the target of a further capital return of at least \$5bn over the next three years.

¹ 2022 Figures restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) Debit Valuation Adjustment (DVA)

² Compound Annual Growth Rate

Business model

continued

The sources of value we rely on

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

Human capital

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



International network

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



Local expertise

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



Brand recognition

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

Consumer client satisfaction metric¹

56.6%

2022: 49.8%

CET1 capital

\$34bn



Technology

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

How we are enhancing our resources

- Upskilling and reskilling our people continues to be a priority – more than 30,000 colleagues undertook learning in 2023 to build future-ready skills, including in sustainable finance, data and analytics, digital, cyber security, and leadership.
- We continue to strengthen a work environment that supports inclusion, innovation, and high performance, with an ongoing focus on wellbeing. This includes further embedding flexible working across our markets, providing enhanced benefits, and building the capabilities of our people leaders.
- Across our international network, we are investing in capabilities such as digital channels and client experiences to access new high-growth segments, grow our share of wallet with existing clients and create new business model opportunities.
- We are strengthening our Transaction Banking, Financial Markets and Sustainable Finance solutions in CCIB and Wealth Management offerings in CPBB to meet the needs of our cross-border clients across our network.
- We continue to enhance our product, advisory and digital capabilities to serve our individual clients. In 2023, we launched more than 20 new digital wealth capabilities, made our Signature Chief Investment Office (CIO) funds available in 12 markets and launched new digital loan partnerships.
- In Business Banking, we continued to support the growth of small and medium-sized enterprises by making digital loan origination available in five markets and expanding the SC Women's International Network, our offering for women entrepreneurs, to five markets.
- In 2023, we continued to invest in our brand through our 'Possibilities are Everywhere' global advertising campaign, highlighting our distinctive brand promise to be here for good and showcasing how we help people, companies and communities grow and prosper across our international network.
- We have been successful in leveraging our brand and insights to support business growth. Media sentiment towards the Group continued to exceed the average for the banking sector and ranked top three in most of our key markets over 2023.
- Our capital position remains strong, with a CET1 ratio of 14.1% at the end of 2023, above the target range of 13–14 per cent.
- We continue to maintain a strong and resilient funding profile, with a Liquidity Coverage Ratio (LCR) of 145% and a Net Stable Funding Ratio (NSFR) of 138% at the end of 2023.
- We are maintaining momentum on simplification and harmonisation of our technology estate, integrating platforms using the cloud where appropriate, and investing in our engineering capabilities and best-in-class tools to provide secure and resilient technology.
- We are accelerating automation to optimise our technology stack and enhancing the end-to-end delivery from requirements to deployment via a new, single platform that enables our colleagues to collaborate on technology projects in a consistent and efficient manner.
- We have continued delivering value to our clients by improving speed to market, as enabled by more efficient and scalable technology development and delivery processes.

¹ Excludes CCIB and Business Banking clients.
Includes Private Banking. Restated for 2022



Read more on stakeholder engagement on [pages 54 to 64](#)

The value we create

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



Clients

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

Total active individual clients¹

11.8m

2022²: 10.4m

Total CCIB and Business Banking clients¹

226,000

2022²: 232,000



Suppliers

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

Total spend in 2023

\$4.5bn

2022: \$4.3bn

Active suppliers

11,600

2022: 11,700



Employees

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

Senior appointments which are internal

60%

2022: 67%

Employees committed to our success

97%

2022: 96%



Regulators and governments

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

Corporate Taxes and Bank Levy paid in 2023

\$1,476m

2022³: \$926m



Society

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

Community investment

\$68.6m

2022: \$51.3m

Investors

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

Dividends declared in 2023

\$728m

2022: \$523m

Share buy-backs in 2023

\$2.0bn

2022: \$1.3bn

¹ Excluding customers served or supported by Ventures segment

² 2022 figures restated for the removal of (i) exit markets and businesses in AME and (ii) Aviation Finance

³ 2022 restated to include bank levy

Our strategy

To become a leader in global finance

Over the past year, we have executed strongly against our strategy, with a considerable uplift in our return on tangible equity (RoTE) delivered.

We continue to focus on:

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

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

Our strategic priorities and enablers will continue to be supported by our three Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation (please find more details of our Stands on page 26).

Critical enablers

People and Culture



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

- Embedding our refreshed approach to performance, reward and recognition that puts greater focus on ambition, collaboration, and innovation
- Increasing re-skilling and upskilling towards future roles and work, aligned with our business strategy and workforce's aspirations
- Strengthening leadership capability through modernised development programmes and measurement platforms
- Focusing on wellbeing to enhance resilience, productivity and performance, as well as offering progressive, purpose-led benefits
- Further embedding flexible working across our footprint, with over 52,000 employees in 44 markets now on agreed flexi-working arrangements.

Culture of inclusion score

83.2%

2022: 83.1%

Women in senior roles

32.5%

2022: 32.1%

Ways of Working



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

We continue strong progress on:

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

Innovation



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

We continue to focus on:

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

Speed to value¹

150 days

2022: 160 days

Consumer client satisfaction metric²

56.6%

2022: 49.8%

Percentage of revenue from new businesses³

36%

2022: 22%

¹ Speed to value measures the time taken to deliver a change from ideation till customer go-live and is based on the weighted average of lead time across Corporate, Commercial and Institutional Banking (CCIB) and Consumer, Private and Business Banking (CPBB) businesses.

² Excludes CCIB and Business Banking clients. Includes Private Banking. Restated for 2022.

³ Income from digital initiatives, innovation and transformation of the core, the majority of which will come from new and upgraded platforms and partnerships. Also includes Sustainable Finance income and 100 per cent of Ventures income.

Strategic priorities

Network business



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

Our on-the-ground presence and capabilities in more than 50 markets give us an advantage in advice and deal execution for corporates and financial institutions by:

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

CCIB network income

\$6.9bn

2022¹: \$5.2bn

Percentage of CCIB transactions digitally initiated

65.7%

2022: 61.5%

Mass Retail business



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

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

Our focus is on:

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

Active Mass retail clients

9.5m

2022²: 8.3m

Percentage of digital sales for Retail Products

56%

2022: 48%

Affluent client business



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

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

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

Affluent client income

\$4.6bn

2022²: \$3.7bn

Active Affluent clients

2.3m

2022²: 2.1m

Sustainability



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

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

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

Cumulative Sustainable Finance mobilised since 2021³

\$87bn⁴

2022: \$57bn⁵

Sustainable Finance income in 2023⁶

\$720m

2022: \$508m

1 2022 figures restated for removal of (i) exit markets and business in Africa and Middle East (AME) and (ii) Aviation Finance.

2 2022 figures restated for removal of exit markets and business in AME.

3 Defined as any investment or financial service provided to clients which supports: (i) the preservation and/or improvement of biodiversity, nature or the environment; (ii) the long-term avoidance/decrease of greenhouse gas (GHG) emissions, including alignment of a client's business and operations with a 1.5 degrees Celsius trajectory (known as transition finance); (iii) a social purpose; or (iv) incentivises clients to meet their own sustainability objectives (known as sustainability-linked finance).

4 January 2021 to September 2023 cumulative progress towards \$300 billion mobilisation target by 2030.

5 January 2021 to September 2022 cumulative progress towards \$300 billion mobilisation target by 2030.

6 Defined as income generated from Sustainable Finance products as listed in the Green and Sustainable Product Framework. For further information, please refer to pages 99 to 101.

Our Stands

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



Accelerating Zero

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

Lifting Participation

Inequality, along with gaps in economic inclusion, mean that many young people, women, and small businesses struggle to gain access to the financial system to save for their futures and to grow their businesses. We want to increase access to financial services and make them available at low cost. We strive to expand the reach and scale of accessible banking and to connect clients and our wider communities to the skills and educational opportunities that promote and sustain access to finance and economic opportunity.

Resetting Globalisation

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



• SC Ventures launches Tawi

In May, SC Ventures, our innovation, fintech investments and ventures arms, launched Tawi – an Agritech B2B marketplace for smallholder farmers in Kenya. As part of the Tawi marketplace, farmers have access to an e-commerce platform helping them connect with commercial kitchens and reduce post-harvest losses.

Tawi also helps improve price transparency and efficient supply chain management. By the end of 2023, Tawi had onboarded more than 1,000 farmers (65 per cent women), more than 700 commercial kitchens (34 per cent women-led businesses) and fulfilled more than 6,000 orders. Tawi is also working to launch financial services including agri-loans, savings and working capital to enhance financial inclusion.



Read more at tawifresh.com

Corporate, Commercial and Institutional Banking

KPIs**Profit before taxation**

\$5,436m **\$5,747m**

↑ 42%
underlying basis

↑ 49%
reported basis

Return on tangible equity (RoTE)

19.5% **20.6%**

↑ 610bps
underlying basis

↑ 700bps
reported basis

Risk-weighted assets (RWA)

\$142bn ↓ \$1.6bn

Income Return on risk-weighted assets (Income RoRWA)

Aim: Achieve RoRWA of 6.5% by 2024.

Analysis: CCIB income RoRWA improved to 7.8% in 2023, up 160bps YoY and in line with our 2024 target, driven by higher income and disciplined risk management.

Contribution of Financial Institutions segment to total income

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

Analysis: Share of Financial Institutions income improved to 49 per cent in 2023 as we applied continued focus to this segment to drive income and returns.

Segment overview

Corporate, Commercial and Institutional Banking supports local and large corporations, governments, banks and investors with their transaction banking, financial markets and borrowing needs. We provide solutions to nearly 20,000 clients in some of the world's fastest-growing economies and most active trade corridors. Our clients operate or invest across 45 markets across the globe.

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

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

Strategic priorities

- Deliver sustainable growth for clients by leveraging our network to facilitate trade, capital and investment flows across our footprint markets
- Generate high-quality returns by improving funding quality and income mix, growing capital-lite income and driving balance sheet velocity while maintaining disciplined risk management
- Be a digital-first and data-driven bank, that delivers enhanced client experiences
- Accelerate our sustainable finance offering to our clients through product innovation and enabling transition to a low-carbon future

Progress

- Our underlying income performance is driven by our diversified product suite and expanded client solutions supported by the higher interest rate environment. Our cross-border income currently contributes to 61 per cent of total CCIB income with growth across strategic corridors
- Robust balance sheet quality with investment-grade net exposures representing 66 per cent of total corporate net exposures (2022: 70 per cent) and high-quality operating account balances broadly stable at 65 per cent of Transaction Banking and Securities Services customer balances (2022: 67 per cent)
- We defended against liabilities attrition through active pricing management
- Our client migration to the Straight to Bank NextGen platform is successfully completed. We achieved digital adoption of 65.7 per cent (2022: 61.5 per cent) across Cash, Trade and FX, by driving client awareness and adoption programs. Client experience remains at the centre of our digital transformation, with our Net Promoter Score at 78.6 per cent (2022: 68.4 per cent)
- We are ~70% of the way towards delivering our \$1 billion income from sustainable finance franchise by 2025, and have mobilised \$87 billion in sustainable financing against our \$300 billion commitment by 2030

Performance highlights

- Underlying profit before tax of \$5,436 million up 42 per cent at constant currency ("ccy"), primarily driven by higher income and lower credit impairment charges, partially offset by higher expenses
- Underlying operating income of \$11,218 million up 20 per cent at ccy primarily due to strong performance in Cash Management from pricing discipline in a rising interest rate environment. Financial Markets was down 2 per cent at ccy, mainly from lower revenue in FX and Commodities on the back of lower market volatility, subdued primary issuances and non-repeat of the gains on mark-to-market liabilities in 2022. Excluding the latter, Financial Markets was up 3 per cent
- Underlying operating expenses were up by 10 per cent at ccy largely due to inflationary pressure, targeted investments and strategic hires to support business growth
- Risk-weighted assets were down by \$1.6 billion since 31 December 2022, mainly as a result of optimisation initiatives partly offset by business growth. We achieved \$10.3 billion optimisation in risk-weighted assets in 2023 (\$24.2 billion since January 2022)
- Underlying RoTE increased from 13.4 per cent to 19.5 per cent

Consumer, Private and Business Banking

KPIs



Profit before taxation

\$2,487m **\$2,427m**

↑ 60%
underlying basis

↑ 63%
reported basis

Return on tangible equity (RoTE)

25.3% **24.7%**

↑ 950bps
underlying basis

↑ 950bps
reported basis

Risk-weighted assets (RWA)

\$51bn ↑ \$0.6bn

Affluent Net New Money (NNM)

2023		29.1bn
2022		19.4bn
2021		18.1bn

Aim: Acquire NNM from new and existing Affluent clients, via innovation, advisory-led and digital-first Wealth propositions.

Analysis: Affluent NNM increased by 50% YoY in 2023, supported by strong new-to-bank client acquisition momentum, cross-border referrals and digital-driven client engagement

Digital Sales for Retail Products

2023		56%
2022		48%
2021		41%

Aim: Sharpen our on-boarding and engagement capabilities through digital sales and marketing, advanced analytic capabilities and straight-through self-service to improve client experience and efficiency

Analysis: Digital onboarding for Retail Products has seen significant growth increasing to 56% in 2023 vs. 41% in 2021.

Segment overview

Consumer, Private and Business Banking serves more than 11 million clients in many of the world's fastest-growing markets. Our client continuum spans from Mass Retail to Affluent, including high-net worth clients served by our Private Bank. We leverage digital banking channels with a human touch to provide clients with differentiated products and services such as deposits, payments, financing, wealth management and personalised advice. We also support small business clients with their business banking needs.

We are committed to realising greater synergies from our international network and the Group's other client segments, from delivering holistic propositions to clients with cross-border investment needs to offering employee banking services to Corporate, Commercial and Institutional Banking clients. Consumer, Private and Business Banking also provides a source of high-quality liquidity for the Group.

Strategic priorities

- Maximise the value of our international network, with wealth hubs in Hong Kong, Singapore, UAE and Jersey, to provide Affluent clients with a global wealth proposition built on deep local expertise and seamless cross-border client experience
- Unlock synergies from nurturing clients up our client continuum, by helping them grow and protect their wealth through expert advice and best-in-class wealth propositions
- Grow Mass Retail profitably, via digital-first sales and service business models, partnerships, and data analytics
- Continue to improve client experience and efficiency through digitalisation, process simplification and operational excellence

Progress

- Accelerated Affluent growth momentum in New to Bank clients, NNM and income across Priority Banking and Private Bank
- Rolled out Standard Chartered-INSEAD Wealth Academy to more markets with over 900 senior frontline staff upskilled to be future-ready advisors
- Enhanced cross border digital capabilities to improve client experience
- Expanded myWealth suite of digital advisory tools to enable RMs to provide personalised portfolio construction and investment ideas for clients
- Recognised as a leader in digital Wealth capabilities with 20 industry awards received in 2023
- Enhanced digital capabilities in key markets focusing on frictionless mobile experience, leading to an average rating of 4.6 on App Store and Play Store in Hong Kong, Singapore, India, China and Pakistan
- Continued to transform our Mass Retail business by scaling sustainably through partnerships, digital client engagement, and automation
- Eight Mass Retail partnerships live across our footprint in China, Indonesia, Vietnam and Singapore, reaching more than 2.6 million clients

Performance highlights

- Underlying profit before tax of \$2,487 million was up 60 per cent at ccy driven by higher income, offsetting higher expenses and higher credit impairments
- Underlying operating income of \$7,106 million was up 19 per cent (up 22 percent at ccy). Asia was up 20 per cent at ccy and Africa and the Middle East was up 36 per cent at ccy
- Strong income growth mainly from Deposits up 76 per cent at ccy with improved margins and balance sheet growth coupled with 10 per cent (ccy) growth from Wealth Management. This offsets lower income in Mortgages, and Unsecured Lending largely due to margin compression impacted by a rising interest rate environment
- Underlying RoTE increased from 15.8 per cent to 25.3 per cent

Ventures

KPIs



Loss before taxation

\$408m

↑ 12% underlying basis

External Funds Raised

\$64m

↑ 41%

Risk-weighted assets (RWA)

\$1.9bn

↑ \$0.6bn

New Ventures launched

5

↓ 2

Gross Transaction Value

\$18bn

↑ \$2bn

Customers

2m

Gross Transaction Value



Customers



Customer numbers for 2021 and 2022 normalised for the exit of Cardspal in 2023

Segment overview

Formed in 2022 the Ventures client segment is a consolidation of SC Ventures and its related entities as well as the Group's two majority-owned digital banks Mox in Hong Kong and Trust in Singapore.

- **SC Ventures** is the platform and catalyst for the Group to promote innovation, invest in disruptive financial technology and explore alternative business models. It represents a diverse portfolio of over 30 ventures and more than 20 investments.
- **Mox**, a cloud-native, mobile only digital bank, was launched in Hong Kong as a joint venture with HKT, PCCW and Trip.com in September 2020.
- **Trust Bank** is Singapore's first cloud-native bank and was launched in a partnership with FairPrice Group in September 2022.

Strategic priorities

- **SC Ventures'** focus is on building and scaling new business models – across the four themes of Online Economy & Lifestyle, SMEs & World Trade, Digital Assets and Sustainability & Inclusion. We do this by connecting ecosystems, partners and clients to create value and new sources of revenue, providing optionality for the Bank. Through its fund SC Ventures advances the Fintech agenda by identifying, partnering, and taking minority interests in companies, which can be integrated into the Bank and Ventures. Focus is on innovative, fast-growing, technology-focused companies which accelerate transformation in the financial industry.
- **Mox** continues to grow the customer base and drive main bank relationships across mass and mass affluent segments in Hong Kong. Mox's vision is to set the global benchmark for digital banking from Hong Kong. It aims to be the leading Hong Kong virtual bank for Cards, Digital Lending and continues to further expand services, including the recent launch of Digital Wealth Management services.
- **Trust Bank** aims to become the fourth largest retail bank in Singapore by the end of 2024. To achieve this, it will scale through its partner ecosystem and deepen its customer relationships with the mass and mass affluent customer segments.

Progress

- Business performance in 2023 saw continued positive momentum for **SC Ventures** – five ventures were launched, funds were raised amidst a challenging environment, geographical reach was expanded, and the business exited two investments successfully. As a result, the SC Ventures customer base grew by 25 per cent to reach 587,000 with Gross Transactional Value (GTV) growing by 15 per cent to \$18 bn. One significant milestone for SC Ventures in 2023 was the establishment of a partnership with SBI Holdings setting up a \$100m digital asset joint venture in the UAE, a region fast becoming a hub for fintechs in the digital asset space. SC Ventures, through a number of innovative fintech ventures (such as Shoal, Tawi and myZoi), continues to drive sustainability, financial inclusion and financial literacy for the underbanked.
- In 2023, **Mox** had a strong focus on expanding its card and digital lending services and recorded a strong performance and an engaged customer base. Mox has more than 523,000 customers, up 1.2 times YoY, with customers holding an average of 3.1x products. It delivered close to three times YOY growth in revenue with both deposits and lending expanding over 30 per cent YOY basis. Mox reached 36 per cent (ranked #1) and 30 per cent of (ranked #2) market share in lending and deposits respectively among all Hong Kong virtual banks in H1. The bank was recognised in Forbes' World's Best Banks 2023, and The Asian Banker Hong Kong Awards 2023 as the Best Digital-only Bank in Hong Kong, and was ranked fifth in the World's Top 50 Digital Banks 2023 by The Digital Banker. The Mox app is the top-rated Hong Kong virtual banking app in Apple App Store. Mox consistently has the best Net Promoter Score (NPS) among all Hong Kong virtual banks.

- **Trust Bank** continued to scale and, by reaching 12 per cent market share a year after launch, became one of the world's fastest growing digital banks. Product development remained on track, with the launch of unsecured loans, supplementary credit cards, and broadening of the general insurance offering. By the end of 2023, its customer base had grown 1.7 times YoY to 700,000 customers and deposit balances had grown 3.0 times YoY to \$1.4bn. Customer engagement remained strong with card activation of 85 per cent and more than 2m digital coupons redeemed by customers in the Trust ecosystem. In its first year of operation, Trust was recognised as the best digital retail bank in Singapore and Southeast Asia by The Digital Banker and was the number one rated banking app in the Singapore Apple App Store.

Performance highlights

- Underlying loss before tax of \$408 million was up \$45 million, driven mainly by higher expenses as we continue to invest in new and existing ventures.
- Risk-weighted assets of \$1.9 billion have increased \$0.6 billion mainly due to continued investment in new and existing ventures and minority interests.

Asia

Profit before taxation

\$4,740m

↑32%
underlying basis

\$3,812m

↑16%
reported basis

Risk-weighted assets (RWA)

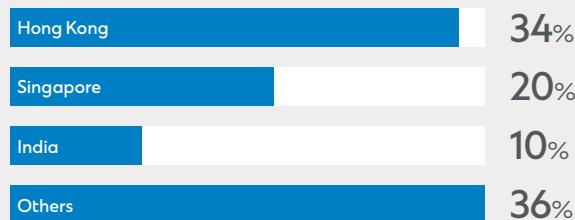
\$156bn

↑\$5bn

Loans and advances to customers (% of group)



Income split by key markets



Region overview

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

The region is highly interconnected, with three distinct and potent sub-engines of Greater China, ASEAN and South Asia. Our global footprint and strong regional presence, distinctive proposition, and continued investment position us strongly to capture opportunities as they arise from the continuing opening up of China's economy where we now earn two dollars offshore from Chinese clients for every dollar we earn onshore, the growing connectivity of ASEAN and the strong economic growth in India.

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

Strategic priorities

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

Progress

- We continue to advance our China strategy both on- and off-shore, and have also made a material increase in both the number of, and the income contribution from New to Bank affluent Mainland China customers and adding new clients through digital partnerships. The China business delivered record income on-shore and has grown network income strongly along a number of key corridors in ASEAN, up 53 per cent and ME up 67 per cent YoY. We have also made progress with digital partnerships launching new partnerships JD.com and KCB.
- Strong Asia cross border momentum including India Singapore corridor up 29 per cent YoY highlighting the role of Singapore as a financial hub for clients in ASEAN as well as India
- Our two strong international financial hubs in Hong Kong and Singapore, delivered strong income growth driven by Wealth Management with Affluent clients, increased Financial Markets activity with Corporate and Institutional clients and a material improvement in the net interest margin.
- Our digital agendas have progressed; and our virtual bank Mox has the largest loan book and the 2nd largest deposits base among virtual banks in Hong Kong, while our digital bank Trust, is becoming one of the world's fastest growing digital banks; more than one in ten Singaporeans now bank with Trust.

Performance highlights

- Underlying profit before tax of \$4,740 million was up 32 per cent at constant currency (ccy) on the back of higher income and lower credit impairment, partially offset by 8 per cent (ccy) increase in operating expenses
- Underlying operating income of \$12,429 million was up 15 per cent at ccy, mainly from strong double-digit increases across Cash Management and Retail Deposits, underpinned by expansion in margins and Wealth Management partly offset by lower Mortgage income and a loss in Treasury Markets
- Credit Impairment improved 18 per cent year-on-year (YoY)
- Loans and advances to customers were down 5 per cent (reported and ccy); Customer accounts were up 9 per cent (reported and ccy) YoY
- Risk-weighted assets up \$5 billion YoY
- RoTE increased to 16.4 per cent from 11.9 per cent in FY22

Africa and the Middle East

Profit before taxation

\$1,311m

↑ 90%
underlying basis

\$1,317m

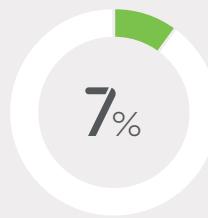
↑ 87%
reported basis

Risk-weighted assets (RWA)

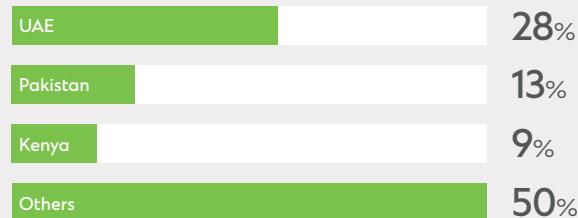
\$38.4bn

↓ \$2.3bn

Loans and advances to customers (% of group)



Income split by key markets



Region overview

We have a rich heritage in Africa and the Middle East (AME) with deep client relationships and historical contributions to the economy and the communities. Our unique footprint in the region, as well as across centres in Asia, Europe and the Americas, enable us to seamlessly support our clients. AME is becoming increasingly important for global trade and investment corridors, and we are well placed to facilitate these flows.

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

Strategic priorities

- Provide best-in-class structuring and financing solutions and drive creation through client initiatives
- Accelerate growth in differentiated international network and Affluent client businesses
- Invest in market-leading digitisation initiatives in CPBB to protect and grow market share in core markets, continue with our transformation agenda to recalibrate our network and streamline structures
- Be an industry leader in the transition to net zero across the region
- Simplify footprint and refocus on strategic growth areas

Progress

- Topped the regional DCM league tables for the tenth consecutive year and secured the first rank in GCC G3 Bond and Sukuk issuance
- Supported Sustainable Finance across our footprint through our comprehensive product offering. ESG DCM volumes across the Middle East grew by over 160 per cent year on year, on the back of some of the largest and most innovative ESG deals in the region
- Strong cross-border income growth of 39 per cent with broad-based growth across all our key corridors

- Further embedded our International Banking proposition, activating our diverse footprint across Africa and the Middle East. This has resulted in more than 150 per cent growth in Priority Banking client base across our International Banking corridors for the region
- Enhanced our digital offering in Africa by becoming the first international bank with digital fixed income solutions in Kenya, Nigeria and Ghana, extending our micro-investment solution (SC Shillingi) to Uganda, and launching digital personal loans in Kenya
- Our Saudi franchise saw strong growth following the branch set-up in 2021 while a new branch launched recently in Egypt provides additional growth opportunities in the region
- The sale of the Jordan business has been completed and buyers have been announced for select sub-Saharan African businesses that were identified for exit as part of our strategic announcement in 2022
- Sustained productivity actions have resulted in an improved Cost to Income Ratio at 56 per cent (vs. 63 per cent in FY'22) and an improvement in productivity with income per headcount (up 18 per cent year-on-year)

Performance highlights

- Underlying profit before tax of \$1,311 million, the highest annual profit since 2015, was up 66 per cent (up 90 per cent at ccy), driven by higher income and a net release in credit provisions partially offset by an increase in expenses
- Underlying operating income of \$2,806 million was up 14 per cent (up 26 per cent at ccy) with strong growth in Cash Management, Retail Deposits and Financial Markets. Income was up 29 per cent (up 38 per cent at ccy) in Middle East, North Africa, Pakistan, up 1 per cent (up 14 per cent at ccy) in Africa
- Credit Impairment net release of \$91 million in FY23 compared to \$119 million charge in FY22 reflecting a non-repeat of the prior year's sovereign related impairments and releases relating to historic CCIB provisions
- Loans and advances to customers were up 8 per cent YoY (up 15 per cent at ccy) and customer accounts were up 4 per cent (up 9 percent at ccy) since 31 December 2022
- Risk-weighted assets were 6 per cent lower than 31 December 2022, despite the impact of sovereign downgrades, due to continuing RWA optimisation activities, de-risking in markets with elevated macro-economic risk and currency devaluation
- RoTE increased to 16.6 per cent from 9.3 per cent in FY22

Europe and the Americas

Loss before taxation

\$330m

↓139%
underlying basis

\$28m

↓103%
reported basis

Risk-weighted assets (RWA)

\$46.1bn

↓\$4bn

**Loans and advances
to customers (% of group)**



Income split by key markets



Region overview

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

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

In addition to being a key origination centre for CCIB, the region offers local, on-the-ground expertise and solutions to help internationally minded clients grow across Europe and the Americas. The region is home to the Group's two biggest payment clearing centres and the largest trading floor.

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

Strategic priorities

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

Progress

- Strong growth of 33 per cent in global cross-border network business with Europe and the Americas CCIB clients across key footprint markets
- Financial Institutions segment growth of 32 per cent, now accounting for 60 per cent of the CCIB business for European and Americas clients.
- Material growth in income from sustainable finance products and expansion of our sustainable product offering
- In CPBB we see positive momentum on Net New Money in 2023 coupled with strong growth in mortgage balances for our high net worth clients

Performance highlights

- Underlying loss before tax of \$330 million driven by lower income and increased expenses
- Underlying operating income of \$1,397 million was down 40 per cent reflecting the increased cost of hedges within Treasury whilst strong growth in Transaction Banking income was partly offset by lower Financial Markets income
- Expenses increased by 12 per cent at ccy largely due to increased investment spend and the impact of inflation
- Credit impairments for the region remain well controlled
- FY23 RoTE negative 3.6 per cent down from 8.6% per cent in FY22

Group Chief Financial Officer's review

► Back to growth and improving returns ◀

Diego De Giorgi
Group Chief Financial Officer



Summary of financial performance

The Group delivered on its key financial objective for 2023, achieving a 10 per cent underlying return on tangible equity, supported by significant progress on the five strategic actions set out in 2022. Underlying profit before tax increased 27 per cent at constant currency as the Group delivered 4 per cent positive income-to-cost jaws. Income grew 13 per cent on a constant currency basis as the Group took advantage of the favourable interest rate environment. Expenses increased 8 per cent at constant currency, while the Group incurred a loan loss rate of 17 basis points, well below its historical average. The Group reduced the carrying value of its investment in China Bohai Bank ('Bohai') by \$850 million and booked a \$262 million net gain from selling its Aviation Finance business. The Group remains well-capitalised and highly liquid with a liquidity coverage ratio of 145 per cent and a CET1 ratio of 14.1 per cent, above its target range, enabling the Board to announce a further \$1 billion share buyback programme. The terms of the buyback will be published, and the programme will start shortly.

All commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2022 on a reported currency basis, unless otherwise stated.

- **Operating income** of \$17.4 billion increased by 10 per cent year-on-year or 13 per cent on a constant currency basis as the Group benefitted from the positive impact of rising interest rates, and a partial recovery in Wealth Management partly offset by losses from hedges
- **Underlying net interest income** increased 20 per cent or 23 per cent on a constant currency basis as the net interest margin increased 26 basis points or 18 per cent with the Group having increased its pricing on assets and the yield on its Treasury portfolio more quickly than it repriced its liability base, reflecting strong pricing discipline and passthrough rate management as interest rates increased in key footprint currencies. This was partly offset by an additional 15 basis points drag from short-term and structural hedges due to rising interest rates, 16 basis points headwind from migration into higher priced term deposits from lower rate paid current and savings accounts ('CASA') as well as adverse changes in the mix between Treasury and customer assets
- **Underlying non NII** was stable, or 2 per cent higher on a constant currency basis. This was in part due to a strong Wealth Management performance, which was up 10 per cent on a constant currency basis as it benefitted from a steady flow of new to bank clients and net new money. An accounting asymmetry resulting from Treasury management of business as usual FX positions also contributed to an increase in non NII, with a partial offset from reduced net interest income
- **Operating expenses** excluding the UK bank levy increased 7 per cent, or 8 per cent on a constant currency basis, reflecting the Group's continued investment into business growth initiatives, strategic investments and higher inflation partly funded by cost efficiency actions. The Group generated 4 per cent positive income-to-cost jaws at constant currency and the cost-to-income ratio improved by 2 percentage points to 63 per cent
- **Credit impairment** was a \$528 million charge, a reduction of \$308 million representing an annualised loan loss rate of 17 basis points. The impairment charge includes \$282 million in relation to the China commercial real estate sector, \$354 million in the Consumer, Private and Business Banking ('CPBB') portfolio and \$85 million from Ventures partly offset by a \$45 million net release from sovereign-related exposures and a net release in other Corporate exposures
- **Other impairment** increased by \$91 million to \$130 million primarily relating to write-off of software assets
- **Profit from associates and joint ventures** decreased 44 per cent to \$94 million reflecting a lower profit share from Bohai
- **Restructuring, other items and goodwill and other impairment** totalled \$585 million. This included an impairment charge of \$850 million reflecting a reduction in the carrying value of the Group's investment in Bohai following a refresh of the value-in-use calculation. Other items include the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans. Restructuring charges of \$14 million include the impact of actions to transform the organisation to improve productivity, partly offset by profits from businesses classified as held-for-sale. Movements in the Debit Valuation Adjustment ('DVA') were a positive \$17 million
- **Taxation** was \$1,631 million on a reported basis, with an underlying effective tax rate of 29.1 per cent down from 29.9 per cent in the prior year reflecting a favourable change in the geographic mix of profits partly offset by increased losses in the United Kingdom where the Group currently does not recognise a tax benefit
- **Underlying return on tangible equity ('RoTE')** increased by 240 basis points to 10.1 per cent reflecting an increase in profits and lower average tangible equity benefitting from distributions to shareholders and movements in reserves primarily through the course of 2022
- **Underlying basic earnings per share ('EPS')** increased 32 per cent to 128.9 cents and reported EPS of 108.6 cents increased by 26 per cent
- A final **ordinary dividend** per share of 21 cents has been proposed taking the full-year total to 27 cents, a 50 per cent increase. The Group also completed two share buyback programmes totalling \$2 billion which along with a new share buyback programme of \$1 billion to start imminently. Since 1 January 2022, total shareholder distributions announced total \$5.5 billion

Summary of financial performance

	2023 \$million	2022 ⁴ \$million	Change %	Constant currency change ¹ %
Underlying net interest income ⁵	9,557	7,967	20	23
Underlying non NII ⁵	7,821	7,795	-	2
Underlying operating income	17,378	15,762	10	13
Other operating expenses	(11,025)	(10,307)	(7)	(8)
UK bank levy	(111)	(102)	(9)	(2)
Underlying operating expenses	(11,136)	(10,409)	(7)	(8)
Underlying operating profit before impairment and taxation	6,242	5,353	17	22
Credit impairment	(528)	(836)	37	32
Other impairment	(130)	(39)	nm ⁷	nm ⁷
Profit from associates and joint ventures	94	167	(44)	(43)
Underlying profit before taxation	5,678	4,645	22	27
Restructuring	(14)	(99)	86	89
Goodwill and other impairment ³	(850)	(322)	(164)	(164)
DVA	17	42	(60)	(60)
Other items ⁶	262	20	nm ⁷	nm ⁷
Reported profit before taxation	5,093	4,286	19	24
Taxation	(1,631)	(1,384)	(18)	(25)
Profit for the year	3,462	2,902	19	24
Net interest margin (%) ²	1.67	1.41	26	
Underlying return on tangible equity (%) ²	10.1	7.7	240	
Underlying earnings per share (cents)	128.9	97.9	32	

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

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

3. Goodwill and other impairment include \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank ('Bohai')

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

5. To be consistent with how we compute Net Interest Margin ('NIM'), and to align with the way we manage our business, we have changed our definition of Underlying Net Interest Income ('NII') and Underlying non NII. The adjustments made to NIM, including interest expense relating to funding our trading book, will now be shown against Underlying non NII rather than Underlying NII. Prior periods have been restated. There is no impact on total income

6. Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

7. Not meaningful

Reported financial performance summary

	2023 \$million	2022 \$million	Change %	Constant currency change ¹ %
Net interest income	7,769	7,593	2	5
Non NII	10,250	8,725	17	20
Reported operating income	18,019	16,318	10	13
Reported operating expenses	(11,551)	(10,913)	(6)	(7)
Reported operating profit before impairment and taxation	6,468	5,405	20	25
Credit impairment	(508)	(836)	39	34
Goodwill and other impairment	(1,008)	(439)	(130)	(130)
Profit from associates and joint ventures	141	156	(10)	(10)
Reported profit before taxation	5,093	4,286	19	24
Taxation	(1,631)	(1,384)	(18)	(25)
Profit for the year	3,462	2,902	19	24
Reported return on tangible equity (%) ²	8.4	6.8	160	
Reported earnings per share (cents)	108.6	85.9	26	

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

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

Operating income by product

	2023 \$million	2022 ^{2,3} \$million	Change %	Constant currency change ¹ %
Transaction Banking	5,837	3,874	51	54
Trade & Working capital	1,294	1,343	(4)	(1)
Cash Management	4,543	2,531	79	83
Financial Markets	5,099	5,345	(5)	(2)
Macro Trading	2,827	2,965	(5)	(1)
Credit Markets	1,803	1,761	2	5
Credit Trading	554	488	14	17
Financing Solutions & Issuance ³	1,249	1,273	(2)	–
Financing & Securities Services ³	469	619	(24)	(22)
Lending & Portfolio Management	498	558	(11)	(9)
Wealth Management	1,944	1,796	8	10
Retail Products	4,969	4,027	23	26
CCPL & other unsecured lending	1,161	1,202	(3)	(1)
Deposits	3,437	2,021	70	74
Mortgage & Auto	236	633	(63)	(62)
Other Retail Products	135	171	(21)	(19)
Treasury	(902)	337	nm ⁴	nm ⁴
Other	(67)	(175)	62	52
Total underlying operating income	17,378	15,762	10	13

- Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
- Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance
- Shipping Finance is now reported under Financing Solutions & Issuance which was reported under Financing & Securities Services in 2022
- Not meaningful

The operating income by product commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2022 on a constant currency basis, unless otherwise stated.

Transaction Banking income increased 54 per cent with Cash Management income up 83 per cent reflecting strong pricing discipline and passthrough rate management to take advantage of a rising interest rate environment. Trade & Working Capital decreased 1 per cent, reflecting lower balance sheet and contingent volumes due to a reduction in economic activity and clients' preference for local currency financing provided by local banks. This was partly offset by higher margins as the Group focused on higher-returning trade products.

Financial Markets income decreased 2 per cent and was up 3 per cent excluding the non-repeat of \$244 million gain on mark-to-market liabilities in 2022. Flow income grew by 7 per cent which was more than offset by the 15 per cent reduction in episodic income, driven by subdued market volatility, reduced issuances and the non-repeat of prior year fair value gains on mark-to-market liabilities. Macro Trading was down 1 per cent with declines in FX and Commodities partly offset by a double-digit increase in Rates from an expanded product offering. Credit Markets income was up 5 per cent primarily from higher Credit Trading income. Financing & Securities Services income was down 22 per cent as the benefit of higher interest rates on Securities Services balances was offset by negative movements in XVA and the non-repeat of mark-to-market gains.

Lending and Portfolio Management income decreased 9 per cent reflecting the impact of risk-weighted assets optimisation actions which contributed to lower balances and an increase in portfolio management costs.

Wealth Management income grew 10 per cent with Bancassurance up 17 per cent and Treasury Products up 16 per cent partly offset by lower income from Wealth Management Lending which was down 15 per cent on the back of client deleveraging and margin compression. There was continued strong growth in net new sales, which totalled \$14 billion and offset adverse market movements as Wealth Management assets under management remained broadly stable.

Retail Products income increased 26 per cent. Deposits income was up 74 per cent due to active passthrough rate management in a rising interest rate environment partly offset by migration of Retail CASA balances into Time Deposits. Mortgage & Auto income decreased 62 per cent on the back of lower volumes and the impact of the Best Lending Rate cap in Hong Kong restricting the ability to reprice mortgages, despite an increase in funding costs from higher interest rates. CCPL income decreased 1 per cent reflecting reduced margins from increased funding costs partly offset by increased balances, driven by partnerships and the new digital banks.

Treasury income was a \$902 million loss primarily due to losses from structural and short-term hedges in a rising interest rate environment. The remaining short-term hedges mature in February 2024.

Profit before tax by client segment and geographic region

	2023 \$million	2022 ² \$million	Change %	Constant currency change ¹ %
Corporate, Commercial & Institutional Banking	5,436	3,990	36	42
Consumer Private & Business Banking	2,487	1,593	56	60
Ventures	(408)	(363)	(12)	(12)
Central & other items (segment)	(1,837)	(575)	nm ³	nm ³
Underlying profit before taxation	5,678	4,645	22	27
Asia	4,740	3,616	31	32
Africa & Middle East	1,311	792	66	90
Europe & Americas	(330)	834	(140)	(139)
Central & other items (region)	(43)	(597)	93	95
Underlying profit before taxation	5,678	4,645	22	27

1. Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
2. Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance
3. Not meaningful

The client segment and geographic region commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2022 on a constant currency basis, unless otherwise stated.

Corporate, Commercial & Institutional Banking ('CCIB')

profit increased 42 per cent. Income grew 20 per cent with Cash Management benefitting from disciplined pricing initiatives in a rising interest rate environment partly offset by lower episodic income within Financial Markets and lower Lending income as CCIB delivered on its RWA optimisation initiatives. Expenses were 10 per cent higher while credit impairment decreased \$302 million with lower charges in relation to the China commercial real estate sector and releases on historic provisions within the remaining portfolio.

Consumer, Private & Business Banking ('CPBB') profit increased 60 per cent, with income up 22 per cent, benefitting from higher interest rates on Retail Deposits income and a recovery in Wealth Management. This was partly offset by lower Mortgage income negatively impacted by the Best Lending Rate cap in Hong Kong. Expenses increased 6 per cent while credit impairment was \$92 million higher.

Ventures loss increased 12 per cent to \$408 million, reflecting the Group's continued investment in transformational digital initiatives. Income increased five-fold to \$156 million while expenses grew by 27 per cent. This resulted in a lower operating loss before impairment year-on-year. The impairment charge increased \$69 million to \$85 million reflecting increased bankruptcy related write-offs in Mox where credit criteria have now been adjusted to reduce the current elevated delinquency rate.

Central & other items (segment) recorded a loss of \$1.8 billion as income declined by \$1.3 billion mostly reflecting the losses from structural and short-term hedges booked within Treasury. Expenses increased by \$43 million while there was a net release in credit impairment primarily relating to sovereign-related exposures. Associate income reduced by \$65 million reflecting lower profits at Bohai.

Asia profits increased 32 per cent as income grew 15 per cent, expenses increased by 8 per cent and credit impairments reduced by \$146 million. The income growth reflects strong double-digit increases across Cash Management, Retail Deposits and Wealth Management partly offset by lower Mortgage income and a loss in Treasury Markets. The profit share from Bohai reduced by \$65 million. The lower credit impairment charge reflects in part a lower level of impairments booked in the year relating to the China commercial real estate sector.

Africa & Middle East ('AME') profits increased 90 per cent as income increased 26 per cent with strong growth in Cash Management and Retail Deposits income partly offset by a loss in Treasury Markets following de-risking actions in certain markets. Expenses grew 6 per cent while credit impairment charges were a net release of \$91 million, a \$210 million reduction, reflecting a non-repeat of the prior year's sovereign-related impairments and releases relating to historic Corporate provisions.

Europe & Americas recorded a loss of \$330 million as income reduced by 40 per cent, reflecting the increased cost of hedges within Treasury whilst strong growth in Transaction Banking income was partly offset by lower Financial Markets income. Expenses increased 12 per cent reflecting the impact of inflation and higher investment spend. There was a \$59 million reduction in credit impairment releases.

Central & other items (region) recorded a loss of \$43 million compared to a \$597 million loss in the prior year. This improvement is mainly due to higher returns paid to Treasury on the equity provided to the regions in a rising interest rate environment while expenses increased by 8 per cent.

Adjusted net interest income and margin

	2023 \$million	2022 \$million	Change ¹ %
Adjusted net interest income ²	9,547	7,976	20
Average interest-earning assets	572,520	565,370	1
Average interest-bearing liabilities	540,350	525,351	3
Gross yield (%) ³	4.76	2.70	206
Rate paid (%) ³	3.27	1.38	189
Net yield (%) ³	1.49	1.32	17
Net interest margin (%) ^{3,4}	1.67	1.41	26

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

2 Adjusted net interest income is reported net interest income less financial markets trading book funding costs and financial guarantee fees on interest-earning assets

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

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

Adjusted net interest income increased 20 per cent driven by an 18 per cent increase in the net interest margin, which averaged 167 basis points in the year, 26 basis points year-on-year uplift benefiting from a rapid increase in policy interest rates across many of our markets slightly offset by an adverse change in asset mix. The net interest margin was also depressed by loss making hedges within Treasury and an accounting asymmetry from Treasury's business as usual management of FX positions within its portfolio.

- Average interest-earning assets grew 1 per cent, or 2 per cent excluding the impact of currency translation and risk-weighted asset optimisation actions, reflecting an increase in cash and balances at central banks partly offset by lower customer loan balances. Gross yields increased 206 basis points compared with the average in the prior year
- Average interest-bearing liabilities increased 3 per cent, or 4 per cent excluding the impact of currency translation, reflecting an increase in customer accounts while the rate paid on liabilities increased 189 basis points compared with the average in the prior year

Credit risk summary

Income Statement (Underlying view)

	2023 \$million	2022 ² \$million	Change ¹ %
Total credit impairment charge/(release)³	528	836	(37)
Of which stage 1 and 2 ³	138	407	(66)
Of which stage 3 ³	390	429	(9)

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

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

3 Reconciliation from underlying to reported can be found on page 46

Balance sheet

	2023 \$million	2022 \$million	Change ¹ %
Gross loans and advances to customers²	292,145	316,107	(8)
Of which stage 1	273,692	295,219	(7)
Of which stage 2	11,225	13,043	(14)
Of which stage 3	7,228	7,845	(8)
Expected credit loss provisions	(5,170)	(5,460)	(5)
Of which stage 1	(430)	(559)	(23)
Of which stage 2	(420)	(444)	(5)
Of which stage 3	(4,320)	(4,457)	(3)
Net loans and advances to customers	286,975	310,647	(8)
Of which stage 1	273,262	294,660	(7)
Of which stage 2	10,805	12,599	(14)
Of which stage 3	2,908	3,388	(14)
Cover ratio of stage 3 before/after collateral (%) ³	60 / 76	57 / 76	3 / 0
Credit grade 12 accounts (\$million)	2,155	1,574	37
Early alerts (\$million)	5,512	4,967	11
Investment grade corporate exposures (%) ³	73	76	(3)

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

2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of \$13,996 million at 31 December 2023, \$10,267 million at 30 September 2023, \$10,950 million at 30 June 2023 and \$24,498 million at 31 December 2022

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

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

Credit impairment was a \$528 million charge, down 37 per cent year-on-year, representing a loan loss rate of 17 basis points. There was a \$282 million impairment charge relating to the China commercial real estate sector, including a \$32 million decrease in the management overlay which now totals \$141 million. The decrease in the management overlay reflects repayments and loans moving into stage 3. The Group has provided \$1.2 billion in total, in relation to China commercial real estate sector primarily over the last three years. There was a net release of \$45 million relating to sovereign downgrades. Excluding the China commercial real estate portfolio and sovereign-related exposures, there was a net release relating to Corporate exposures, primarily historical provisions. CPBB charge of \$354 million reflects an uptick in delinquency trends across the year and the \$85 million charge in Ventures is primarily from portfolio growth and increased bankruptcy related write-offs in Mox where credit criteria have now been adjusted to reduce the current elevated delinquency rate.

Gross stage 3 loans and advances to customers of \$7.2 billion were 8 per cent lower year-on-year as repayments, client upgrades and write-offs more than offset new inflows. Credit-impaired loans represented 2.5 per cent of gross loans and advances, flat on the prior year.

The stage 3 cover ratio before collateral of 60 per cent increased by 3 percentage points, while the cover ratio post collateral at 76 per cent was flat on the prior year, with the cover ratio before collateral increasing due to an increase in stage 3 provisions in relation to the China commercial real estate sector and a reduction in gross stage 3 balances.

Credit grade 12 balances have increased by 37 per cent to \$2.2 billion substantially from a change in instrument on an existing sovereign exposure with no increase in risk. Excluding this temporary inflow, credit grade 12 balances declined 24 per cent reflecting both improvements into stronger credit grades and downgrades to stage 3. Early Alert accounts of \$5.5 billion have increased by 11 per cent, reflecting new inflows relating to a select number of clients including sovereign-related exposures. The Group is continuing to carefully monitor its exposures in vulnerable sectors and select markets, given the unusual stresses caused by the currently challenging macro-economic environment.

The proportion of investment grade corporate exposures fell by 3 percentage points to 73 per cent, mainly due to a reduction in repurchase agreement balances across various central clearing counterparties.

Restructuring, goodwill impairment and other items

	2023				2022 ¹			
	Restructuring \$million	Goodwill and other impairment ² \$million	DVA \$million	Other items ³ \$million	Restructuring \$million	Goodwill and other impairment ² \$million	DVA \$million	Other items \$million
Operating income	362	–	17	262	494	–	42	20
Operating expenses	(415)	–	–	–	(504)	–	–	–
Credit impairment	20	–	–	–	–	–	–	–
Other impairment	(28)	(850)	–	–	(78)	(322)	–	–
Profit from associates and joint ventures	47	–	–	–	(11)	–	–	–
Total	(14)	(850)	17	262	(99)	(322)	42	20

- Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance
- Goodwill and other impairment include \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank ('Bohai')
- Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

The Group's reported performance is adjusted for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing underlying performance period-by period.

In 2022 the Group announced the exit of seven markets in the AME region and will focus solely on the CCIB segment in two more markets. In 2023, the Group completed the sale of its Jordan business, closed its Lebanon representative office and signed agreements for sale of the remaining exit markets. Additionally, the Group sold its global Aviation Finance leasing business to Aircraft Leasing Company ('AviLease') for proceeds of approximately \$3.6 billion including \$0.7 billion consideration and \$2.9 billion repayment of net-intra-group financing, giving rise to a gain on disposal of \$309 million. The \$1 billion Aviation loan businesses was sold separately, giving rise to a loss on disposal of \$47 million. Both of these transactions are recorded in Other items. As a result of these disposals, effective 1 January 2023, the Group has not included the exit markets and the Aviation Finance business within the Group's underlying operating profit before taxation but reported them within restructuring.

The Group has also classified movements in the debit valuation adjustment ('DVA') out of its underlying operating profit before taxation and into Other items. To aid comparisons with prior periods the Group has removed the exit markets, Aviation Finance business and DVA from its underlying operating profit before taxation for 2022.

Restructuring loss of \$14 million reflects the impact of actions to transform the organisation to improve productivity, primarily additional redundancy charges, technology simplification and optimising the Group's property footprint. This was partly offset by the profits from the AME exit markets and Aviation Finance business before the completion of their exit from the Group.

Other impairment of \$850 million is in relation to a further reduction in the carrying value of the Group's investment in its associate Bohai, to align to a lower value-in-use computation following banking industry challenges and property market uncertainties in Mainland China, that may impact Bohai's future profitability. The carrying value of the Group's investment in Bohai has reduced to \$0.7 billion from \$1.5 billion.

Movements in DVA were a positive \$17 million driven by the widening of the Group's asset swap spreads on derivative liability exposures. The portfolio subject to DVA did not change materially during the year.

Balance sheet and liquidity

	2023 \$million	2022 \$million	Increase/ (Decrease) ¹ \$million	Increase/ (Decrease) ¹ %
Assets				
Loans and advances to banks	44,977	39,519	5,458	14
Loans and advances to customers	286,975	310,647	(23,672)	(8)
Other assets	490,892	469,756	21,136	4
Total assets	822,844	819,922	2,922	–
Liabilities				
Deposits by banks	28,030	28,789	(759)	(3)
Customer accounts	469,418	461,677	7,741	2
Other liabilities	275,043	279,440	(4,397)	(2)
Total liabilities	772,491	769,906	2,585	–
Equity	50,353	50,016	337	1
Total equity and liabilities	822,844	819,922	2,922	–
Advances-to-deposits ratio (%) ²	53.3%	57.4%		
Liquidity coverage ratio (%)	145%	147%		

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

2 The Group now excludes \$20.710 million held with central banks (30.09.23: \$21,241 million, 30.06.23: \$24,749 million, 31.12.22: \$20,798 million) that has been confirmed as repayable at the point of stress.

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

- Loans and advances to customers decreased 8 per cent, or \$24 billion to \$287 billion as at 31 December 2023 but declined 1 per cent on an underlying basis. The underlying reduction excludes the impact of \$12 billion decrease in Treasury and securities backed loans held to collect, \$7 billion reduction from risk-weighted asset optimisation actions undertaken by CCIB and a \$1 billion reduction from currency translation
- Customer accounts increased \$8 billion to \$469 billion and up 2 per cent excluding the \$2 billion impact of currency translation. Retail Time Deposits increased \$18 billion and Cash Management balances increased \$11 billion partly offset by a \$18 billion decrease in Corporate Term Deposits
- Other assets increased 4 per cent, or \$21 billion from 31 December 2022 with a \$41 billion increase in financial assets held at fair value through profit or loss, primarily

reverse repurchase agreements and debt securities and other eligible bills. Cash and balances at central banks increased \$12 billion. This was partly offset by a \$13 billion reduction in derivative balances and a \$8 billion reduction in investment securities fair valued through other comprehensive income

- Other liabilities decreased 2 per cent, or \$4 billion from 31 December 2022 with a \$14 billion decrease in derivative balances partly offset by a \$10 billion increase in repurchase agreements

The advances-to-deposits ratio decreased to 53.3 per cent from 57.4 per cent at 31 December 2022 reflecting the reduction in loans and advances to customers. The liquidity coverage ratio decreased 2 percentage points to 145 per cent as at 31 December 2023 after increasing in the first half of the year as the banking industry as a whole navigated turbulent external market conditions and remains well above the minimum regulatory requirement of 100 per cent.

Risk-weighted assets

	2023 \$million	2022 \$million	Change ¹ \$million	Change ¹ %
By risk type				
Credit risk	191,423	196,855	(5,432)	(3)
Operational risk	27,861	27,177	684	3
Market risk	24,867	20,679	4,188	20
Total RWAs	244,151	244,711	(560)	–

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

Total risk-weighted assets ('RWA') of \$244.2 billion were broadly flat in comparison to 31 December 2022.

- Credit risk RWA decreased by \$5.4 billion to \$191.4 billion. There was a \$10.3 billion reduction from optimisation actions, relating to the CCIB low-returning portfolio, a \$2.1 billion reduction from other RWA efficiency actions, \$2.7 billion reduction from currency translation, and a \$1.1 billion reduction from model and methodology changes. The impairment of Bohai further reduced RWAs by \$2.1 billion and the sale of the Aviation Finance

business by a further \$1.6 billion. This was partly offset by a \$11.8 billion increase from asset mix and \$2.7 billion increase relating to adverse credit migration

- Operational risk RWA increased \$0.7 billion primarily due to an increase in average income as measured over a rolling three-year time horizon, with higher 2022 income replacing lower 2019 income
- Market risk RWA increased by \$4.2 billion to \$24.9 billion reflecting an increase in traded risk positions and market volatility

Capital base and ratios

	2023 \$million	2022 \$million	Change ¹ \$million	Change ¹ %
CET1 capital	34,314	34,157	157	—
Additional Tier 1 capital (AT1)	5,492	6,484	(992)	(15)
Tier 1 capital	39,806	40,641	(835)	(2)
Tier 2 capital	11,935	12,510	(575)	(5)
Total capital	51,741	53,151	(1,410)	(3)
CET1 capital ratio end point (%)²	14.1	14.0	0.1	
Total capital ratio transitional (%)²	21.2	21.7	(0.5)	
Leverage ratio (%)²	4.7	4.8	(0.1)	

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

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

The Group's CET1 ratio of 14.1 per cent was 10 basis points higher than the ratio as at 31 December 2022. The Group was able to fund \$2.7 billion of capital returns to ordinary shareholders from underlying profits. The CET1 ratio remains 3.5 percentage points above the Group's latest regulatory minimum of 10.5 per cent and above the top of the 13-14 per cent target range.

As well as the 169 basis points of CET1 accretion from underlying profits, the Group's CET1 ratio decreased 34 basis points from a net \$5.9 billion increase in risk-weighted assets as the Group exercised tight control over capital consumption. A further 22 basis points uplift was the result of an increase in Other Comprehensive Income from fair value gains on debt instruments as long-term interest rates began to fall in the latter half of the year. The sale of the Group's Aviation Finance business increased the CET1 ratio by 20 basis points.

Ordinary shareholder distributions reduced the CET1 ratio by approximately 111 basis points. The Group spent \$2 billion purchasing 230 million ordinary shares of \$0.50 each during the year, representing a volume-weighted average price per share of £7.06. These shares were subsequently cancelled, reducing the total issued share capital by 7.9 per cent and the CET1 ratio by 82 basis points. The Board has recommended a final dividend of 21 cents per share resulting in a total 2023 ordinary dividend of 27 cents per share or \$728 million, reducing the CET1 ratio by approximately 30 basis points. Payments due to AT1 and preference shareholders cost approximately 17 basis points.

The Board has announced a share buyback for up to a maximum consideration of \$1 billion to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buyback will be published, and the programme will start shortly and is expected to reduce the Group's CET1 ratio in the first quarter of 2024 by approximately 40 basis points.

The \$850 million impairment of Bohai also resulted in a RWA reduction of \$2.1 billion, the net effect of which resulted in a reduction of the CET1 ratio by 23 basis points.

The Group's leverage ratio of 4.7 per cent is 6 basis points lower than at 31 December 2022. This is primarily driven by a decrease in Tier 1 capital of \$0.8 billion as CET1 capital increased by \$0.2 billion and was more than offset by the redemption of \$1.0 billion Additional Tier 1 securities. The reduction in Tier 1 capital was broadly offset by a \$7.2 billion reduction in leverage exposures. The Group's leverage ratio remains significantly above its minimum requirement of 3.7 per cent.

Outlook

We have updated our guidance for 2024 and have provided additional guidance for 2025 and 2026 as follows:

- Income:
 - Operating income to increase 5-7 per cent for 2024 to 2026 and around the top of 5-7 per cent range in 2024
 - Net interest income for 2024 of \$10 billion to \$10.25 billion, at constant currency
- Expenses:
 - Operating expenses to be below \$12 billion in 2026, at constant currency
 - Expense saves of around \$1.5 billion and cost to achieve of no more than \$1.5 billion from 2024 to 2026
 - Positive income-to-cost jaws, excluding UK bank levy, at constant currency in each year from 2024 to 2026
- Assets and RWA:
 - Low single-digit percentage growth in loans and advances to customers and RWA each year from 2024 to 2026 (pre-Basel 3.1 day-1 impact)
 - Basel 3.1 day-1 impact, pending clarification of rules, expected to add no more than 5 per cent incremental RWA
- Continue to expect the loan loss rate to normalise towards the historical through-the-cycle 30 to 35 basis points range
- Capital:
 - Continue to operate dynamically within the full 13-14 per cent CET1 target range
 - Plan to return at least \$5 billion to shareholders cumulative 2024 to 2026
 - Continue to increase full-year dividend per share over time
- RoTE increasing steadily from 10%, targeting 12% in 2026 and to progress thereafter

Diego De Giorgi

Group Chief Financial Officer

23 February 2024

Group Chief Risk Officer's review



► Proactively managing our risks whilst keeping our focus on the execution of the Group's strategy ◉

Managing Risk

2023 presented challenges across many of our markets, with sustained high inflation levels from 2022 continuing to put pressure on the central banks to dampen rising prices through increases to interest rates. Increased levels of volatility were seen in early 2023 as several bank failures prompted fears of a global contagion. Despite having no material exposures to the failed banks, the Group took proactive steps to further strengthen our liquidity position and monitor for any signs of second order impacts. 2023 also saw a fundamental shift in global power dynamics, including with the BRICS expansion. Sovereign risks persisted across emerging markets in the Africa and Middle East region. In Asia, despite slower than expected economic growth in China, we saw positive signs of growth in the second half of the year. We continued to keep our focus on the challenges in the China real estate sector and any contagion risks. The Group has limited direct exposure in Ukraine and to the countries in the Middle East which are currently most impacted by conflict. However, we remained cognisant of the volatility and the potential second order market impacts, including those from elevated oil and commodity prices or supply chains disruption, which we continue to actively monitor through stress testing and portfolio reviews.

As we enter 2024, we stay vigilant and continue to review our exposure and limits across our portfolios to identify vulnerable industries and clients for closer monitoring.

Corporate, Commercial and Institutional Banking (CCIB)

Our CCIB credit portfolio remained resilient with overall good asset quality, as evidenced by our largely investment grade corporate portfolio (31 December 2023: 73 per cent, 31 December 2022: 76 per cent). We actively tracked geopolitical risks to enable us to act should the need materialise. In consideration of the macroeconomic challenges, additional reviews were conducted throughout 2023 across US regional Banks, Non-Bank Financial Institutions (NBFI), Leveraged Lending books, Global Commercial Real Estate (CRE) portfolio and select geographies. We closely monitored vulnerable sectors and identified clients that may face difficulties on account of increased interest rates, foreign exchange movements, commodity volatility or increased prices of essential goods. In China, the property market recovery remained slower than expected amidst government support measures and we continued to monitor our developers and sponsors portfolios through dedicated reviews.

Consumer, Private and Business Banking (CPBB)

The CPBB credit portfolio remained alert to the risks of the uncertain economic outlook but continued to demonstrate resilience. An increase in delinquency rates (Stage 2 provisions as at 31 December 2023: \$139 million, 31 December 2022: \$118 million) highlights the emerging pressure on customers' debt servicing capacity, as our customers continue to adapt to the prolonged higher interest rate environment. We continued to monitor potential secondary impacts of local challenges arising from heightened country risks across Bangladesh, Ghana, Kenya, Nigeria, Pakistan, and Sri Lanka, amongst others. There was no material impact on the CPBB portfolio due to the war in Ukraine and the conflict in the Middle East. For both our secured and unsecured consumer credit portfolios, we continued to monitor customer affordability across our key markets and dynamically adjusted origination criteria, portfolio management and collections strategies, as appropriate. We were mindful of the higher credit risk associated with increased lending to the mass market segment through our digital partnerships and digital banks and have tailored our lending criteria and portfolio management approach to the unique risks and customer behaviours observed in these segments.

Treasury Risk

Our liquidity and capital risks are managed to ensure a strong and resilient balance sheet that supports sustainable growth. We continued to enhance our Treasury Risk framework to incorporate the lessons from recent market events as well as horizon risks. Liquidity remained resilient across the Group and major legal entities. Group liquidity coverage ratio (LCR) is 145.4 per cent as at December 2023 (31 December 2022: 147 per cent) with a surplus to both Risk Appetite and regulatory requirements. Common Equity Tier 1 (CET1) ratio was 14.1 per cent as at December 2023 (31 December 2022: 14.0 per cent) while Leverage ratio was 4.7 per cent (31 December 2022: 4.8 per cent). In March 2023, we saw sharp moves in funding markets and customer behaviours triggering several bank failures in the US and Switzerland. This resulted in a heightened focus on Treasury risks including capital, liquidity, and interest rate risk on the banking book, with problems most acute in the US market and reverberating globally. We maintained a resilient liquidity position throughout the period and continued to focus on managing risks even as those event risks receded.

The Risk function remains actively engaged in providing independent review and challenge to internal and regulatory stress tests and recovery and resolution capabilities.

- Further details on Risk Management for our Principal Risk Types can be found in [page 314](#)
- Further details on Climate Risk can be found in [page 298](#)

Risk Performance Summary

Asset quality is resilient. The percentage of investment-grade corporate net exposure remained high at 73 per cent (31 December 2022: 76 per cent). Exposure to our top 20 corporate clients as a percentage of Tier 1 capital decreased to 62 per cent (31 December 2022: 65 per cent), mainly driven by reduction in Transaction Banking exposures. However, the Group remained vigilant of persistent challenging conditions in some markets and sectors. In 2023, we saw a \$0.5 billion increase in Early Alerts exposure (31 December 2023: \$5.5 billion, 31 December 2022: \$5.0 billion), driven by inflows relating to a select number of clients including sovereign-related exposures, partially offset by transfers to Purely Precautionary, regularisations, exposure reductions and outflows to Credit grades 12-14. Credit grade 12 balances increased to \$2.2 billion (31 December 2022: \$1.6 billion) due to sovereign and client downgrades, partially offset by outflows to non-performing loans.

Key indicators

	2023	2022
Group total business ¹	292.1	316.1
Stage 1 loans (\$ billion)	273.7	295.2
Stage 2 loans (\$ billion)	11.2	13.0
Stage 3 loans, credit-impaired (\$ billion)	7.2	7.9
Stage 3 cover ratio	60%	57%
Stage 3 cover ratio (including collateral)	76%	76%
Corporate, Commercial & Institutional Banking		
Investment grade corporate net exposures as a percentage of total corporate net exposures	73%	76%
Loans and advances maturing in one year or less as a percentage of total loans and advances to customers ³	68%	68%
Early Alert portfolio net exposures (\$ billion)	5.5	5.0
Credit grade 12 balances (\$ billion)	2.2	1.6
Aggregate top 20 corporate net exposures as a percentage of Tier 1 capital ²	62%	65%
Collateralisation of sub-investment grade net exposures maturing in more than one year	41%	53%
Consumer, Private & Business Banking		
Loan-to-value ratio of Consumer, Private & Business Banking mortgages	47.2%	44.7%

1 These numbers represent total gross loans and advances to customers

2 Excludes reverse repurchase agreements

3 The 2022 figure has been restated from 65 per cent to 68 per cent

The Group's credit impairment was a net charge of \$508 million (31 December 2022: \$836 million), a decrease of \$328 million. 2022 included overlays for sovereign downgrades and China commercial real estate, which was partly offset by a full release of COVID-19 overlays. Stage 3 was a charge of \$369 million (31 December 2022: \$430 million), and the reduction was driven by CCIB releases and lower impairment charges for our China commercial real estate clients. This reduction was offset by higher bankruptcy related write-offs in CPBB across Singapore, Hong Kong and Korea, and portfolio growth in digital partners.

Credit impairment

	2023			2022 ¹		
	Stage 1 & 2 \$million	Stage 3 \$million	Total \$million	Stage 1 & 2 \$million	Stage 3 \$million	Total \$million
Ongoing business portfolio						
Corporate, Commercial & Institutional Banking	11	112	123	148	277	425
Consumer, Private & Business Banking	129	225	354	151	111	262
Ventures	42	43	85	13	3	16
Central & other items	(44)	10	(34)	95	38	133
Credit impairment charge/(release)	138	390	528	407	429	836
Restructuring business portfolio	-	-	-	-	-	-
Others	1	(21)	(20)	(1)	1	-
Credit impairment charge/(release)	1	(21)	(20)	(1)	1	-
Total credit impairment charge/(release)	139	369	508	406	430	836

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

→ Further details of the risk performance for 2023 are set out in the full Risk review section ([pages 232 to 343](#)).

An update on our risk management approach

Our Enterprise Risk Management Framework (ERMF) outlines how we manage risk across the Group, as well as at branch and subsidiary level¹. It gives us the structure to manage existing risks effectively in line with our Group Risk Appetite, as well as allowing for holistic risk identification. The ERMF also sets out the roles and responsibilities and the minimum governance requirements for the management of Principal Risks.

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

Principal Risk Types

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

The table below provides an overview of the Group's PRTs and their corresponding risk appetite statements.

Risk Types	Risk Appetite Statement
Credit Risk	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.
Traded Risk	The Group should control its financial markets and activities to ensure that market and counterparty credit risk losses do not cause material damage to the Group's franchise.
Treasury Risk	The Group should maintain sufficient capital, liquidity and funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items does not cause material damage to the Group's franchise. In addition, the Group should ensure its Pension plans are adequately funded.
Operational and Technology Risk	The Group aims to control operational and technology risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise.
Financial Crime Risk	The Group has no appetite for breaches in laws and regulations related to Financial Crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.
Compliance Risk	The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided.
Information and Cyber Security Risk	The Group aims to mitigate and control ICS risks to ensure that incidents do not cause the Bank material harm, business disruption, financial loss or reputational damage – recognising that whilst incidents are unwanted, they cannot be entirely avoided.
Reputational and Sustainability Risk	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed with the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct in striving to do no significant environmental and social harm.
Model Risk	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; whilst accepting some model uncertainty.

In addition to the PRTs, the Group has defined the following Risk Appetite statement for Climate Risk: "The Group aims to measure and manage financial and non-financial risks arising from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement."

¹ The Group's Enterprise Risk Management Framework and system of internal control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

→ Further details on our Risk Management Approach can be found on [page 314](#).

Topical and Emerging Risks (TERs)

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

As part of our continuous risk identification process, we have updated the Group's TERs from those disclosed in the 2022 Annual Report and 2023 Half-Year Report; these remain applicable, with nuances in their evolution noted where pertinent. Below is a summary of the TERs, and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as performed by senior management.

The TER list is not exhaustive and there may be additional risks which could have an adverse effect on the Group. There are some horizon risks that, although not highly likely at present, could evolve into a threat in the future and we are therefore monitoring them. These include future pandemics and the world's preparedness for them, and other potential cross-border conflicts. Our mitigation approach for these risks may not eliminate them but demonstrates the Group's awareness and attempt to reduce or manage the risks. As certain risks develop and materialise over time, management will take appropriate steps to mitigate them based on their materiality on the Group.

Macroeconomic and geopolitical considerations

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

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

Expanding array of global tensions and new geopolitical order

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

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

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

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

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

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

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

Persistent high inflation and interest rates

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

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

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

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

Economic slowdown in China

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

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

Sovereign risk

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

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

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

Supply chain issues and material shortages

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

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

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

How these risks are mitigated/next steps

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

Regulatory considerations

Changing regulatory environment

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

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

How these risks are mitigated/next steps

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

ESG considerations

ESG stakeholder expectations

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

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

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

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

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

How these risks are mitigated/next steps

- We update our environmental and social standards for providing financial services to clients every two years, with a new version scheduled for 2024.
- We focus on embedding our values through our Position Statements for sensitive sectors and a list of prohibited activities
- We integrate the management of greenwashing risks into our Reputational and Sustainability Risk Framework and policies
- 'Green', 'sustainable' and 'transition' labels for products and transactions reflect the criteria set out in the Group's Sustainable Finance frameworks, which are regularly reviewed. We obtain external verification on the Group's Sustainable Finance asset pool.
- We assess our clients and suppliers against various international human rights principles, as well as through our social safeguards and supplier charter.

 Modern slavery statement:
<https://www.sc.com/modernslavery>

 Human Rights Position Statement:
<https://www.sc.com/humanrights>

- Detailed portfolio reviews and stress tests are conducted to test resilience to climate-related risks and enhance modelling capabilities to understand the financial risks and opportunities from climate change.
- Work is underway to embed Climate Risk considerations across all relevant PRTs. This includes client-level Climate Risk assessments, including setting adequate mitigants or controls as part of decision making and portfolio management activities.

Technological considerations

Data and digital

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

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

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

New business structures, channels and competition

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

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

How these risks are mitigated/next steps

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

Demographic considerations

Talent pools of the future

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

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

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

Demographic trends

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

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

How these risks are mitigated/next steps

- Our culture and EVP work aims to address the emerging expectations of the diverse talent we seek. The Brand and Culture Dashboard monitors our diversity and inclusion, colleagues’ perceptions of our EVP, and whether we are living our Valued Behaviours. Management teams discuss many of these metrics (including employee survey responses) to identify actions.
- We are undertaking a multi-year journey of developing future-skills amongst our colleagues by focusing on continuous learning, to balance appropriately between ‘building’ and ‘inducting’ skills into the Group.
- Our internal Talent Marketplace provides colleagues with opportunities to learn through experience by signing up for cross-functional (or even cross-geography) projects.
- Employees in 44 markets are on agreed flexible working arrangements. We continue to enhance support and resources to People Leaders and colleagues to help balance productivity, collaboration and wellbeing.
- Our Stands continue to be operationalised through our strategy, and help address the talent pool’s increased expectations of us being purpose-led.



Sadia Ricke

Group Chief Risk Officer

23 February 2024

Stakeholders and Sustainability overview

- 54 Stakeholders
- 66 Our commitment to sustainability
- 68 Sustainability Aspirations
- 70 Sustainability Strategic Pillars
- 76 Managing Climate Risk

► The Women's International Network continues to grow ◀

SC Women's International Network (SC WIN) went from strength to strength in 2023, launching in Malaysia in June, Kenya in July, Singapore in September, and Hong Kong in October.

SC WIN aims to provide female entrepreneurs with tailored financial solutions, business education and opportunities to connect with like-minded entrepreneurs so they can successfully grow their businesses. SC WIN launched in India in 2022 and is set to launch in further markets in 2024.

(+) Read more at sc.com/SCWin



Stakeholders

As an international bank operating in 52 markets, stakeholder engagement is crucial in ensuring we understand local, regional and global perspectives and trends which inform how we do business.

Our stakeholders



Clients



Regulators and governments



Investors



Suppliers



Society



Employees

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

See the following pages for:

- How we engage stakeholders to understand their interests. See pages 55 to 64
- How we engage employees and respond to their interests. See pages 60 to 64
- How we respond to stakeholder interests through sustainable and responsible business. See pages 54 to 64

Detailed information about how the Board engages directly with stakeholders and shareholders can be found in the Director's report on pages 134 to 229.

Examples of a selection of the Board's principal decisions are included throughout this section. This section also forms our key non-financial disclosures in relation to sections 414CA and 414CB of the Companies Act 2006. Our Non-financial information statement can be found at the end of this section on page 79.

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

In 2023, we made improvements to some of our feedback processes, so relationship managers could address client needs as they emerged. Our engagement took many forms, including one-to-one sessions using online channels and calls, virtual roundtables, written responses, and targeted surveys. These conversations, and the issues that underpin them, help inform our business strategy and support us to operate as a responsible and sustainable business.

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

We communicate progress regularly with external stakeholders through channels such as sc.com, established social media platforms and this report. More detailed information on material sustainability topics can be found in our Sustainability review on pages 90 to 133.



Clients

How we create value

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

How we serve and engage

Our presence in high-growth markets – and ongoing roll out of digital platforms – helps connect our clients to the global engines of trade and innovation. As part of our aim to reach net zero carbon emissions by 2050, our transition finance team have been working closely with our clients in hard-to-abate sectors on their own transitions. This is in addition to our plan to mobilise \$300 billion of Sustainable Finance between 2021 and 2030.

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

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

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

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

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

Triggers for outlier fees and charges are defined and subject to annual review. Complaints are reviewed on an ongoing basis and are one of the factors that are taken into account prior to amendments to annual interest, fees and charges.

We also assess our product portfolio for new risks to ensure they remain appropriate for client needs and aligned to emerging regulation. These quantitative and qualitative assessments, including Periodic Product Reviews, are intended to provide a complete view of whether to continue, enhance, grow or retire products.

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

Throughout 2023, we maintained our sharp focus on improving the client experience across the Bank. We engaged with clients to show them the opportunities trade corridors could bring and how using our network could help them flourish.

Consumer, Private & Business Banking

In Consumer, Private & Business Banking (CPBB), 2023 saw significant enhancements in digital wealth with the delivery of around 20 new capabilities across our markets. This includes client DIY Wealth Lending for Funds in Hong Kong and the UAE and MyInsure in India where relationship managers can leverage a digital tool to perform comprehensive insurance needs analysis and portfolio reviews for clients.

Our focus on partnerships continues to show results with the growth of our existing partnerships business in China, Vietnam, Indonesia, and Singapore, and we have expanded the partnership business to Malaysia. In 2023, the Bank launched partnerships with Ctrip in China, SeaMoney in Indonesia, and Atome in Singapore and Malaysia. These new and existing partnerships have incrementally added 2.6 million active clients, growth to 1.7 billion in balances, and a total of 7.5 billion of new disbursements with impressive revenue growth in 2023.

Additionally, we made significant progress in our advisory business with the launch of SC Wealth Select in 14 markets. SC Wealth Select aims to bring a portfolio approach to client conversations and is supported by our digital advisory tool MyWealth Advisor. Across CPBB, 8,000 colleagues have completed the SC Wealth Select e-learning training and 930 frontline colleagues have completed or are undertaking the Standard Chartered INSEAD Wealth Academy Advisory programme.

Importantly, we leverage our cross-border scale by using the same technology and open architecture product platform in different markets to offer competitive products and solutions globally. Examples of this include our series of Signature CIO Funds which is now available in 12 markets, with more to come in 2024, and Wealth Saver, an innovative savings product, now available in three markets.

Stakeholders

continued



Clients continued

Corporate, Commercial & Institutional Banking

In 2023, Corporate, Commercial & Institutional Banking (CCIB) strengthened its annual feedback process by capturing how clients feel about what we offer – including advice, customer service and digital channels. CCIB also focused on building a consistent digital experience and accelerated delivery through Cash, Trade, Financial Markets and Data Solutions.

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

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

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

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

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

Across both CCIB and CPBB, throughout 2024, we will continue to listen and respond to stakeholder priorities and concerns, addressing feedback as it emerges, strengthen our digital transformation and innovation capabilities, and support our clients as they transition to net zero.

Using artificial intelligence (AI) to serve CCIB clients

In 2023, we deployed artificial intelligence (AI) and other cutting-edge technology to improve how we serve our Corporate, Commercial and Institutional Banking clients. This included:

- client and frontline analytics that gave insights for better working capital decisions, FX hedging, more efficient liquidity deployment and cross-selling recommendations
- data science in the use of in-house proprietary ESG models
- the use of a cloud-based machine learning platform to automate manual processes and improve efficiency.

We continued our work with open banking APIs to support sector solutions for fintechs, shipping, retail, insurance and healthcare.

Their interests

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



Regulators and governments

How we create value

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

How we serve and engage

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

In 2023, we engaged with regulators, government officials and trade associations on a broad range of topics that included international trade, sustainability, data, cyber security, digital adoption, and innovation. We also engaged with officials on the financial services regulatory environment, in particular on prudential, financial markets, conduct and financial crime frameworks.

Our Group Public and Regulatory Affairs team supports most engagements while Conduct, Financial Crime & Compliance, Risk, Legal and Finance identify and analyse relevant policies, legislation and regulation.

This work is overseen by various governance forums within the Bank, which comprise senior executives representing business and control functions to support alignment between advocacy and business strategies.



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

Their interests

- Strong capital base and liquidity position appropriate to a global systemically important bank (G-SIB)
- Robust standards for conduct and financial crime
- Healthy economies, trade flows and competitive markets
- Sustainable Finance and net zero transition
- Digital innovation in financial services
- Operational resilience
- Customer protection
- Financial stability



Investors

How we create value

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

How we serve and engage

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

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

The Group delivered a strong set of results in 2023 and achieved its financial objective of a double-digit return on tangible equity (RoTE) for the year. We set out five actions in 2022 designed to accelerate delivery of this RoTE target. The strong execution of these actions over the last two years, where we either achieved our targets ahead of plan or they are well on-track, supported us to reach that milestone in 2023. We will now build on this success, taking action to deliver sustainably higher returns with a focus on driving income growth and improving operational leverage, to deliver a RoTE of 12 per cent in 2026

Regular and transparent engagement with our investors, and the wider market, helps us understand investors' needs and tailor our public information accordingly. In addition to direct engagement from our Investor Relations team, we communicate through quarterly, half-year and full-year results, conferences, roadshows, investor days and media releases.

We continued to expand our use of virtual meetings during the year 2023, coupled with a growing number of face-to-face interactions. We hosted two capital market days, focusing on our Asia region and the Sustainability opportunity in May and November respectively.

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

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

Stakeholders

continued

Investors continued

We continue to respond to growing interest from a wide range of stakeholders on ESG matters, including investors. We sought shareholder endorsement for our net zero pathway at the 2022 AGM, intended as a means by which we will measure progress, engage and gather views. We also work with sustainability analysts and participate in sustainability indices that benchmark our performance, including the Carbon Disclosure Project (CDP) Climate Change survey and Workforce Disclosure Initiative.

Regular engagement with different shareholder groups ensures that we act fairly between them. Our principal engagement event with our retail shareholders is our AGM and in order to hear from as wide a group as possible we encourage maximum participation by way of attendance in person and via a live web portal. Further details of our 2023 AGM are on page 159.

In 2024, we will continue to engage with investors on progress against our strategic priorities and actions, as well as our financial framework as we progress towards delivering sustainably higher returns.

Their interests

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

Suppliers

How we create value

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

How we serve and engage

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

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

Supporting our suppliers to achieve net zero

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

Supporting a diverse and inclusive supply chain

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



Society

We have continued to build capacity with our own colleagues through online training on supplier diversity and inclusion. Highlighting our commitment, we have been awarded the Chartered Institute of Procurement and Supply Asia Excellence in Procurement Award for outstanding Diversity and Inclusion practices in procurement teams and Best Initiative to Build a Diverse Supplier Base. In 2023, approximately 40 per cent of our newly onboarded suppliers were diverse* including, for example, KASHow. KASHow is a micro-owned and predominately women-led business, which managed the logistics and planning of Standard Chartered Hong Kong's 25th marathon in 2023. In addition, KASHow was supportive of our sustainability objectives by using recycled materials for the marathon event logistics and the building of the carnival event booth.

*For Standard Chartered, diverse suppliers are defined as:

- Small enterprise (10–49 employees + turnover <USD10 million)
- Micro enterprise (<10 employees + turnover <USD2 million)
- Medium enterprise (50–249 employees + turnover <USD50 million)
- Women owned (51 per cent or more owned by Women (South Africa 30 per cent owned by women as per local government regulations))
- Ethnic minority owned (51 per cent owned by ethnic minorities)
- Veteran Owned (51 per cent or more owned by veterans)
- Disabled owned (51 per cent or more owned by differently abled people)
- LGBT+ owned (51 per cent owned by LGBT+ (not possible in some countries due to local legal regulations))
- Social enterprises (NGOs and charities)

Their interests:

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

How we create value

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

How we serve and engage

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

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

In 2023, together with the Standard Chartered Foundation, we continued to engage with NGOs, charities and other organisations to empower the next generation to learn, earn and grow through Futuremakers by Standard Chartered, our global community initiative to tackle inequality by promoting greater economic inclusion. We provided education, employability and entrepreneurship support to more than one million young people, with 62 per cent of those engaged being women.

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

By offering three days paid volunteering leave, we instilled a strong culture of volunteering where 61 per cent of our colleagues contributed over 76,000 days giving back to the community. In 2024, we will increase our skills-based activities leveraging our colleagues' skills to deepen our impact, with a target of 75,000 skills-based hours across our footprint.

Their interests

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

Stakeholders

continued



Employees

How we create value

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

How we serve and engage

By engaging employees and fostering a positive experience for them, we can better serve our clients and deliver on our Purpose. A culture of inclusion and ambition enables us to unlock innovation, make better decisions, deliver our business strategy, live our valued behaviours and embody our brand promise. We proactively assess and manage people-related risks, such as, capacity, capability and culture, as part of our Group Risk Management Framework.

Our People Strategy, which was approved by the Board, stays relevant and future-focused, with external events having accelerated many of the future of work trends which continue to inform our approach.

Their interests

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

Listening to employees

Frequent feedback from employee surveys helps us identify and close gaps between colleagues' expectations and their experience. In addition to our annual survey, colleague sentiment is captured more frequently, through a rolling culture survey and through surveys at key moments for our employees, such as when they join us, when they leave, and when they return to work after parental leave. In addition to leveraging inputs from employee surveys, the Board and Management Team also engage with and listen to the views of colleagues through interactive sessions. More information on the Board's engagement with the workforce can be found on page 161 in the Directors' report.

In 2023, our annual My Voice survey was conducted in May and June: 87 per cent of our employees (69,935) and 58 per cent of eligible agency workers (2,203) participated in the survey. Key measures of employee satisfaction have continued to improve year-on-year, with an 8.3 point increase in our employee Net Promoter Score (NPS) (which measures whether employees would recommend working for us) as well as a 3 percentage point increase in our employee engagement index. Over 87 per cent say that the Group meets or exceeds their expectations. More colleagues are saying that we are simplifying the client experience, that we are collaborating better to deliver results, that decision-making is becoming easier and our processes are becoming more efficient. It is also encouraging to see that 97 per cent of employees feel committed to doing what is required to help the Group succeed, and 90 per cent feel proud about working for the Group. The consistent increase in scores indicates that we are continuing to improve as a place to work.

This is also underscored by the 'Great Place to Work' certifications that we have received across multiple markets, including in India, Vietnam, Bahrain, Poland, the UK and the US. Our Glassdoor rating (out of five) has increased from 3.7 in 2019 to 3.9 in 2023, and 77 per cent would recommend working with us to friends. We also continue to be recognised as an employer of choice and details of our accolades can be found on page 522 of the Report and on sc.com/awards.

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

Strengthening our culture of high performance

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

Behavioural changes are visible. Colleagues are telling us that they are having more regular performance check-ins with their leaders – with over two-thirds doing so at least every quarter. In 2023, almost 250,000 pieces of feedback were exchanged among colleagues (which is close to 1.4 times the amount of feedback exchanged in 2021, before our refreshed approach was launched across the Group). We know that recognition is also an important enabler of high performance, and we have launched a digital platform in January 2024 to encourage democratised, peer-to-peer recognition for all colleagues.



Employees continued

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

We have been embedding the flexible working model that we initiated in 2021, combining flexibility in working patterns and locations, to enhance both the productivity and experience of our workforce. Over 52,000 employees in 44 markets are now on agreed flexi-working arrangements, with the majority having signed up to work from the office for two to three days a week. Our model consciously balances client needs and business priorities with individual choice, allowing us to be inclusive of the diverse needs of our workforce. Colleagues continue to adopt ways of working that balance the benefits of remote working with face-to-face interactions. Toolkits and guidance are being provided to people leaders and individuals to help navigate flexible working. These include support on organising team and individual work to enhance productivity and wellbeing; on leading in key moments such as onboarding new team members, returning from parental leave and during performance conversations; and on strengthening connections in flexible work environments. We also continue to re-imagine our physical workspaces with the relevant infrastructure and technology to provide hubs for teamwork, collaboration and learning. As a result of these ongoing interventions, employees who are working flexibly express greater satisfaction with overall employee experience and work-life balance in comparison to employees working fully remotely or fully in the office. Also, over 80 per cent of colleagues expressed in the 2023 My Voice survey that flexible working has had a positive impact on their ability to get work done and to collaborate, as well as their sense of belonging and social connection with others.



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

Building leadership capabilities

Exceptional performance needs exceptional leadership, and it is encouraging to see that manager NPS continues to increase to 37.9 points in 2023 (up 4.8 points year-on-year). Engaging, developing, and measuring our people leaders continues to be a critical enabler of our performance and culture. Our Leadership Agreement sets out clear expectations from our leaders to Aspire, Inspire and Execute. It also forms the foundation of a modernised leadership development curriculum through which one-third of our people leaders are being covered each year to help them build new skills and habits across different leadership stages – including skills on coaching, performance management in business-specific contexts, leading for transformation, and leading through ambiguity. While more than 4,700 leaders learned through face-to-face leadership programmes during the year, leadership skill-building was also made accessible to all colleagues to build the capability deeper into the organisation. Almost 17,000 employees signed up to our 60-day Leadership Health journey of regular micro-learning activities; over 26,000 accessed the monthly Leadership Insights newsletter and over 8,500 tuned into leadership sessions during our annual Global Learning Week.

In 2023, 84 per cent of our people leaders received feedback through our 'always on' feedback tool available to all colleagues, as well as through the structured 360-degree feedback tool that is available to mid-to-senior people leaders. Leaders are also provided a consolidated view of the environment they are creating for their teams, and feedback on their leadership skills, as part of their Leadership Dashboard. The dashboard has been designed to bring transparency to performance and development conversations, and to highlight the value we place on leadership.



Read our Leadership Agreement at sc.com/leadershipagreement

Developing skills of future strategic value and enabling careers

To keep pace with technological innovation, evolving customer expectations and the changing world of work, we are adopting a 'skills-led' approach – accelerating the development of future skills among our workforce and bringing in greater agility to how skills are deployed to areas of opportunity across the Group. We are helping employees build the skills needed for high performance today, to reskill and upskill for tomorrow, and to be global citizens who understand the changing nature of the world in which we operate. This includes helping them strengthen a combination of human and technical skills, as well as building a culture of continuous learning that empowers them to grow and follow their aspirations. Since 2020, the average hours invested by employees in personal development has increased by 23.9 per cent to 26.8 hours in 2023.

Stakeholders

continued



Employees continued

Learning in classrooms is balanced with learning through our online learning platform diSCover, which is also accessible via a mobile app. Over 70,000 colleagues actively used the platform in 2023 and 30,000 colleagues have used one or more of our Future Skills Academies which include the Data & Analytics, Digital, Cyber, Client Advisory, Sustainable Finance and Leadership Academies. Employees are also building and practicing new skills on the job by signing up for projects (often cross-functional and cross-location) through our AI-enabled internal Talent Marketplace platform. Since its launch in 2020, over 28,000 employees have registered on the platform, with over 2,000 of them being assigned to projects. Deploying their skills at speed across our network has resulted in unlocking over \$6.2 million in terms of productivity. By combining such project opportunities with purposeful internal talent moves, we continue to enhance the career experience of colleagues. The Marketplace also acts as a platform to connect employees to mentors across the Group.

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

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

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

Creating an inclusive workplace

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

Our progress in this space is reflected in the 83.2 per cent of employees who shared positive sentiments around our culture of inclusion in the 2023 survey, consistent as last year. This has been enabled by continued efforts towards increasing awareness around diversity and inclusion principles, unconscious bias and micro-behaviours as well as by emphasising the importance of creating an inclusive environment – aspects that are covered in the 'When we're all included' learning programme which has been completed by more than 34,000 colleagues by the end of 2023. Further, the 'Respect at Work' e-learning programme that helps understand what constitutes harassment, bullying, discrimination and victimisation, is now mandatory for all employees.

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

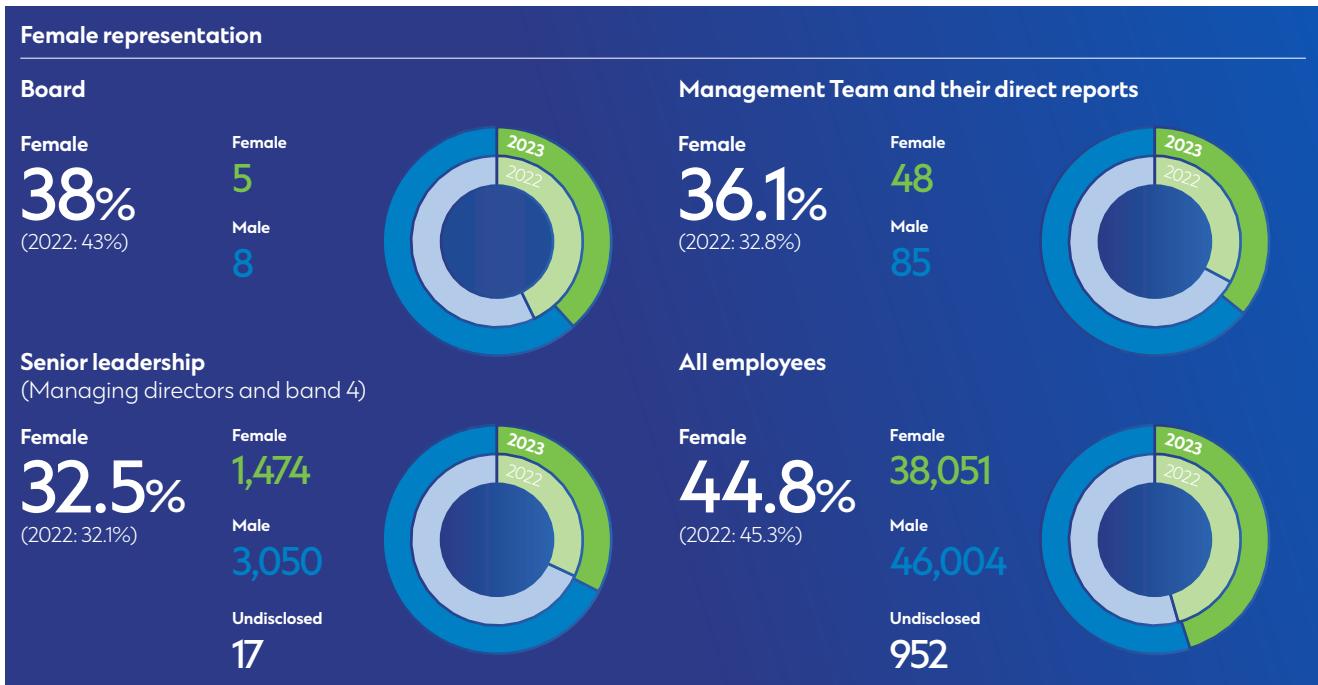
Our continued partnership with Purple Tuesday is one of the many initiatives through which we are creating a work environment where colleagues are encouraged to bring their whole selves to work. The partnership is helping increase the visibility of role models and careers for those with disabilities across more than 50 markets. It is also helping to drive an ongoing conversation, to build awareness and break down myths and stereotypes when engaging with clients and colleagues with disabilities. The SC-Out Pride Leadership Summit this year saw Employee Resource Group leads, allies and advocates come together from across 14 markets to define our approach for further building a respectful, supportive, and safe work environment for our LGBT+

Embedding a focus on skills across the employee lifecycle

In our CCIB business, we have been embedding a focus on skills across the employee lifecycle in the way we hire, identify, develop and deploy talent. We have updated part of our skills library to develop 35 skills-based role profiles and job descriptions for the highest impact roles that will help enhance our client proposition and deliver on our business strategy. In 2024, we will further enable a democratised career and development experience for colleagues in CCIB through our internal Talent Marketplace, which will allow them to better understand and develop the skills needed to excel in their existing role as well as to grow and move to their aspirated roles. It will also enable leaders and recruiters to rapidly identify, access and deploy skills at scale in a cost-efficient manner.



Employees continued



colleagues. We also recognise six key dates¹ across the year and use these as focal points to facilitate open dialogue on inclusion internally and externally. Through these global campaigns we engage and strengthen relationships with clients and external stakeholders, collectively raising awareness, promoting best practices and committing to take practical steps to advance the overall Diversity and Inclusion (D&I) agenda in our communities.

Our gender diversity continues to grow, with more women leaders moving up to senior roles. Women currently represent 38 per cent of the Board, 14 of our CEOs are women, and representation of women in senior leadership roles increased to 32.5 per cent at the end of 2023. We are committed to continuous improvement in this area and aspire to have 35 per cent representation of women at a senior level by 2025. We remain focused on building a workforce that is truly representative of our client base and footprint. As of 2023, 31 per cent of our Board identifies as being from a minority ethnic background, above our aspiration of 30 per cent. Further, 26.3 per cent of our Global Management Team and their direct reports identify as Black, Asian or minority ethnic. In the UK, Black representation in senior leadership is 2.5 per cent and Black, Asian and minority ethnic in senior leadership is 27.8 per cent. In the US, Black/African American representation in senior leadership is 4 per cent and Hispanic/Latinx in senior leadership is 10.1 per cent. We continue to develop strategic partnerships and experiment with programmes to widen our talent pools (such as the Spring Insights Programme in 2023 that provided a multi-day immersive experience to Black, African American, Hispanic and Latinx students in New York and London to learn about our CCIB business, and access internship opportunities).

As we work towards achieving our 2025 UK and US ethnicity senior leadership aspirations, we will also be updating these targets to extend to 2027. At the same time, we are focused on nurturing local talent in markets across Asia, Africa and the Middle East.

Leadership commitment is core to our approach on D&I. Our Global D&I Council is chaired by our CEO, CCIB and Europe & Americas and comprises of enterprise-wide leaders representing various business, functions and geographies from across the Group. The Council is responsible for our overall D&I strategy, direction setting, and overseeing the implementation of sustainable and measurable improvements. In 2023, as a result of our listening exercises and data insights, we also established a Black and African Talent Steering Committee and Working Group, and appointed Group Management Team and Global D&I Council sponsors to advocate for leadership action in focus areas identified, such as career progression and the international mobility experience.

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

¹ International Day Against Homophobia, Transphobia and Biphobia, International Day of Persons with Disabilities, International Men's Day, International Women's Day, and World Day for Cultural Diversity for Dialogue and Development, World Mental Health Day.

Stakeholders

continued



Employees continued

Enhancing experience and inclusion through progressive, purpose-led benefits

Taking an intersectional approach to diversity, inclusion and wellbeing, we have continued to introduce progressive, purpose-led benefits. Going beyond our minimum standard for maternity leave, all colleagues, irrespective of gender, relationship status, or how a child comes to permanently join their family, are now eligible for a minimum of 20 weeks of paid parental leave. We are also expanding medical benefits to make comprehensive coverage accessible for menopause-related treatments to all colleagues and their partners, including access to specialised medical practitioners and prescription. This is in addition to the existing support for managing menopause symptoms through flexible working options, paid leave for treatment, workspace adjustments and access to menopause counselling. We believe that such benefits continue to be critical levellers for gender equality, encouraging women's participation in the workforce and LGBT+ inclusion, aligning to our Lifting Participation Stand.

Compared with last year, our mean hourly and bonus pay gaps have decreased in most markets, particularly in the UK and the US. While this shows continuous improvement since our first disclosure, they remain at a level that signifies there are proportionally more male than female colleagues in senior roles and/or roles with higher market rates of pay.

To complement the legislative approach in the UK, we also calculate an adjusted pay gap, which compares women and men at the same hierarchy level and in the same business area. Mirroring previous years, the narrow margins for the adjusted pay gap analysis indicate that our female and male colleagues in the same business areas and at the same levels of seniority are paid similarly.

In addition to the gender pay gap analysis, we are publishing our ethnicity pay disclosure for the UK and the US for the second year, and this year we have expanded the disclosure to include hourly and bonus pay gaps for each ethnic group. The results indicate that there are proportionally more White and fewer Black, and in the case of the US, also fewer Hispanic, colleagues in senior roles and/or roles with higher market rates of pay. While our adjusted ethnicity pay gaps indicate that colleagues with different ethnicity backgrounds are paid similarly in the same business areas and at the same levels of seniority, there is still more work to be done to promote representation of different ethnic groups within the organisation.

Equal pay is a key commitment in our Fair Pay Charter and we carry out checks during hiring, promotion and year-end review in all markets to challenge potential bias and ensure there is equal pay for equal work.

 Read more about our gender and ethnicity pay gap analysis at sc.com/diversityfairpayreport

Equal pay – gender and ethnicity pay gaps

To better understand the strengths and gaps of the organisation and develop action plans to enable the potential of our truly diverse and inclusive workforce, we have been analysing and publishing our gender pay gap statistics for our five hub locations (UK, US, Hong Kong, Singapore, and UAE) since 2017. The gender pay gap is calculated based on the approach by the UK government and compares the average pay of men and women without accounting for some of the key factors which influence pay, including different roles, skills, seniority and market pay rates.

2023 Gender pay gap	UK	Hong Kong	Singapore	UAE	US
Mean hourly pay gap ¹	22%	21%	29%	30%	21%
Mean bonus pay gap ²	44%	35%	40%	56%	36%

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

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

2023 UK ethnicity pay gap¹

Mean Pay Gap		
	Hourly pay ²	Bonus pay ³
Asian	13%	26%
Black	25%	48%
Multi-racial	6%	14%
Other	14%	22%

2023 US ethnicity pay gap¹

Mean Pay Gap		
	Hourly pay ²	Bonus pay ³
Asian	14%	28%
Hispanic	27%	51%
Black	28%	51%
Dual or Multi	0%	-36%

1. Analysis based on 77 per cent of our UK workforce that shared with us their ethnicity background, and 100 per cent of our US workforce

2. The hourly pay gap is calculated by taking the difference between the mean minority ethnic group and White hourly pay, expressed as a percentage of the White amount

3. The bonus pay gap is calculated by taking the difference between the mean minority ethnic group and White bonus payments received in the 12 months prior to 5 April, expressed as a percentage of the White amount.



► Tackling food insecurity with micro-loans ◀

In 2023, through Futuremakers by Standard Chartered – our flagship community initiative dedicated to helping the next generation learn, earn, and grow – we helped young entrepreneurs by providing micro loans and business acceleration programmes. Funded by the Standard Chartered Foundation, we partnered with Youth Business International and its member Somo in Kenya, to help Ivy (pictured) kickstart her now thriving mushroom farming business, tackling food insecurity in her area.

(+) Read more at sc.com/IvyKenya

Our commitment to sustainability

We are committed to the sustainable economic and social development of our footprint markets, helping people to thrive long-term.

With a long-standing presence in parts of the world where sustainable finance can have a significant impact, we facilitate the movement of capital to where it is needed most. We apply our knowledge across our market footprint and the innovative mindset of our teams to create financial solutions that help to address challenges and support sustainable growth.

The work we do to accelerate the transition to net zero, lift participation in the economy and reset globalisation is fundamental to our business.

These three areas of focus are known as our **Stands** and inform our overall strategy, including our approach to sustainable finance, our advocacy efforts on behalf of our markets and engagement with our employees and society.

Further details can be found in Our Stands on [page 26](#)

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

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

Sustainability continues to be included in the 2024 Group scorecard and 2024–26 Long-Term Incentive Plan (LTP) with performance measures that align with our Sustainability Aspirations and Sustainability Strategic Pillars.

Further details can be found in the Directors' remuneration report on [pages 182 to 216](#)

Independent Limited Assurance

Ernst & Young LLP (EY) were appointed to provide independent limited assurance over certain data points within this Annual Report, indicated with a caret symbol (^). The assurance engagement was planned and performed in accordance with the International Standard on Assurance Engagements (UK) 3000 (July 2020), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE (UK) 3000 (July 2020)). This independent assurance report is separate from EY's audit report on the financial statements and is available at sc.com/sustainabilityhub. This report includes further detail on the scope, respective responsibilities, work performed, limitations and conclusions.

We obtained independent limited assurance on the Group's Scope 1 and 2 greenhouse gas (GHG) emissions (excluding fugitive emissions) by Global Documentation Ltd. We also obtained reasonable assurance on the Group's Scope 3 emissions associated with business travel (air travel) from Eco-Act. These verifications were conducted in accordance with the ISO 14064-3 Greenhouse gases standard.

Disclaimer

We report on Sustainability and Environmental, Social and Governance (ESG) matters throughout this Annual Report, in particular in the following sections: (i) Strategic report, Sustainability overview on pages 66 to 79; (ii) Sustainability review on pages 92 to 133; (iii) Risk review on pages 298 to 313; and (iv) in the Supplementary sustainability information section on pages 504 to 516.

In this 'Sustainability overview', we set out our approach and progress relating to sustainability and its content is subject to the statements included in: (i) the 'Forward-looking statements' section; and (ii) the 'Basis of preparation and caution regarding data limitations' section provided under 'Important notices' at pages 519 and 520. Additional information can be accessed through our suite of supporting sustainability reports and disclosures via sc.com/sustainabilityhub.



A word from our Chief Sustainability Officer, Marisa Drew

In 2022, the CSO organisation was established within Standard Chartered to build on the Group's long-standing sustainability agenda. Since its creation, we have made substantial progress, by continuing to embed sustainability across the organisation and strengthening our support for clients on their transition journeys. The longer-term vision and areas of focus expressed by our Stands and our Sustainability Aspirations have helped shape our near-term execution priorities defined by our Sustainability Strategic Pillars.

Our Sustainable Finance franchise has generated over \$720 million[^], or over six per cent of our total Corporate, Commercial and Institutional Banking (CCIB) income in 2023, a year-on-year growth rate of 42 per cent. Following on from this performance and building on the momentum in our business, our focus turns to our stated ambition to deliver at least \$1 billion in sustainable finance income in 2025. To do that, we are hard at work investing in people, systems and infrastructure to build further capability and capacity. This enables our teams across the Group to support our clients' transition and sustainable growth plans by deploying lending, cash, trade, corporate financing and advisory services, and providing capital to advance the next wave of sustainability and technological solutions.

Our footprint – with its access to capital markets and operations in regions most vulnerable to climate change – means that Standard Chartered sits at the intersection between capital providers and those who need it most. For many of our markets and clients, getting to net zero will be a long and complex task. Their transition must be on a just basis to address environmental challenges without sacrificing their economic growth and social development ambitions.

Delivering a just transition brings significant opportunity for innovation and growth. To leverage this, we created a series of thematic innovation hubs in 2023, covering: Adaptation Finance, Blended Finance, Carbon Markets and Nature Positive Solutions. Each hub is helping to advance emerging thematic areas of sustainability that are nascent, but offer the potential for scale, and are where the Group has a core competency. The themes covered by the hubs are particularly relevant to our clients across our footprint markets and serve to support innovation at the forefront of sustainability.

Furthermore in 2023, we expanded our work on social sustainability, with a dedicated investment to bring the breadth of our Sustainable Finance offering together with our commitment to the people and communities we serve.

We have also welcomed new team members including experts in blended finance, sustainable and transition finance, climate risk, nature and carbon accounting, building up our people power to allow us to effectively leverage the CSO organisation across the Group, as we look to deliver on our strategy.

As I reflect on my first full year at the bank, it is clear that our sustainability ambition has the unwavering commitment of the Group's Board of Directors and the Management Team, backed by an extraordinary level of enthusiasm and engagement. Looking ahead to 2024, my priority is on driving our four Sustainability Strategic Pillars: scaling up Sustainable Finance; further embedding sustainability across the Group; delivering on our net zero roadmap; and leveraging our innovation hubs to drive ecosystem development and future income.

Sustainability overview content map

Introduction and overview

Page 66

Commitment and approach to sustainability

Sustainability Aspirations: our long-term goals

Aspiration 1: Mobilise \$300 billion of Sustainable Finance by 2030

Page 68

Aspiration 2: Operationalise our interim 2030 financed emissions targets to meet our 2050 net zero ambition

Page 68

Aspiration 3: Enhance and deepen the sustainability ecosystem

Page 68

Aspiration 4: Drive social impact with our clients and communities

Page 68

Sustainability Strategic Pillars: our short-term targets and immediate priorities

Pillar 1: Scale Sustainable Finance income

Page 70

Pillar 2: Further embed sustainability across the organisation

Page 71

Pillar 3: Deliver on the annual milestones set forth in our net zero roadmap

Page 73

Pillar 4: Leverage our innovation hubs

Page 75

Managing Climate Risk

Page 76

Non-financial and sustainability information statement

Page 79

Values noted with a caret symbol (^) are subject to independent limited assurance by EY, report available at sc.com/sustainabilityhub.

Sustainability Aspirations: our long-term goals

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

Sustainability Aspiration	Progress to date
Aspiration 1: Mobilise \$300 billion of Sustainable Finance¹ <p>Across our markets, many clients are at the early phase of evaluating the risks and opportunities associated with their transition to a low-carbon economy. We leverage a full suite of Sustainable Finance solutions – including loans, bonds, trade finance and carbon trading – to support their transition.</p> <p>These are underpinned by our Sustainable Finance frameworks that outline how we apply the 'green', 'sustainable' or 'transition' labels across products and transactions. We also work with retail and wealth clients to mobilise diverse sources of capital in support of social and environmental outcomes.</p>	\$87.2bn[^] cumulative mobilisation of Sustainable Finance from January 2021 to September 2023 against our commitment to mobilise \$300 billion by 2030
Aspiration 2: Operationalise our interim 2030 financed emissions targets to meet our 2050 net zero ambition <p>We aim to reach net zero in our financed emissions by 2050. To date, the Group has set and disclosed science-based interim 2030 financed emissions targets for 11 high-emitting sectors, in line with guidance from the Net-Zero Banking Alliance (NZBA).</p> <p>We are working across our businesses and functions, and alongside our clients to deliver these targets, notwithstanding the challenges presented by a material portion of our markets not having a commitment to achieve net zero by 2050.</p>	11 out of 12 of the NZBA high-emitting sectors covered by 2030 science-based financed emissions targets
Aspiration 3: Enhance and deepen the sustainability ecosystem <p>We are utilising our experience and networks to actively contribute in a leadership position to global partnerships and initiatives that enhance the sustainability ecosystem.</p> <p>These range from those that support the mobilisation and scaling of sustainable finance, to furthering the development of the voluntary carbon markets and fostering innovative solutions in the arena of conservation finance, through to supporting the advancement of social topics underpinning the UN Sustainable Development Goals (SDGs).</p>	Leadership roles in key global partnerships and initiatives including GFANZ, GISD, NZBA as further detailed on page 96
Aspiration 4: Drive social impact with our clients and communities <p>We seek to partner with our clients and communities to mobilise social capital and drive economic inclusion as well as entrepreneurship through our Futuremakers initiative.</p> <p>Our Employee Volunteering programme encourages employees to volunteer and organise activities, such as fundraising, that align to the Group's community strategy or respond to local issues.</p>	61% of the Group's employees participated in employee volunteering activities in our communities in 2023

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

2 Values noted with a caret symbol (^) are subject to independent limited assurance by EY, report available at sc.com/sustainabilityhub.

Key initiatives and partnerships

Throughout 2023, senior leaders across Standard Chartered were involved in the leadership of several collaborative initiatives including, but not limited to, those listed in the table below.

Global Investors for Sustainable Development (GISD) Alliance	Our Group Chairman co-chairs the United Nations' GISD Alliance, which has set ambitious objectives to scale up long-term finance and investment in sustainable development.
Glasgow Financial Alliance for Net Zero (GFANZ)	We are active participants of the GFANZ Principals Group, an ambitious programme to generate the commitment, investment and alignment needed to drive forward the transition to net zero. Our Group CEO co-chairs the GFANZ working group on Capital Mobilisation to Emerging Markets and Developing Economies.
Net-Zero Banking Alliance (NZBA)	Our Group Head of Conduct, Financial Crime and Compliance chairs the NZBA – the industry-led, UN-convened and sector-specific alliance for banks under GFANZ.
World Economic Forum's Alliance of CEO Climate Leaders	Our Group CEO and CSO are part of the World Economic Forum's Alliance of CEO Climate Leaders. This is a CEO-led community committed to raising bold climate ambition and accelerating the net zero transition by setting science-based targets, disclosing emissions and catalysing decarbonisation and partnerships across global value chains.
United Nations Principles for Responsible Banking (PRB) Adaptation Finance working group	Our Head of Sustainable Finance Solutions co-chairs the PRB Adaptation Finance working group, which developed a comprehensive framework and practical guidance for banks to set credible adaptation finance targets.
Integrity Council for the Voluntary Carbon Markets (ICVCM)	Our Head of Carbon Markets Development serves on the board of the ICVCM, which is focused on developing high-quality carbon markets. Our Group CEO sits on the Distinguished Advisory Group of the ICVCM, which is involved in the development of carbon markets around the world.
Center for Climate-Aligned Finance (CCAF)	We formally joined CCAF, which was established by Rocky Mountain Institute, in 2023. Standard Chartered participates in CCAF working groups for the Aviation and Aluminium industries. The Group is a signatory to both the Poseidon Principles, a global framework for assessing and disclosing the climate alignment of financial institutions' shipping portfolios and the Sustainable STEEL Principles, which helps banks to measure and disclose the alignment of steel lending portfolios with 1.5 degree Celsius climate targets.
Ocean Risk and Resilience Action Alliance (ORRAA)	In 2023, the Group became a member of ORRAA. Our Head of Nature serves on the Ocean Investment Protocol Steering Committee convened by the UN Global Compact Ocean Stewardship Coalition.

Sustainability Strategic Pillars: our short-term targets and immediate priorities

Our four Sustainability Strategic Pillars represent our near-term strategic focus. Each member of the Group Management Team is responsible for strategically driving climate and sustainability considerations within their region, business segment or function in line with the Group's net zero roadmap. Selected sustainability-related measures are incorporated into Long-Term Incentive Plan (LTIP) awards granted to senior executives and the Group scorecard, which contains financial and strategic measures and is applicable for the majority of our employees.

Pillar 1: Scale Sustainable Finance income¹

We are building a scalable Sustainable Finance franchise, supporting our clients on their transition journeys by developing customised solutions that speak to their needs and ambitions. Our Sustainable Finance franchise generated over \$720 million[^] between January and December 2023 against our longer-term target of at least \$1 billion annual income by 2025.

Sustainable Finance income¹

Product (\$m)	2023	2022	YoY
Transaction Banking	188	80	135%
Trade & Working Capital	96	60	60%
Cash Management	92	20	360%
Financial Markets	393	326	21%
Macro Trading	76	54	41%
Credit Markets	306	268	14%
Financing & Securities Services	11	4	175%
Lending & Portfolio Management	139	102	36%
	720[^]	508	42%

1 Values noted with a caret symbol (^) are subject to independent limited assurance by EY, report available at sc.com/sustainabilityhub.

Our position in the market

As a UK-headquartered international bank, we work to deploy capital across our global markets. As can be seen in our 2023 Sustainable Finance Impact Report, we have raised \$8.4 billion[^] of sustainable liabilities in developed markets, while 85 per cent of our \$17.6 billion[^] Sustainable Finance asset base is located in Asia, Africa and the Middle East. We continued to expand and develop our product suite as set out in our Green and Sustainable Finance Product Framework. In total, we had 42 product variants across CCIB and CPBB segments, with selected products included in the table below.

CCIB		CPBB		Group Treasury
Transaction Banking	Financial Markets / Lending & Portfolio Management	Personal & Business Banking	Wealth Management	
Sustainable Trade Finance Sustainable Current and Savings Accounts	Green/Social/ Sustainability Bonds Sustainability-linked Bonds ESG Derivatives Carbon Trading Sustainable Repos ESG Structured Investments Green and Social Loans Sustainability-linked Loans ESG Advisory Sustainable Deposits	Sustainable Deposits Sustainable Current and Savings Accounts Green Mortgages Green Retrofit Loans ESG Structured Investments	Sustainable Investments	Standard Chartered PLC Sustainability Bonds

→ For more information on the Group's progress on its Sustainable Finance commitments see [pages 99 to 101](#)

Our Sustainable Finance Frameworks

- Our Green and Sustainable Product Framework governs all activities we as an organisation view as 'green' or 'social'. It is publicly available and was co-authored by Morningstar Sustainalytics.
- Our Sustainability Bond Framework provides the basis for the issuance of Green, Social and Sustainability bonds, drawing on the activities that we view as green or social.

- Informed by the International Energy Agency (IEA) Net Zero Emissions by 2050 (NZE), we outline the assets and activities that qualify for the 'transition' label under our Transition Finance Framework.

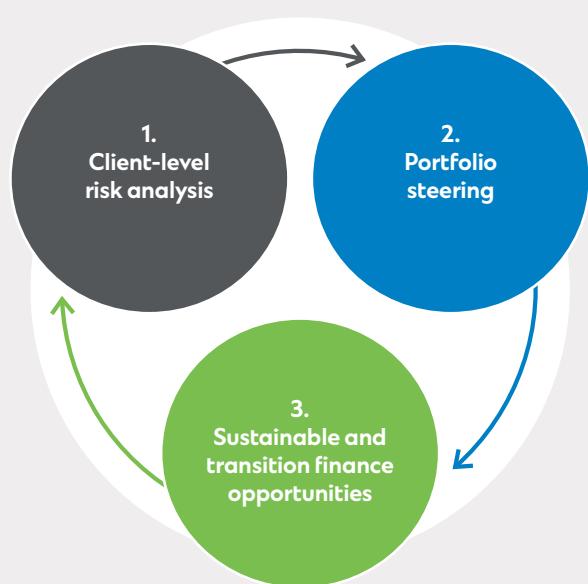
→ For more, see [page 123](#) or visit sc.com/sustainabilityhub

Pillar 2: Further embed sustainability across the organisation

The CSO organisation aims to act as a catalyst for change and centre of excellence. We foster collaboration internally to embed sustainability across our business operations and functions. We collaborate externally with clients and other stakeholders who are aligned with our mission to drive change.

We aim to create a self-reinforcing cycle, which is built on established processes, clear frameworks, engagement with our clients and collaboration across risk and business teams. We support our clients to deliver on their decarbonisation plans, deploying financing and advisory services to provide capital alongside the next wave of sustainability and technological solutions, in which our clients are investing.

Our transition strategy also builds on the Group's financing experience by supporting the early adopters of these services in the US and Europe and leveraging this knowledge in our core markets across Asia, Africa and the Middle East. Our aim is to work with our clients to support their transition and decarbonisation journeys and where clients evidence transition, help to accelerate progress.



1. Client-level risk analysis

Environmental, social and climate risk assessments are integrated into credit decision-making processes for existing and new-to-bank clients¹

- We maintain a suite of public Position Statements that outline the Group's environmental and social expectations for providing financial services to clients.²
- Relationship Managers carry out client and/or transaction level Environmental and Social Risk Assessments before we provide financial services.³
- Through client-level Climate Risk Assessments (CRAs), we assess the potential financial risks from climate change using quantitative and qualitative information and assign a Climate Risk grading.⁴
- As part of the CRA process, a Credible Transition Plan (CTP) score is assigned for each client in high-emitting sectors.⁴
- Our Prohibited Activities list details the activities that we will not finance.⁵

2. Portfolio steering

Portfolio-level emissions are calculated to set and monitor financed emissions baselines and sectoral 2030 targets

- Client-level emission intensities are modelled in accordance with internationally accepted carbon accounting principles using the Partnership for Carbon Accounting Financials (PCAF) methodology.
- Science-based sectoral interim 2030 targets are set for high-emitting sectors in line with the Group's roadmap towards net zero financed emissions by 2050.⁶
- Industry or client coverage leads are appointed as responsible owners of sectoral net zero targets.
- Divergence from the portfolio-level emission pathway is monitored and reviewed quarterly along with our exposure to clients associated with high Climate Risk.⁷

3. Sustainable and transition finance opportunities

Products, financing and advisory services are deployed to support clients transitioning their businesses and seeking to achieve their sustainability goals

- The Group's ESG and Transition Finance advisory teams prioritise engagements with clients associated with high Climate Risk with weak or no transition plans and/or insufficient disclosures to recommend enhancements.
- Sustainability considerations are incorporated into account plans and engagement strategies with an aim to identify and prioritise clients that are divergent from portfolio-level emission pathways or associated with high Environmental and Social Risk.
- We endeavour to support and guide our clients to a low-carbon pathway by utilising our full suite of Sustainable Finance solutions.
- We continue to increase our financing of low-carbon technologies and infrastructure, including project financing in the developing world where power grid modernisation is critical.

1 Refers to applicable banking clients, please refer to sc.com/esriskframework.

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

3 For further information, please refer to sc.com/esriskframework.

4 Read more about our CRA process in the Risk review section of this Annual report on pages 298–313.

5 Read more about our list of Prohibited Activities at sc.com/prohibitedactivities.

6 Read more about our sectoral 2030 net zero targets in this Annual Report on page 74.

7 In 2023, this commenced for Oil & Gas, Power, Steel, Aluminium and Automotive Manufacturers sectors with the rest of the sectoral reviews to be added from 2024.

Our net zero roadmap

We aim to reach net zero carbon emissions in our financing activity by 2050 and in our own operations by 2025. We made progress in setting interim 2030 targets for the most carbon-intensive and highest-emitting sectors in the Group's portfolio.

To help us remain on track, we have set short- and medium-term objectives and quantifiable targets to manage and report on our progress on an annual basis.

2021

- Launched our roadmap to net zero by 2050, including interim targets and a supporting methodology

- Announced plans to mobilise \$300 billion in Sustainable Finance by 2030

- Published our inaugural Transition Finance Framework

2022

- Developed financed emissions baselines and interim 2030 targets for the Aviation, Shipping and Automotive Manufacturers sectors

- Joined Partnership for Carbon Accounting Financials (PCAF)

2023

- Announced our enhanced Oil and Gas absolute financed emissions target

- Updated our Power and Steel sector baselines and targets moving from a revenue-based intensity metric to a production-based intensity metric

- Developed financed emissions baselines and set interim 2030 targets for four additional sectors: Cement, Aluminium, Residential Mortgages, Commercial Real Estate, bringing the total number of science-based targets set for high-emitting sectors to eleven

- Financed emissions baselines and sectoral progress against targets, where indicated, assured for the first time by Ernst & Young

- Calculated the Group's facilitated emissions baseline from debt capital markets following the final PCAF guidance (published in December 2023) under both the 33 per cent and 100 per cent weighting factors

- Updated the Group's net zero methodological white paper, first published in 2021

2024

- We will develop an interim 2030 financed emissions target for the Agriculture sector, planned to be communicated in our 2024 Annual Report, which will be published in Q1 2025

- Aim to set targets for facilitated emissions

2025

- Aim to be net zero in our own operations

2030

- We will have substantially reduced our exposure to the Thermal Coal Mining sector in line with our Position Statements

- Aim to meet the Group's financed emissions interim targets set for high-emitting sectors

2032

- Targeted end date for legacy direct Thermal Coal Mining financing globally

2050

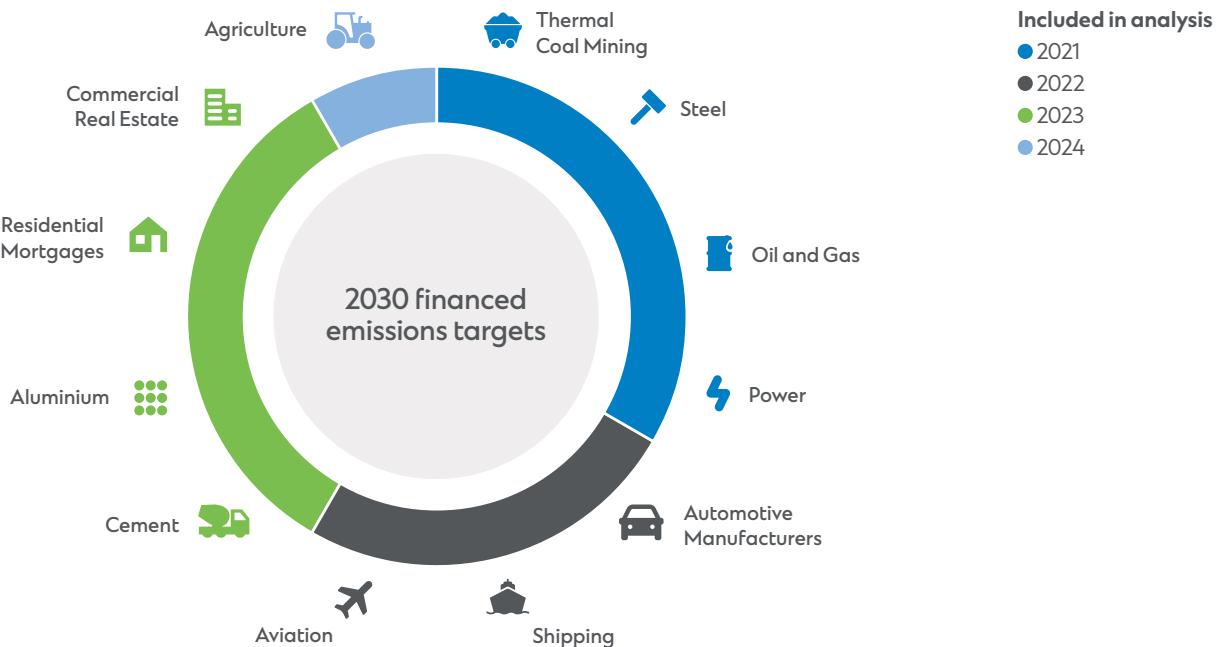
- Aim to become net zero in our financed emissions

Pillar 3: Deliver on the annual milestones set forth in our net zero roadmap

We aim to reach net zero emissions in our financed emissions by 2050 and in our own operations by 2025. Since 2018 we have been working on aligning our direct and indirect emissions to the Paris Agreement's goal of well below two degrees Celsius of global warming by the end of the century. We focus on three areas to reduce emissions: our operations, our supply chain and financed emissions associated with our clients. The majority of our GHG emissions are linked to our lending activities, known

as financed emissions. Therefore, we have prioritised our measurement and decarbonisation efforts in the highest-emitting and most carbon-intensive sectors of our portfolio, and where working with our clients can have the greatest impact. Due to our footprint – with many emerging markets reliant on carbon-intensive industries – our financed emissions may increase before they decrease but our approach is to remain aligned to a science-based 1.5 degrees Celsius pathway by 2050.

High-emitting and carbon-intensive sectors with interim 2030 targets



Financed emissions

A brief summary of the movements in the 11 high-emitting sectors is as follows:

Aluminium sector emissions have trended down as the power supply into the smelters has become less carbon-intensive and the Group has funded clients with less emission intensive operations.

The physical intensity of the **Automotive manufacturers**' sector (CO_2 per km distance travelled) decreased slightly due to the Group having a larger exposure to zero tailpipe Electric Vehicle manufacturing within the Group's Automotive Manufacturers portfolio.

The physical intensity of the **Cement** sector has remained relatively consistent year-on-year. This will be a hard-to-abate sector in the medium-term until lower carbon energy sources are utilised, especially in emerging markets where we are actively engaging with our clients on their decarbonisation plans and strategies.

In the **Commercial Real Estate** portfolio, building intensities have fallen due to investment in regions with lower emissions power supplies and certain markets' power suppliers decarbonising. We continue to work with technology providers on solutions for individual building emissions measurement and management.

Absolute **Oil and Gas** emissions remained relatively stable year-on-year and are significantly lower versus the baseline year. We continued to pursue overall portfolio decarbonisation, pivoting exposure to counterparties and technologies that are less carbon-intensive.

The **Power** sector's intensity decreased as some of our contractual obligations to coal-fired power plants ended. We also actively pursued lower emissions technologies, including new gas power plants, and expanded our renewables financing.

The emissions intensity of the **Residential Mortgage** portfolio has remained consistent year-on-year and will decrease over time in line with electricity grid decarbonisation.

The **Shipping** sector's alignment delta has worsened due to the impact from the container sector, which enjoyed very strong profits in 2022, encouraging owners to sail faster, leading to higher emissions. Looking ahead, tightening environmental regulations and mechanisms from both the International Maritime Organization (IMO) and European Union (EU) are expected to lead to better alignment between shipowners' behaviours and the Group's 2030 targets.

The **Steel** sector is hard-to-abate and requires significant capital to decarbonise. Decarbonisation is reliant on the shift from blast to electric arc furnaces and many of our emerging markets are at early stages of their transition journeys. While the emissions intensity of our steel portfolio remained relatively unchanged year-on-year, we are actively working with our clients in this sector to support their transition.

Our **Thermal Coal Mining** exposure is decreasing in line with our coal revenue thresholds as detailed in our Position Statements and related contractual commitments. No new Thermal Coal Mining use of proceeds loans have been provided in line with our Position Statements.

The Group completed the sale of its global **Aviation** finance leasing business and the majority of its aviation lending book in August 2023. Noting the distortive effects that the sale of this business would create in our emissions profile, the progress against this target has been paused for year-end 2023. This will be re-assessed based on the size and materiality of the remaining portfolio in 2024.

Setting science-based targets

The Group set interim 2030 financed emissions targets for 11 of the 12 high-emitting sectors with Agriculture being the 12th planned for 2024.

We follow the Net-Zero Banking Alliance (NZBA) guidance on sectors for target-setting, further expanding the Transport sector into Automotive Manufacturers, Aviation and Shipping.

We set four sectoral targets and updated three targets in 2023. All targets have been informed by what the Group considers pre-eminent scientific forward-looking scenario providers. This includes the International Energy Agency (IEA) for energy sectors, the Mission Possible Partnership (MPP) for metals, International Maritime Organization (IMO) for shipping and Carbon Risk Real Estate Monitor (CRREM) for the residential real estate sector.

For our Scope 3 financed emissions, we set science-based targets accounting for differing states of transition readiness across our markets. Due to our footprint – with many emerging markets reliant on carbon-intensive industries – our financed emissions may increase before they decrease. The upper end of our 2030 target may represent low-overshoot scenarios. However, our approach is to remain aligned to a science-based 1.5 degrees Celsius scientific pathway by 2050. Given our science-based approach, we will strive to update our targets both as the scientific community updates their reference scenarios and as data availability improves.

In 2023, the Group:

- Strengthened our Oil and Gas emissions metric from a revenue-based intensity to an absolute financed emissions target and trajectory. This places an emissions budget on the sector and requires a reduction of 29 per cent by 2030 when calculated from a 2020 baseline, aligned with the IEA's NZE trajectory. Our approach ensures we maintain a direct link to absolute GHG emissions in the Oil and Gas sector and allows us to directly assess our progress with the IEA NZE scenario that we have set our target against. By moving away from a revenue-based intensity metric, we remove an element of financial volatility and complexity from our calculations that could restrict transparency and accountability in measuring and disclosing our financed GHG emissions. Oil and Gas is the second sector for which the Group set an absolute financed emission target, in addition to our target for Thermal Coal Mining.
- Updated our Power and Steel sector targets from a revenue-based intensity metric to a production-based intensity metric (i.e., emissions intensity per unit of production). The progression from an economic-based intensity to a production/physical-based intensity reduces the financial volatility in the calculation and improves the connection to clients' actual GHG emissions by linking directly to units of production, or a physical activity.

We published the second edition of the Group's 'Net zero methodological white paper – The journey continues', which sets out the methodology, assumptions and scientific pathways for each high-emitting sector and is available via sc.com/sustainabilityhub.

Sector ¹	Emissions approach ²	Scientific reference scenario	2030		2030 Target reduction % from baseline	2022 ³		2021 ³		Cumulative % change from baseline
			2030 Target	Absolute emissions (MtCO ₂ e)		Production/Physical intensity	Absolute emissions (MtCO ₂ e)	Production/Physical intensity		
CCIB										
 Aluminum	Production intensity	MPP	6.1 tCO ₂ e/t Aluminium	Maintain	–	4.59 [^] tCO ₂ e/t Aluminium	–	5.62 [^] tCO ₂ e/t Aluminium	-18%	
 Automotive Manufacturers	Physical intensity	IEA APS/NZE	66–100 gCO ₂ /V.km	44–63%	–	165 [^] gCO ₂ /V.km	–	178 [^] gCO ₂ /V.km	-7%	
 Cement	Production intensity	IEA NZE	0.52 tCO ₂ /t Cement	22%	–	0.66 [^] tCO ₂ /t Cement	–	0.67 [^] tCO ₂ /t Cement	-1%	
 Commercial Real Estate	Physical intensity	IEA APS/NZE	19–39 kgCO ₂ e/sq.m	47–74%	–	62 [^] kgCO ₂ e/sq.m	–	73 [^] kgCO ₂ e/sq.m	-15%	
 Oil and Gas	Absolute emissions	IEA NZE	9.3 MtCO ₂ e	29%	10.3 [^]	–	10.2 [^]	–	-21%	
 Power	Production intensity	IEA APS/NZE	0.17–0.28 tCO ₂ /MWh	46–67%	–	0.47 [^] tCO ₂ /MWh	–	0.52 [^] tCO ₂ /MWh	-10%	
 Shipping	Physical intensity	IMO 2023	0% delta	0% delta	–	+6.4% [^] delta	–	+2.6% [^] delta		
			0% delta	0% delta		+11.8% [^] delta		+7.3% [^] delta	+4.5%	
			0% delta	0% delta		+16% [^] delta		+10% [^] delta		
 Steel	Production intensity	MPP	1.4–1.6 tCO ₂ /t Steel	22–32%	–	1.97 [^] tCO ₂ /t Steel	–	2.06 [^] tCO ₂ /t Steel	-4%	
 Thermal Coal Mining	Absolute emissions	IEA NZE	0.5 MtCO ₂ e	85%	1.6 [^]	–	2.3 [^]	–	-52%	
CPBB										
 Residential Mortgages	Physical intensity	CRREM	29–32 kgCO ₂ e/Sq.m	15–32%	–	37.7 [^] kgCO ₂ e/Sq.m	–	37.6 [^] kgCO ₂ e/Sq.m	0%	

1 Values noted with a caret symbol (^) are subject to independent limited assurance by EY, report available at sc.com/sustainabilityhub.

2 For further detailed information on sectoral financed emissions and progress against targets, refer to pages 110–111.

3 Due to third-party data sets that feed into our calculations, the Group's reported financed emissions figures have a one-year lag. The Group reports on 2022 and 2021 data in this 2023 Annual Report.

Pillar 4: Leverage our innovation hubs

Announced in 2023, the four thematic innovation hubs – Adaptation Finance, Blended Finance, Carbon Markets and Nature Positive Solutions – focus on emerging sustainability themes that are nascent but ripe for scale, aligned to areas where the Group has a core competency, and are particularly suited to clients in our footprint markets.

Each hub is transversal, run by senior leaders in the CSO organisation, and aims to identify opportunities for future returns outside of our core range of traditional products and services. By being deliberate in demonstrating leadership to advance the ecosystem in these emerging thematic areas, the Group will be well-positioned to take advantage of the significant and differentiated revenue potential that will result from maturation of these themes in the future.

1. Adaptation Finance

There is an urgent global need to unlock and scale public and private climate adaptation finance to build shared societal resilience, especially across our footprint markets, where adaptation represents both a risk and an opportunity for clients and communities.

Acknowledging our geographical footprint and the multiplier effect of investment in adaptation – where every dollar spent on adaptation this decade could generate up to \$12 of economic benefit – it is our ambition to act decisively and mobilise others on adaptation.

In 2023, we closed the Group's first Adaptation Finance transaction – an adaptation letter of credit with a parametric insurance provider for the renewable energy sector.

We also collaborated with KPMG and the United Nations Office for Disaster Risk Reduction (UNDRR) to develop the market's first Guide to Adaptation and Resilience Finance (GARF), which was announced at COP28 and is due to be published in early 2024.

For more see our [Adaptation Economy report via sc.com/adaptation-economy or page 118](#)

2. Blended Finance

The Independent High-Level Expert Group on Climate Finance estimate that by 2030 there will be a \$2.5–3 trillion per year financing gap between current baselines and what is required to deliver the UN Sustainable Development Goals (SDGs) in emerging markets and developing countries other than China. Blended finance – using concessional public funds to mobilise much larger volumes of private capital – can help to close this gap. We work to bring together public and private expertise across the Group to help commercialise blended finance.

In 2023, we worked through international fora and industry groups (e.g., GFANZ) to leverage the Group's expertise and support – alongside other international banks – blended finance projects and programmes, including the development of frameworks for early coal retirement, and hosted both the Vietnamese and Indonesian governments as they launched their Just Energy Transition Partnership (JETP) events at COP28.

For more on Blended Finance see [page 118](#)

3. Carbon Markets

A high-integrity carbon market, combined with corporate commitments to cut emissions and high standards of reporting can accelerate the global progress towards net zero by 2050.

The use of high-quality carbon credits can play a part in a multi-faceted and urgent approach to decarbonisation, as it enables climate action in sectors and geographies that remain severely underfunded today.

Carbon credits can be complementary to a credible corporate net zero transition plan and help bridge the gap between the emissions reductions that can be implemented now, and the longer lead time for technological solutions that are yet to scale.

Standard Chartered has been at the forefront of several initiatives that are working to ensure that high-integrity, scalable carbon markets develop. We offer trading, advisory, financing and risk management services to our clients around the world.

In 2023, we were involved in some of the largest carbon market transactions, including the Regional Voluntary Carbon Market Company (RVCMC) and Climate Impact X (CIX) auctions, and established primary supply partnerships with clients in Kenya, Brazil, China and Vietnam.

For more on Carbon Markets see [page 119](#)

4. Nature Positive Solutions

It is estimated that over half of global GDP is moderately or highly dependent upon nature. Despite its importance, biodiversity is rapidly declining. Having applied international environmental and social standards in our financing for more than 20 years, our presence in markets with some of the richest biodiversity in the world positions us to engage with a range of stakeholders. We are guided by our commercial ambition to increasingly shift financial flows toward nature-positive outcomes and thereby contribute to the halting and reversing of biodiversity loss.

Nature is also a critical lever for climate change mitigation and adaptation and the hub collaborates with the Carbon Markets and Adaptation Finance hubs to explore natural climate solutions and ecosystem-based adaptation opportunities.

In 2023, we conducted an initial impact and dependency assessment to identify our exposure to potentially material sectors in our CCIB segment. In January 2024, we joined a cohort of early adopters of the Taskforce on Nature-related Financial Disclosures (TNFD) framework, preparing to publish our first TNFD-aligned disclosures in early 2026.

For more on Nature Positive Solutions see [page 119](#)

Managing Climate Risk

The Group is exposed to Climate Risk through our clients, our own operations, our suppliers and from the industries and markets we operate in.

Climate Risk taxonomy	Description
Climate Risk	The potential for financial loss and non-financial detriments arising from climate change and society's response to it.
Sub-Risk Types	
Physical Risk	Risks arising from increasing severity and frequency of climate- and weather-related events, which can damage property and other infrastructure, disrupt supply chains, and impact food production. It may also reduce asset valuations, leading to lower profitability for companies. Indirect effects on the macroeconomic environment, such as lower output and productivity, may exacerbate these direct impacts.
Acute	Specific event-driven weather events, including increased severity of extreme weather events, such as cyclones, hurricanes, floods, or wildfires.
Chronic	Longer-term shifts in climate patterns, such as changing precipitation patterns, sea-level rise, and longer-term drought.
Transition Risk	Risk arising from the adjustment towards a carbon-neutral economy, which will require significant structural changes to the economy. These changes will prompt a reassessment of a wide range of asset values, a change in energy prices, and a fall in income and creditworthiness of some borrowers. In turn, this entails credit losses for lenders and market losses for investors.

The Group's Board is responsible for the long-term success of the Group and its supporting committees consider climate- and sustainability-related risks and opportunities when reviewing and guiding strategic decisions. Board-level oversight is exercised through the Board Risk Committee (BRC), and regular Climate Risk updates are provided to the Board and BRC. At an executive level, the Group Risk Committee has appointed the Climate Risk Management Committee (CRMC), consisting of senior representatives from business, risk, and other functions such as audit, which oversees the implementation of our Climate Risk workplan and progress made by the Group in meeting regulatory requirements. The CRMC meets at least six times a year to monitor the Group's Climate Risk profile, review, challenge and provide input on climate-related disclosures and stress tests and provide oversight on the development and results of climate models. We have also strengthened country and regional governance oversight for the Climate Risk profile across our key markets in 2023 by cascading relevant Risk Appetite metrics, supported by management information.

→ For more information on the Group's governance approach for climate-related risks and opportunities see [pages 120 to 123](#)

We are continuously expanding the scope and coverage of our risk appetite metrics for enhanced risk identification and management. As such, new metrics such as divergence from the Group's interim 2030 targets across key sectors and a stress loan impairment metric built on short-term scenario outcomes will be monitored in 2024.

Risk type	Metrics reported
Credit Risk - CPBB	Concentration of retail mortgage exposure with loan-to-value exceeding 80 per cent and with high gross physical flood risk across seven of the Group's key markets.
Credit Risk - CCIB	Exposure concentration to clients with high transition risk and low transition readiness.
Traded Risk	Climate scenarios incorporated within Traded Risk stress scenarios inventory.
Country Risk	Concentration of Gross Country Risk exposure to countries exposed to extreme transition and physical risks.
Enterprise-wide	Sectors that are divergent from the Group's interim 2030 targets, starting with Power, Oil and Gas, Automotive Manufacturing and Steel sectors.

Our Climate Risk Appetite Statement is approved annually by the Board and supported by Board and Group Management Team (MT) metrics across impacted risk types. The metrics are approved by the Group Risk Committee (for MT-level metrics) and the Board (for Board-level metrics) annually and any breaches are reported to the Group Risk Committee and the Board Risk Committee.

Group Climate Risk Appetite Statement

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

Our approach

We manage Climate Risk according to the characteristics of the impacted risk types and are embedding Climate Risk considerations into relevant frameworks and processes. Risk Framework Owners for the relevant Principal Risk Types are responsible for embedding such requirements within their Risk Type Frameworks, policies, standards, as well as risk appetite statements and metrics as appropriate and ensuring compliance to the minimum requirements defined by the Climate Risk Policy. In 2023, we have continued to build on embedding Climate Risk into existing risk-management processes, focusing on a 'Business as Usual' state to identifying, assessing, and monitoring across risk types.

Risk type	Description
Credit Risk – CCIB	We assess Climate Risk vulnerabilities and readiness levels for ~85–90 per cent of the CCIB corporate portfolio for subsequent consideration within our credit decisioning process. Linkages to Credit Underwriting Principles have been finalised for four sectors (Oil and Gas, Shipping, Commercial Real Estate, and Mining including Steel and Aluminium), including improved climate-related analysis, portfolio-level caps and additional data gathering measures. A key focus area in 2024 and beyond remains to further embed Climate Risk and net zero targets into business and credit decisions.
Credit Risk – CPBB	As of September 2023, we assessed physical risk for 79 per cent and transition risk for 54 per cent of our CPBB portfolios. During 2023, the physical risk profile across products and markets has remained stable, with slight variations in exposure to high flood risk due to enhancements in Munich Re's flood risk model. For key markets of the Group's residential mortgage portfolio such as Korea and Taiwan, where homeowners' insurance coverage does not cover damages from acute physical risk, we have established zoning policies and corresponding risk mitigation and trigger monitoring. Our analysis of the impact from transition risk on our residential mortgage portfolio, estimated by quantifying the robustness of borrowers' repayment capability across our key residential mortgage markets, shows that transition risk levels appear to be low.
Operational and Technology Risk	The focus for Operational and Technology Risk has been to assess physical risks for our properties and data centres, as well as third parties.
Country Risk	Our assessment of Physical and Transition Risk Sovereign Rankings serves as an input into the annual sovereign reviews and quarterly early warning indicators. Country limit benchmark computations also consider climate factors.
Traded Risk	We continue to assess the market impacts from Climate Risk, including an assessment of transition effects from climate change policies and two physical risk scenarios as part of the global Traded Risk scenarios inventory. These flow into existing Traded Risk Board-level Risk Appetite (RA) metrics.
Treasury Risk	Concentration of top CCIB corporate liability providers associated with high transition risk and low levels of mitigation are being monitored, leveraging our client-level Climate Risk Assessments.
Reputational and Sustainability Risk	Climate Risk Assessments are considered as part of Reputational and Sustainability reviews for clients and transactions in high-emitting sectors.
Model Risk	Work is also underway to build in-house first generation transition risk models for our Corporates and Sovereigns portfolios which have been used to estimate climate adjusted Expected Credit Loss and stress testing use cases. These models will continue to be evolved over 2024 to further help our risk assessment and portfolio management capabilities.

→ For more information on how the Group embeds Climate Risk considerations within the business and across Principal Risk Types see [pages 127-129](#)

Scenario analysis

In 2023, significant progress was made to enhance our climate scenario design and analysis capabilities. We assessed the resilience of 95 per cent of CCIB Exposure at Default across three external scenarios based on Version 3 of the Network for Greening the Financial System (NGFS). These were Net Zero 2050, Delayed Transition and Current Policies and three internal scenarios. The internal scenarios include a Base Case linked to current sovereign commitments to meet their net zero targets, and two short term 'tail risk scenarios' to assess Transition Risk from a green trade war and Physical Risk from population migration linked to climate change. The tail scenarios also include second order impacts such as food price inflation and displacement leading to decreased productivity. The severity of the scenarios is aligned to the annual cyclical scenario and driven by GDP shocks in our key markets.

Across the NGFS scenarios, the impact on incremental Expected Credit Loss (ECL) as of 2050 for the overall CCIB portfolio is highest in the Net Zero 2050 scenario, followed by Delayed Transition and Current Policies, primarily driven by impact on our corporate clients. Sectors such as Oil and Gas, Construction, Transportation and Utilities are most impacted, primarily due to the rise in carbon prices in the scenarios and to some extent, by the consequent macroeconomic changes. For internal scenarios, the impacts of GDP and second order risks in the short-term impacts corporate clients across Transportation, Automobiles, Construction, and Commercial Real Estate sectors. The highest impact in the short-term (2030) is seen in the tail transition risk scenario.

Results from the scenario analysis are consistent with the hot spots identified with our net zero strategy across high-emitting sectors. At a client level, outputs from scenario analysis inform our Climate Risk Assessments, while at a portfolio level we have put in place Risk Appetite metrics to measure stressed losses under the Base Case and Net Zero 2050 scenarios.

Key limitations include: (i) benign impact from physical risk due to nascent methodologies for transforming the level of physical risk into business disruption, which is compounded by lack of client-level asset locations; (ii) assuming static balance sheets; and (iii) client business models remaining unchanged.

It's also pertinent to note that while the results do not factor in the potential impact from management actions from our net zero strategy, outputs were reviewed by an expert panel comprising first line and second line representatives, followed by a discussion at the Climate Risk Management Committee and subsequent update to the Board Risk Committee.

 For more information on the Group's approach to scenario analysis, please refer to [pages 309 to 313](#)

Qualitative review of climate risks and opportunities in annual business strategy and financial planning

In 2023, Climate Risk was considered as part of our formal annual corporate strategy and financial planning process. In addition, we developed management scenarios with an aim to strengthen business strategy and financial planning to support the Group's net zero roadmap.

We use both qualitative and quantitative aspects focusing on revenue reliance from clients in high-emitting sectors and/or locations in regions most exposed to physical risk, considering adequacy of mitigation plans. The results are then independently reviewed by regional and client-segment Chief Risk Officers (CROs) and the ESG and Reputational Risk team. Climate Risk impact is also included in the Risk review of our Corporate Plan, which is considered by the Board as part of their approval of the overall Corporate Plan. The 2024 Corporate Plan includes an increase in loan impairment due to the impact from Climate Risk.

In most cases, the physical and transition risks identified were assessed to be well controlled in the short term. We are starting to work with our clients in high-emitting sectors by prioritising sustainable finance products to decarbonise their business models and help enable their transition journeys. We also continue to proactively work with clients in sectors with lower carbon intensity and emissions such as clean technology to support the growth of these industries. Our Sustainable and Transition Finance product suite and our dedicated Sustainable Finance, Transition Acceleration and ESG Advisory teams, are a robust response to transition risks in the short term, strengthening our resilience towards a two degrees Celsius or lower transition scenario. However, longer-term transition risks were highlighted, particularly for the Africa and Middle East region, given its dependency on fossil fuels; and longer-term physical risks were deemed to be most relevant for the Asia region.

Regulatory landscape

Key financial regulators across our footprint have proposed or set supervisory expectations on climate and environmental risk management. Those expectations are broadly aligned with the Basel Committee principles for the management of climate-related financial risks, but local implementations vary.

We have been and are actively engaging with industry bodies and regulators to drive consistency in policymaking across our markets. A process has been established for tracking various Climate Risk-related regulatory developments and obligations set by both financial and non-financial service regulators at Group, regional and country level, with roles and responsibilities set out in the Group's Climate Risk Policy. Regulatory requirements or enhancements are recorded through workplans across various country and regional teams.

Non-financial and sustainability information statement

This table sets out where shareholders and stakeholders can find information about key non-financial matters in this report, in compliance with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. Further disclosures are available via [sc.com/sustainabilityhub](#).

Reporting requirement	Where to find more information in this report about our policies and impact including risks, due diligence processes and outcomes	Page
Description of business model	Business model	20
	Our strategy	24
Principal Risks and uncertainties	Risk overview	230
	Risk review and Capital review	230
Environmental matters	Our operations	106
	Our suppliers	107
	Our clients – Reducing our financed emissions	108
Employees	Employees	60
	Employee policies and engagement	222
	Health, safety and wellbeing	224
Human rights	Suppliers	58
	Respecting human rights	133
Social matters	Society	59
	Drive social impact through our clients and communities	97
Anti-corruption and bribery	Code of conduct and ethics	130
	Fighting financial crime	131
	Political donations	218
Non-financial KPIs	Supplementary people information	498
	Supplementary sustainability information	504
	2023 Sustainability Aspirations	508

→ See the Sustainability Review section from [pages 92 to 133](#) for further information and details

Taskforce on Climate-related Financial Disclosures (TCFD)

In line with our ‘comply or explain’ obligation under the UK’s Financial Conduct Authority’s Listing Rules, we can confirm that we have made disclosures consistent with the TCFD recommendations and recommended disclosures in this Annual Report. Our TCFD disclosures also meet the new climate-related financial disclosure requirements contained in section 414CB of the Companies Act 2006. We have also taken into account the implementation guidance included in the TCFD 2021 Annex.

Section	TCFD recommendation	Page
Governance	a) The Board's oversight of climate-related risks and opportunities	120
	b) Management's role in assessing and managing climate-related risks and opportunities	120
Strategy	a) Climate-related risks and opportunities the Group has identified over the short, medium and long term	309
	b) Impact of climate-related risks and opportunities on the Group's businesses, strategy and financial planning	78
	c) Resilience of the Group's strategy, taking into consideration different climate-related scenarios, including a two degrees Celsius or lower scenario	309
Risk Management	a) Our processes for identifying and assessing climate-related risks	298
	b) Our processes for managing climate-related risks	298
	c) How the Group's processes for identifying, assessing and managing climate-related risks are integrated into the Group's overall risk management	127
Metrics and Targets	a) The metrics used by the Group to assess climate-related risks and opportunities in line with our strategy and risk management processes	66
	b) Disclosures on Scope 1, Scope 2 and Scope 3 greenhouse gas emissions and related risks	105
	c) The targets used by the Group to manage climate-related risks and opportunities and our performance against targets	25

→ For a more detailed TCFD Summary and Alignment Index referencing relevant disclosures see [pages 511 to 516](#)

Underlying versus reported results reconciliations

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

Operating income by client segment

	2023				
	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Underlying operating income	11,218	7,106	156	(1,102)	17,378
Restructuring	291	45	-	26	362
DVA	17	-	-	-	17
Other items ²	262	-	-	-	262
Reported operating income	11,788	7,151	156	(1,076)	18,019

	2022 ¹				
	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Underlying operating income	9,608	5,969	29	156	15,762
Restructuring	436	47	-	11	494
DVA	42	-	-	-	42
Other items	-	-	-	20	20
Reported operating income	10,086	6,016	29	187	16,318

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

2 Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

Operating income by region

	2023				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items (region) \$million	Total \$million
Underlying operating income	12,429	2,806	1,397	746	17,378
Restructuring	203	110	35	14	362
DVA	(16)	26	7	-	17
Other items ²	35	(18)	263	(18)	262
Reported operating income	12,651	2,924	1,702	742	18,019

	2022 ¹				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items (region) \$million	Total \$million
Underlying operating income	10,912	2,460	2,303	87	15,762
Restructuring	304	140	35	15	494
DVA	20	8	14	-	42
Other items	20	-	-	-	20
Reported operating income	11,256	2,608	2,352	102	16,318

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

2 Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

Net interest income and Non NII

	2023				2022 ¹			
	Adjustment for Financial Markets funding costs and financial guarantee fees on interest earning assets \$million				Adjustment for Financial Markets funding costs and financial guarantee fees on interest earning assets \$million			
	Underlying \$million	Restructuring \$million	Underlying \$million	Restructuring \$million				
Net interest income ¹²	9,557	(10)	(1,778)	7,769	7,967	9	(383)	7,593
Non NII ¹²	7,821	651	1,778	10,250	7,795	547	383	8,725
Total income	17,378	641	-	18,019	15,762	556	-	16,318

- Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance
- To be consistent with how we compute Net Interest Margin, we have changed our definition of Underlying Net Interest Income (NII) and Underlying Non NII. The adjustments made to NIM, including Interest expense relating to funding our trading book, will now be shown against Underlying Non NII to be updated as rather than Underlying NII. There is no impact on total income

Profit before taxation (PBT)

	2023						Reported \$million
	Underlying \$million	Restructuring \$million	Net gain on businesses disposed of ³ \$million	Goodwill and other Impairment ² \$million	DVA \$million		
Operating income	17,378	362	262	-	17	18,019	
Operating expenses	(11,136)	(415)	-	-	-	(11,551)	
Operating profit/(loss) before impairment losses and taxation	6,242	(53)	262	-	17	6,468	
Credit impairment	(528)	20	-	-	-	(508)	
Other impairment	(130)	(28)	-	(850)	-	(1,008)	
Profit from associates and joint ventures	94	47	-	-	-	141	
Profit/(loss) before taxation	5,678	(14)	262	(850)	17	5,093	

	2022 ¹						Reported \$million
	Underlying \$million	Restructuring \$million	Net gain on businesses disposed of \$million	Goodwill and other Impairment ² \$million	DVA \$million		
Operating income	15,762	494	20	-	42	16,318	
Operating expenses	(10,409)	(504)	-	-	-	(10,913)	
Operating profit/(loss) before impairment losses and taxation	5,353	(10)	-	-	42	5,405	
Credit impairment	(836)	-	-	-	-	(836)	
Other impairment	(39)	(78)	-	(322)	-	(439)	
Profit from associates and joint ventures	167	(11)	-	-	-	156	
Profit/(loss) before taxation	4,645	(99)	20	(322)	42	4,286	

- Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance
- Goodwill and other impairment include \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)
- Net gain on businesses disposed of includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

Profit before taxation (PBT) by client segment

	2023			
	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million
Operating income	11,218	7,106	156	(1,102)
External	8,543	3,902	157	4,776
Inter-segment	2,675	3,204	(1)	(5,878)
Operating expenses	(5,627)	(4,261)	(429)	(819)
Operating profit/(loss) before impairment losses and taxation	5,591	2,845	(273)	(1,921)
Credit impairment	(123)	(354)	(85)	34
Other impairment	(32)	(4)	(26)	(68)
Profit from associates and joint ventures	–	–	(24)	118
Underlying profit/(loss) before taxation	5,436	2,487	(408)	(1,837)
Restructuring	32	(60)	(4)	18
Goodwill and other impairment ²	–	–	–	(850)
DVA	17	–	–	–
Other items ³	262	–	–	–
Reported profit/(loss) before taxation	5,747	2,427	(412)	(2,669)
				5,093

2022¹

	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Operating income	9,608	5,969	29	156	15,762
External	8,462	4,942	29	2,329	15,762
Inter-segment	1,146	1,027	–	(2,173)	–
Operating expenses	(5,193)	(4,104)	(336)	(776)	(10,409)
Operating profit/(loss) before impairment losses and taxation	4,415	1,865	(307)	(620)	5,353
Credit impairment	(425)	(262)	(16)	(133)	(836)
Other impairment	–	(10)	(24)	(5)	(39)
Profit from associates and joint ventures	–	–	(16)	183	167
Underlying profit/(loss) before taxation	3,990	1,593	(363)	(575)	4,645
Restructuring	14	(56)	(1)	(56)	(99)
Goodwill and other impairment ²	–	–	–	(322)	(322)
DVA	42	–	–	–	42
Other items	–	–	–	20	20
Reported profit/(loss) before taxation	4,046	1,537	(364)	(933)	4,286

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

2. Goodwill and other impairment include \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)

3. Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

Profit before taxation (PBT) by region

	2023				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items (region) \$million	Total \$million
Operating income	12,429	2,806	1,397	746	17,378
Operating expenses	(7,096)	(1,571)	(1,733)	(736)	(11,136)
Operating profit/(loss) before impairment losses and taxation	5,333	1,235	(336)	10	6,242
Credit impairment	(644)	91	19	6	(528)
Other impairment	(63)	(15)	(13)	(39)	(130)
Profit from associates and joint ventures	114	–	–	(20)	94
Underlying profit/(loss) before taxation	4,740	1,311	(330)	(43)	5,678
Restructuring	(97)	(2)	32	53	(14)
Goodwill and other impairment ²	(850)	–	–	–	(850)
DVA	(16)	26	7	–	17
Other items ³	35	(18)	263	(18)	262
Reported profit/(loss) before taxation	3,812	1,317	(28)	(8)	5,093

	2022 ¹				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items (region) \$million	Total \$million
Operating income	10,912	2,460	2,303	87	15,762
Operating expenses	(6,675)	(1,551)	(1,548)	(635)	(10,409)
Operating profit/(loss) before impairment losses and taxation	4,237	909	755	(548)	5,353
Credit impairment	(790)	(119)	78	(5)	(836)
Other impairment	(10)	2	1	(32)	(39)
Profit from associates and joint ventures	179	–	–	(12)	167
Underlying profit/(loss) before taxation	3,616	792	834	(597)	4,645
Restructuring	(46)	21	(13)	(61)	(99)
Goodwill and other impairment ²	(308)	–	–	(14)	(322)
DVA	20	8	14	–	42
Other items	20	–	–	–	20
Reported profit/(loss) before taxation	3,302	821	835	(672)	4,286

1. Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance
2. Goodwill and other impairment include \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)
3. Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

Return on tangible equity (RoTE)

	2023 \$million	2022 ¹ \$million
Average parent company Shareholders' Equity ²	43,549	44,237
Less Average preference share capital and share premium	(1,494)	(1,494)
Less Average intangible assets	(5,957)	(5,557)
Average Ordinary Shareholders' Tangible Equity	36,098	37,186
Profit for the period attributable to equity holders	3,462	2,902
Non-controlling interests	7	46
Dividend payable on preference shares and AT1 classified as equity	(452)	(401)
Profit for the period attributable to ordinary shareholders	3,017	2,547
Items normalised:		
Restructuring	14	99
Goodwill & other impairment ³	850	322
Net gains on sale of businesses ⁴	(262)	(20)
Ventures FVOCI unrealised gains/(losses) net of tax	69	(36)
DVA	(17)	(42)
Tax on normalised items	(21)	(3)
Underlying profit for the period attributable to ordinary shareholders	3,650	2,867
Underlying Return on Tangible Equity	10.1%	7.7%
Reported Return on Tangible Equity	8.4%	6.8%

- Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance
- Excludes other equity instruments including AT1s
- Goodwill and other impairment include \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)
- Includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

	2023			
	Corporate, Commercial& Institutional Banking %	Consumer Private & Business Banking %	Ventures %	Central & other Items (Segment) %
Underlying RoTE	19.5	25.3	nm³	(27.0)
Provision for regulatory matters	-	-	-	-
Restructuring				
Of which: Income	1.4	0.6	-	0.3
Of which: Expenses	(1.3)	(1.4)	nm ³	(0.6)
Of which: Credit impairment	0.1	-	-	0.1
Of which: Other impairment	(0.1)	-	-	(0.2)
Of which: Profit from associates and joint ventures	-	-	-	0.6
Net gain on businesses disposed/held for sale ²	1.3	-	-	-
Goodwill and other impairment ¹	-	-	-	(11.1)
Ventures FVOCI Unrealised gains/(losses) net of Taxes	-	-	-	(0.2)
DVA	0.1	-	-	-
Tax on normalised items	(0.4)	0.2	nm ³	1.1
Reported RoTE	20.6	24.7	nm³	(36.8)
				8.4

- Goodwill and other impairment include \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)
- Includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans
- Not meaningful
- Segmental RoTE is the ratio of the current year's underlying profit to the average tangible equity. Average Tangible Equity has been derived based on average RWA

	2022 ¹				
	Corporate, Commercial& Institutional Banking %	Consumer Private & Business Banking %	Ventures %	Central & other Items (Segment) %	Total %
Underlying RoTE	13.4	15.8	nm ³	(14.2)	7.7
Provision for regulatory matters	–	–	–	–	–
Restructuring					
Of which: Income	1.9	0.6	–	0.1	1.3
Of which: Expenses	(1.6)	(1.4)	nm ³	(0.5)	(1.4)
Of which: Credit impairment	–	–	–	–	–
Of which: Other impairment	(0.2)	–	–	(0.3)	(0.2)
Of which: Profit from associates and joint ventures	–	–	–	(0.1)	–
Net loss on businesses disposed/held for sale	–	–	nm ³	0.3	0.1
Goodwill and other impairment ²	–	–	–	(4.5)	(0.9)
Ventures FVOCI Unrealised gains/(losses) net of Taxes	–	–	–	–	0.1
DVA	0.2	–	–	–	0.1
Tax on normalised items	(0.1)	0.2	nm ³	–	–
Reported RoTE	13.6	15.2	nm ³	(19.2)	6.8

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

2. Goodwill and other impairment include \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)

3. Not meaningful

4. Segmental RoTE is the ratio of the current year's underlying profit to the average tangible equity. Average Tangible Equity has been derived based on average RWA

Net charge-off ratio

	2023			2022		
	Credit impairment (charge)/ release for the year/ period \$million	Net average exposure \$million	Net Charge-off Ratio %	Credit impairment (charge)/ release for the year/ period \$million	Net average exposure ¹ \$million	Net Charge-off Ratio ¹ %
Stage 1	42	320,649	(0.01)%	5	321,099	(0.00)%
Stage 2	(262)	11,674	2.24%	(325)	13,162	2.47%
Stage 3	(386)	3,117	12.38%	(423)	3,074	13.76%
Total exposure	(606)	335,440	0.18%	(743)	337,335	0.22%

1. Prior year has been restated

Earnings per ordinary share (EPS)

	2023						
	Underlying \$ million	Restructuring \$ million	DVA \$ million	Net gain on sale of businesses ¹ \$ million	Goodwill and other impairment ² \$ million	Tax on normalised items \$ million	Reported \$ million
Profit for the year attributable to ordinary shareholders	3,581	(14)	17	262	(850)	21	3,017
Basic – Weighted average number of shares (millions)	2,778						2,778
Basic earnings per ordinary share (cents)	128.9						108.6
	2022 ³						
	Underlying \$ million	Restructuring \$ million	DVA \$ million	Net loss on sale of businesses ¹ \$ million	Goodwill and other impairment ² \$ million	Tax on normalised items \$ million	Reported \$ million
Profit for the year attributable to ordinary shareholders	2,903	(99)	42	20	(322)	3	2,547
Basic – Weighted average number of shares (millions)	2,966						2,966
Basic earnings per ordinary share (cents)	97.9						85.9

1. Includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

2. Goodwill and other impairment include \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)

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

Alternative performance measures

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

Measure	Definition
Advances-to-deposits/ customer advances-to-deposits (ADR) ratio	The ratio of total loans and advances to customers relative to total customer accounts, excluding approved balances held with central banks, confirmed as repayable at the point of stress. A low advances-to-deposits ratio demonstrates that customer accounts exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
Average interest earning balance	Daily average of the interest earning assets and interest bearing liabilities balances excluding the daily average cash collateral balances in other assets and other liabilities that are related to the Financial Markets trading book
Constant currency basis	A performance measure on a constant currency basis is presented such that comparative periods are adjusted for the current year's functional currency rate. The following balances are presented on a constant currency basis when described as such: <ul style="list-style-type: none"> • Operating income • Operating expenses • Profit before tax • RWAs or risk-weighted assets
Cost-to-income ratio	The proportion of total operating expenses to total operating income.
Cover ratio	The ratio of impairment provisions for each stage to the gross loan exposure for each stage.
Cover ratio after collateral/cover ratio including collateral	The ratio of impairment provisions for stage 3 loans and realisable value of collateral held against these non-performing loan exposures to the gross loan exposure of stage 3 loans.
Gross yield	Reported interest income divided by average interest earning assets.
Income return on risk weighted assets (IRoRWA)	Annualised Income excluding Debit Valuation Adjustment as a percentage of Average RWA
Jaws	The difference between the rates of change in revenue and operating expenses. Positive jaws occurs when the percentage change in revenue is higher than, or less negative than, the corresponding rate for operating expenses.
Loan loss rate	Total credit impairment for loans and advances to customers over average loans and advances to customers.
Net charge-off ratio	The ratio of net credit impairment charge or release to average outstanding net loans and advances.
Net tangible asset value per share	Ratio of net tangible assets (total tangible assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.
Net yield	Gross yield on average assets less rate paid on average liabilities
NIM or Net interest margin	Reported net interest income adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business and financial guarantee fees on interest earning assets, divided by average interest-earning assets excluding financial assets measured at fair value through profit or loss.
RAR per FTE or Risk adjusted revenue per full-time equivalent	Risk adjusted revenue (RAR) is defined as underlying operating income less underlying impairment over the past 12 months. RAR is then divided by the 12 month rolling average full-time equivalent (FTE) to determine RAR per FTE.
Rate paid	Reported interest expense adjusted for interest expense incurred on amortised cost liabilities used to fund financial instruments held at fair value through profit or loss, divided by average interest bearing liabilities.
RoE or Return on equity	The ratio of the current year's profit available for distribution to ordinary shareholders plus fair value movements through other comprehensive income relating to the Ventures segment to the weighted average ordinary shareholders' equity for the reporting period.
RoTE or Return on ordinary shareholders' tangible equity	The ratio of the current year's profit available for distribution to ordinary shareholders to the average tangible equity, being ordinary shareholders' equity less the average intangible assets for the reporting period. Where a target RoTE is stated, this is based on profit and equity expectations for future periods.
TSR or Total shareholder return	The total return of the Group's equity (share price growth and dividends) to investors.

Measure	Definition
Underlying net interest income	Reported net interest income normalised to an underlying basis adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business and financial guarantee fees on interest earning assets.
Underlying/Normalised	A performance measure is described as underlying/normalised if the reported result has been adjusted for restructuring and other items representing profits or losses of a capital nature; DVA; amounts consequent to investment transactions driven by strategic intent, excluding amounts consequent to Ventures transactions, as these are considered part of the Group's ordinary course of business; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period, and items which management and investors would ordinarily identify separately when assessing performance period-by-period. Restructuring includes impacts to profit or loss from businesses that have been disclosed as no longer part of the Group's ongoing business, redundancy costs, costs of closure or relocation of business locations, impairments of assets and other costs which are not related to the Group's ongoing business. Restructuring in this context is not the same as a restructuring provision as defined in IAS 37. A reconciliation between underlying/normalised and reported performance is contained in Note 2 to the financial statements. The following balances and measures are presented on an underlying basis when described as such: <ul style="list-style-type: none"> • Operating income • Operating expense • Profit before tax • Earnings per share (basic and diluted) • Cost-to-income ratio • Jaws • RoTE or return on tangible equity
Non NII	Reported Non NII is a sum of net fees and commission, net trading income and other operating income
Underlying Non NII	Reported Non NII normalised to an underlying basis adjusted for interest expense incurred on amortised cost liabilities used to fund the Financial Markets business and financial guarantee fees on interest earning assets. In prior periods Underlying Non NII was described as underlying other income.
Underlying RoTE	The ratio of the current year's profit available for distribution to ordinary shareholders plus fair value on OCI equity movement relating to Ventures segment to the weighted average ordinary shareholders' equity for the reporting period.

Viability statement

The directors are required to issue a viability statement regarding the Group, explaining their assessment of the prospects of the Group over an appropriate period of time and state whether they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due.

The directors are to also disclose the period of time for which they have made the assessment and the reason they consider that period to be appropriate.

In considering the viability of the Group, the directors have assessed the key factors including, but not limited to; inflationary pressures, spikes in oil prices, market volatility, economic recession, and geopolitical events likely to affect the Group's business model and strategic plan, future performance, capital adequacy, solvency and liquidity taking into account the emerging risks as well as the principal risks.

The viability assessment has been made over a period of three years, which the directors consider appropriate as it is within both the Group's strategic planning horizon and, the basis upon which its regulatory capital stress tests are undertaken and is representative of the continuous level of regulatory change affecting the financial services industry. The directors will continue to monitor and consider the appropriateness of this period.

The directors have reviewed the corporate plan, the output of the Group's formalised process of budgeting and strategic planning. For the 2024 Corporate Plan, the forward-looking cash flows and balances includes the anticipated impact of global interest rates on revenues and inflationary pressure on costs. The Corporate Plan is evaluated and approved each year by the Board with confirmation from the Group Chief Risk Officer that the Plan is aligned with the Enterprise Risk Management Framework and within Group Risk Appetite Statement and considers the Group's future projections of profitability, cash flows, capital requirements and resources, liquidity ratios and other key financial and regulatory ratios over the period. The Corporate Plan details the Group's key performance measures, of forecast profit, CET1 capital ratio forecast, return on tangible equity forecasts, cost to income ratio forecasts and cash investment projections. The Board has reviewed the ongoing performance management process of the Group by comparing the reported results to the budgets and corporate plan.

The Group performs enterprise-wide stress tests using a range of bespoke hypothetical scenarios that explore the resilience of the Group to shocks to its balance sheet and business model.

To assess the Group's balance sheet vulnerabilities and capital and liquidity adequacy, severe but plausible macro-financial scenarios explore shocks that trigger one or more of:

- Global slowdowns including recessions in China, Asian and Western economies that can be acute or more protracted, resulting in severe declines in property prices

- Sharp falls in world trade volumes and disruption to global supply chains, including the severe worsening of trade tensions and rise of protectionism.
- Inflationary pressures in the global economy including volatility in commodity prices
- Significant rises in interest rates and depreciation in emerging market currencies, resulting in heightened sovereign risk
- Financial market volatility, including significant moves in asset prices driven by a combination of macroeconomic and geopolitical events

This year, the primary focus has been on:

- The effect of high interest rates and persistent inflation, including spikes in the oil price, combined with severe market volatility and severe economic downturns in China and other economies.
- The impact of intensifying geopolitical tensions on economic and financial activity in our footprint markets including an assessment of both financial and operational risks.
- Testing liquidity resilience of the Group in case it experiences a very severe stress informed by different, actual stress events observed for e.g. Silicon Valley Bank or by Credit Suisse

In 2023, the Group undertook a number of Climate Risk stress tests, including those mandated by the Hong Kong Monetary Authority, Central Bank UAE and internal management scenario analysis. We expanded our portfolio coverage to assess the resilience of 95 per cent of CCIB Exposure at Default across three external scenarios based on Version 3 of the Network for Greening the Financial System (NGFS) and three internal management scenarios. The three internal scenarios refer to one bespoke base case and a physical and a transition tail risk scenario.

The loan impairment (LI) intensity which measures the level of gross expected credit losses (ECL) against the exposure at default (EAD) enables us to assess the relative size of our exposure subject to potential losses from climate risks. LI intensity is not currently material.

Overall, we believe that the level of potential credit losses can be mitigated by continuing to take necessary actions which the Group is already doing across sectors, engaging with our clients on this topic and support them in enhancing their climate transition plans. The impact of sea level rises under various Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) scenarios was used to explore the Physical Risk impact on the Consumer, Private and Business Banking (CPBB) residential mortgage portfolio. In 2023, Climate Risk was also considered as part of our formal annual corporate strategy and financial planning process.

Under this range of scenarios, the results of these stress tests demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet regulatory minimum capital and liquidity requirements.

To assess the Group's business model vulnerabilities, extreme and unlikely scenarios are explored that, by design, result in the Group's business model no longer being viable these scenarios have included for the Group escalation of geopolitical tensions which results in reciprocal target sanctions and the bifurcation of financial system between the West and East, impacting key industries including technology, telecommunications and financial institutions. Insights from these reverse stress tests can inform strategy, risk management and capital and liquidity planning.

 Further information on stress testing is provided in the [Risk management approach section \(page 314\)](#).

The directors further considered the Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due. Funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios.

The Board Risk Committee (BRC) exercises oversight on behalf of the Board of the key risks of the Group and reviews the Group's Risk Appetite Statement and Enterprise Risk Management Framework, including reviewing the appropriateness and effectiveness of the Group's risk management systems, key controls and considering the implications of material regulatory change proposals, and reviewing reports on principal risks, including Climate Risk, to the Group's business.

The BRC receives regular reports on the Group's key risks, as well as updates on the macroeconomic environment, geo-political outlook, market developments, and relevant regulatory updates. In 2023, the BRC had deeper discussion covering: CCIB Risk deep dives with particular focus on change management and regulatory programmes; the CPBB portfolio, particularly credit cards, personal loans, partnerships, Financial Crime and ICS risks; the Group's approach to Liquidity and Funding Risk management; Country risk including Sovereign risk; credit portfolio management activities risk and progress made in balance sheet optimisation; Reputational and Sustainability Risk including the Group's approach to Environmental, Social and Governance Risk; Climate Risk particularly climate risk integration and scenario analysis; Safety and Security Risk; Credit Risk review particularly large exposures, resources and scope of climate risk assessment and stress testing; and Chief Risk Officer treasury report, including risk observations and recommendations around the current balance sheet; SC Ventures Risk and governance. The BRC also held a joint horizon scanning session with the Audit Committee on the forward looking geo-political agenda and emerging risks.

Based on the information received, the directors' considered the principal uncertainties as well as the principal risks in their assessment of the Group' viability, how these impact the risk profile, performance and viability of the Group and any specific mitigating or remedial actions necessary.

For further details of information relevant to the directors, assessment can be found in the following sections of the annual report and accounts:

- The Group's Business model (pages 20 to 23) and Strategy (pages 24 and 25)
- The Group's current position and prospects including factors likely to affect future results and development, together with a description of financial and funding positions are described in the client segment reviews and regional reviews (pages 28 to 33)
- An update on the key risk themes of the Group is discussed in the Group Chief Risk Officer's review, found in the Strategic Report (pages 44 to 51)
- The BRC section of the Director's report (pages 168 to 173)
- The Group's Topical and Emerging Risks, sets out the key external factors that could impact the Group in the coming year (pages 48 to 51).
- The Group's Enterprise Risk Management Framework details how the Group identifies, manages and governs risk (pages 314 to 319)
- The Group's Risk profile provides an analysis of our risk exposures across all major risk types (page 320 to 337)
- The capital position of the Group, regulatory development and the approach to management and allocation of capital are set out in the Capital review (pages 338 to 343)

Having considered all the factors outlined above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment up to 31 December 2026.

Our Strategic report from pages 01 to 89 has been reviewed and approved by the Board.

Our Strategic report from pages 01 to 89 has been reviewed and approved by the Board.



Bill Winters
Group Chief Executive
23 February 2024

Sustainability review

- 92 Sustainability review
- 94 Sustainability Aspirations
- 99 Sustainability Strategic Pillars
- 120 Climate and sustainability-related governance
- 125 Managing Environmental and Social Risk
- 126 Managing Climate Risk
- 130 Integrity, conduct and ethics

► Supporting financial institutions with sustainable trade loans ◀

In September, we launched a sustainable trade loan offering for financial institutions. The loans can be used for renewable energy sector projects such as the installation of wind turbines, purchase of solar panels, and sale of renewable energy battery storage systems. The offering builds on our sustainable trade finance proposition, announced in 2021, designed to help companies implement more sustainable practices across their ecosystems and build more resilient supply chains.

(+) Read more at sc.com/sustainabletrade



Sustainability review

This section provides information on the Group's approach to sustainability, related governance structures, how we manage environmental, social, and climate risk, and progress in 2023. Further information is available in the Risk review section from pages 298 to 313 and in the Supplementary sustainability information section from pages 504 to 516.

Sustainability Review content map

		Page	
Driving a sustainable future		67	
Our approach to sustainability reporting		93	
Approach to sustainability	Sustainability Aspirations: our long-term goals	Aspiration 1: Mobilise \$300 billion of Sustainable Finance by 2030 Aspiration 2: Operationalise our interim 2030 financed emissions targets to meet our 2050 net zero ambition Aspiration 3: Enhance and deepen the sustainability ecosystem Aspiration 4: Drive social impact with our clients and communities	94 95 96 97
	Sustainability Strategic Pillars: our short-term targets and immediate priorities	Pillar 1: Scale Sustainable Finance income Pillar 2: Further embed sustainability across the organisation Pillar 3: Deliver on the annual milestones set forth in our net zero roadmap Pillar 4: Leverage our innovation hubs	99 102 105 118
	Climate- and sustainability-related governance		120
	Managing environmental and social risk		125
	Managing climate risk		126
	Integrity, conduct and ethics		130

Disclaimer

We report on sustainability and Environmental, Social and Governance (ESG) matters throughout this Annual Report, in particular in the following sections: (i) Sustainability overview in the Strategic report, Sustainability overview on pages 66 to 79; (ii) Sustainability review on pages 92 to 133; (iii) Risk review and Capital review on pages 298 to 313; and (iv) in the Supplementary Sustainability Information section on pages 504 to 516.

In this 'Sustainability review' chapter, we set out our approach and progress relating to sustainability and its content is subject to the statements included in (i) the 'Forward-looking statements' section; and (ii) the 'Basis of preparation and caution regarding data limitations' section provided under 'Important notices' on pages 519 and 520. Additional information can be accessed through our suite of supporting sustainability reports and disclosures via our website www.sc.com.



To access the Group's suite of sustainability-related reports and disclosures please visit sc.com/sustainabilityhub.

Independent Limited Assurance

Ernst & Young LLP (EY) were appointed to provide independent limited assurance over certain data points within this Annual Report, indicated with a caret symbol (^) in this report. The assurance engagement was planned and performed in accordance with the International Standard on Assurance Engagements (UK) 3000 (July 2020), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE (UK) 3000 (July 2020)). This independent assurance report is separate from EY's audit report on the financial statements and is available at sc.com/sustainabilityhub. This report includes further detail on the scope, respective responsibilities, work performed, limitations and conclusions.

We obtained independent limited assurance on the Group's Scope 1 and 2 greenhouse gas (GHG) emissions (excluding fugitive emissions) by Global Documentation Ltd. We also obtained reasonable assurance on the Group's Scope 3 emissions associated with business travel (air travel) from Eco-Act. These verifications were conducted in accordance with the ISO 14064-3 Greenhouse gases standard.

Our suite of sustainability-related reports and disclosures

Report or disclosure	Description
Diversity, Equality and Inclusion Impact Report	Includes gender and ethnicity pay gap assessment and the actions we have taken to support a culture of inclusion.
Equator Principles Reporting	As a member since 2003, we report on how we apply the principles to ensure that the projects we finance and advise on are developed in a manner that is socially responsible and reflect sound environmental management practices.
ESG Data Pack	The ESG and sustainability data disclosed within this Annual Report is provided in a spreadsheet format.
ESG Reporting Index	Alignment table referencing our disclosures using voluntary sustainability reporting frameworks: SASB Standards, Global Reporting Initiative (GRI) and World Economic Forum (WEF) Stakeholder Capitalism Metrics.
Modern Slavery Statement	This report sets out the steps we have taken to assess and manage the risk of modern slavery and human trafficking in our operations and supply chain.
Net zero methodological white paper – The journey continues	Describes the Group's approach to net zero laying out the methodologies we have used to calculate our financed and facilitated emissions and setting our interim 2030 targets at sector level.
Position Statements and Prohibited Activities	We use our cross-sector and sector-specific Position Statements and Prohibited Activities list to assess whether to provide financial services to clients.
PRB Reporting and Self-assessment	The Group's disclosures on actions undertaken related to the six principles as defined by the United Nations Principles for Responsible Banking (PRB).
Sustainable Finance Impact Report	We present the impact of our Sustainable Finance assets on a portfolio basis.
Sustainable Finance Frameworks	Our Green and Sustainable Product Framework and Sustainability Bond Framework outline our definition of green, sustainable finance. Our Transition Finance Framework sets out the activities and entities that we consider eligible for transition finance.
TCFD Summary and Alignment Index	A summary and alignment index referencing the Group's relevant disclosures against the Taskforce on Climate-related Financial Disclosures (TCFD) framework can be found on pages 511 to 516.

Driving a sustainable future

With a long-standing presence in parts of the world where sustainable finance can have a significant impact, we facilitate the movement of capital to where it is needed most. We apply our knowledge across our market footprint and the innovative mindset of our teams to create financial solutions that help to address challenges and support sustainable growth.

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

→ Our Stands are described in more detail on [page 26 of this Annual Report](#)

Our approach to sustainability

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

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

Our approach to sustainability reporting

The Group includes Environmental, Social and Governance (ESG) and sustainability information in this Annual Report, providing investors and stakeholders with an understanding of the implications of relevant sustainability-related risks and opportunities, and progress against our objectives. In line with our 'comply or explain' obligation under the UK Financial Conduct Authority's Listing Rules, we confirm that we have made disclosures consistent with the TCFD recommendations and recommended disclosures throughout this Annual Report. For our TCFD content table please refer to page 79 and for our TCFD Summary and Alignment Index see pages 511 to 516.

In preparing this report we have given consideration to (but do not align in full with) the guidance provided by the International Sustainability Standards Board (ISSB) in 2023: IFRS S1 and IFRS S2, noting that IFRS S2, although largely based on TCFD, requires a more granular level of disclosure. IFRS S1 and S2 are voluntary standards and compliance is not yet required in the Group's listing locations.

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

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

Sustainability Aspirations: our long-term goals

The Group's approach to sustainability is underpinned by our Stands and shaped by our Sustainability Aspirations. During 2023, we refreshed and consolidated our Sustainability Aspirations into four overarching long-term goals, each supported by key performance indicators. Together, these reflect our commitment to our brand promise, here for good, in support of sustainable social and economic development.

Aspiration 1: Mobilise \$300 billion of Sustainable Finance

Across our markets, many clients are at the early phase of evaluating the risks and opportunities associated with their transition to a low-carbon economy. We leverage a full suite of Sustainable Finance solutions – including loans, bonds, trade finance and carbon trading – to support their transition. These are underpinned by our Sustainable Finance frameworks that outline how we apply the 'green', 'sustainable' or 'transition' labels across products and transactions. We also work with corporate, retail and wealth clients to mobilise diverse sources of capital in support of social outcomes.

We have mobilised \$87.2 billion[^] of Sustainable Finance from January 2021 through to September 2023 against our commitment to mobilise \$300 billion by 2030. We made strong progress against this target in the year and we anticipate that our future progress will not be linear as our markets mature further, providing opportunities for us to support our clients in their transition.

Sustainable Finance Mobilised¹

Product	Oct 2022 – Sep 2023 \$m	Jan 2021 – Sep 2023 \$m	Jan 2021 – Sep 2023 \$m Cumulative Progress
Use of Proceeds ^{2,3}	7,678	11,849	19,527
Sustainability-Linked Loans (SLLs) ^{3,4}	8,319	19,781	28,100
Transition Finance ^{3,5}	418	344	762
SME Lending ^{3,6}	1,014	1,839	2,853
Microfinance ^{3,6}	774	1,166	1,940
Green Mortgages ^{3,7}	538	4,284	4,822
Mergers & Acquisitions (M&A)/Advisory ⁸	1,432	4,354	5,786
Green and Social Bonds facilitated ⁹	9,617	13,806	23,423
Total Sustainable Finance Mobilised¹¹	29,790	57,423	87,213 [^]
Of the above			
Corporate, Commercial & Institutional Banking (CCIB)	28,238	51,300	79,538
Consumer, Private & Business Banking (CPBB)	1,552	6,123	7,675
Total Sustainable Finance Mobilised¹¹	29,790	57,423	87,213 [^]

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

2 Amounts include transactions with restricted use of the proceeds of the financing that align to our Green and Sustainable Product Framework.

3 Lending transactions are measured as per the loan commitment/underwritten amount provided to the counterparty.

4 SLLs refer to any type of loan instrument for which the economic characteristics can vary depending on whether the counterparty achieves ambitious, material and quantifiable predetermined sustainability performance targets (SPTs). The counterparties' sustainability performance is measured by applying predefined SPTs to predefined KPIs. The use of proceeds in relation to an SLL is not a determinant in its categorisation and, in most instances, SLLs will be used for general corporate purposes. SLLs are not issued in line with the Group's Green and Sustainable Product Framework.

5 Amount includes any financial service provided to clients to support them to align their business and/or operations with a 1.5-degree trajectory issued in line with our Transition finance framework.

6 SME and Microfinance lending which is the provision of finance to Development Assistance Committee (DAC) lower- and middle- lower income countries as per the Organisation for Economic Co-operation and Development (OECD). The inclusion of business banking is linked to the 'Access to Finance' sub-theme within the Group's Green and Sustainable Product Framework incorporating employment generation, and programmes designed to prevent and/or alleviate unemployment, including through the potential effect of small and medium enterprise (SME) financing and micro-finance.

7 Green Mortgages are loans from Consumer, Private & Business Banking (CPBB) where the underlying property meets a specific energy rating. Value mobilised in 2021 includes mortgages originated before 2021 but identified as Green in 2021.

8 M&A/Advisory represents where the Group is the financial advisor to the transaction. The amount attributed to M&A/Advisory mobilisation is proportional and represents the total deal size divided by the number of financial advisors on the deal.

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

10 During 2023 additional deals that meet the definition of the Group's Green and Sustainable product framework were identified and approved as sustainable resulting in a restatement to cumulative mobilisation in the prior year. Use of proceed transactions have increased from \$9,820mn to \$11,849mn, Transition Finance transactions have increased from \$144mn to \$344mn and Mergers and Acquisitions have increased from \$3,184mn to \$4,354mn, Sustainability Linked Loans have increased from \$13,745mn to \$19,781mn and Green Mortgages have increased from \$3,500mn to \$4,354mn.

11 Values noted with a caret symbol (^) are subject to independent limited assurance by EY, report available at sc.com/sustainabilityhub.

Aspiration 2: Operationalise our interim 2030 financed emissions targets to meet our 2050 net zero ambition

The Paris Agreement recognises that the world needs to reach net zero carbon emissions by 2050 to mitigate the worst effects of climate change and ensure a habitable planet for the next generation. This will require efforts from a wide range of stakeholders, governments and the private sector to accelerate the just transition to a low-carbon, nature positive and climate-resilient economy. We aim to reach net zero in our financed emissions by 2050 and in our operations by 2025.

To date, the Group has set and disclosed science-based interim 2030 financed emissions targets for 11 high-emitting sectors, in line with guidance from the Net-Zero Banking Alliance (NZBA). We are working across our businesses and functions, and alongside our clients to deliver these targets, notwithstanding the challenges presented by a material portion of our markets not having a commitment to achieve net zero by 2050.

Sector	Emissions approach	Scientific reference scenario	Drivers of sectoral decarbonisation	Our approach in 2023 ⁷
CCIB				
Aluminium	Production intensity	MPP ¹	Decarbonisation of the power supply into the aluminium smelter.	We have set a production intensity baseline using CO ₂ e per tonne of aluminium produced. The 2023 portfolio progress (based on the 2022 year-end balance sheet) was subsequently calculated.
Automotive Manufacturers	Physical intensity	IEA APS/NZE ^{2,3,4}	Change in powertrain from internal combustion engines (ICE) to electric vehicles (EVs) for light commercial vehicle manufacturers.	The industry has changed the assumptions for calculating tailpipe emissions and adopted a test procedure that better reflects real-world driving conditions. We have therefore adjusted the 2021 baseline and subsequent progress accordingly.
Cement	Production intensity	IEA NZE ^{2,4}	Removal of coal in the cement manufacturing process and utilising lower-carbon energy sources.	We have set a production intensity baseline using CO ₂ e per tonne of cement produced. The 2023 portfolio progress was subsequently calculated.
Commercial Real Estate	Physical intensity	IEA APS/NZE ^{2,3,4}	Lower-carbon electricity supply and retrofitting buildings to improve energy efficiency.	We have set a physical intensity baseline using CO ₂ e per square metre. The 2023 progress of portfolio was subsequently calculated.
Oil and Gas	Absolute emissions	IEA NZE ^{2,4}	Reducing emissions associated with Oil and Gas production and supporting our clients on their transition towards lower-emission intensive energy sources and renewable energy portfolios.	We have re-baselined during the year from a revenue intensity to an absolute emission basis. The 2023 portfolio progress was subsequently calculated.
Power	Production intensity	IEA APS/NZE ^{2,3,4}	Supporting our clients on their transition away from high-emitting fuels in favour of lower-emitting fuels and a transition to renewable energy sources.	We have re-baselined during the year from a revenue to a production intensity using CO ₂ e per megawatt hour produced. The 2023 portfolio progress was subsequently calculated.
Shipping	Physical intensity	IMO 2023 ⁵	Financing modern best-in-class vessels equipped with latest design and energy efficiency measures. Use of alternative fuels and operational efficiency measures such as slow steaming and weather routing services can enhance decarbonisation.	Following revisions to the IMO decarbonisation strategy, Poseidon Principles have added two additional GHG strategy scenarios: the minimum and striving trajectories. We have recalculated our portfolio alignment deltas to the released trajectories.
Steel	Production intensity	MPP ¹	Improving steel plant efficiency and replacing coal furnaces with electric arc furnaces.	We have set a production intensity baseline using CO ₂ e per tonne of steel produced. The 2023 portfolio progress was subsequently calculated.
Thermal Coal Mining	Absolute emissions	IEA NZE ^{2,4}	Exposure is decreasing in line with contractual commitments.	No new Thermal Coal Mining use of proceeds loan have been provided in line with our Position Statements.
Aviation	Physical intensity	MPP ¹	The Group completed the sale of its global aviation finance leasing business and the majority of its aviation lending book in August 2023.	Noting the distortive effects that the sale of this business would create in our emissions profile for this sector, the progress against this target has been paused for year-end 2023. This will be re-assessed based on the size and materiality of the remaining portfolio in 2024.
CPBB				
Residential Mortgages	Physical intensity	CRREM ⁶	Lower carbon electricity supply and retrofitting buildings to improve energy efficiency.	We have set physical intensity baseline using CO ₂ e per square metre. The 2023 portfolio progress was subsequently calculated.

1 MPP – Mission Possible Partnership – Industrial decarbonisation forward-looking pathway provider most prominent in the metals industry.

2 IEA – International Energy Agency – Pre-eminent forward-looking pathway provider for energy sectors.

3 APS – Announced Policies Scenario – a 1.7 degree Celsius low overshoot scenario.

4 NZE – Net Zero Emissions – a 1.5 degree Celsius aligned scenario.

5 IMO – International Maritime Organization – Global shipping regulator.

6 CRREM – Carbon Risk Real Estate Monitor – European Union backed foundation to provide forward-looking pathways for the real estate sector.

7 For further information, please refer to our 'Net zero methodological white paper – The journey continues' publication. Sectoral emissions are calculated in CO₂e except where other GHGs are material which are noted as CO₂e (this includes Oil and Gas, Thermal Coal Mining, Shipping, Aluminium, Commercial Real Estate and Residential Mortgages)

Aspiration 3: Enhance and deepen the sustainability ecosystem

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

Key initiatives and partnerships

Throughout 2023, senior leaders across Standard Chartered were involved in the leadership of several collaborative initiatives including, but not limited to, those listed in the table below.

Global Investors for Sustainable Development (GISD) Alliance	Our Group Chairman co-chairs the United Nations' GISD Alliance, which has set ambitious objectives to scale up long-term finance and investment in sustainable development.
Glasgow Financial Alliance for Net Zero (GFANZ)	We are active participants of the GFANZ Principals Group, an ambitious programme to generate the commitment, investment and alignment needed to drive forward the transition to net zero. Our Group CEO co-chairs the GFANZ working group on Capital Mobilisation to Emerging Markets and Developing Economies.
Net-Zero Banking Alliance (NZBA)	Our Group Head of Conduct, Financial Crime and Compliance chairs the NZBA – the industry-led, UN-convened and sector-specific alliance for banks under GFANZ.
World Economic Forum (WEF) Alliance of CEO Climate Leaders	Our Group CEO and CSO are part of the WEF Alliance of CEO Climate Leaders. This is a CEO-led community committed to raising bold climate ambition and accelerating the net zero transition by setting science-based targets, disclosing emissions and catalysing decarbonisation and partnerships across global value chains.
United Nations Principles for Responsible Banking (PRB) Adaptation Finance working group	Our Head of Sustainable Finance Solutions co-chairs the PRB Adaptation Finance working group, which developed a comprehensive framework and practical guidance for banks to set credible adaptation finance targets.
Integrity Council for the Voluntary Carbon Markets (ICVCM)	Our Head of Carbon Markets Development serves on the board of ICVCM which is focused on developing high-quality carbon markets. Our Group CEO sits on the Distinguished Advisory Group of the ICVCM, which is involved in the development of carbon markets around the world.
Center for Climate-Aligned Finance (CCAF)	We formally joined CCAF, which was established by Rocky Mountain Institute, in 2023. Standard Chartered participates in CCAF working groups for the Aviation and Aluminium industries. The Group is also a signatory to both the Poseidon Principles, a global framework for assessing and disclosing the climate alignment of financial institutions' shipping portfolios and the Sustainable STEEL Principles, which helps banks to measure and disclose the alignment of steel lending portfolios with 1.5°C climate targets.
Ocean Risk and Resilience Action Alliance (ORRAA)	In 2023, the Group became a member of the ORRAA. Our Head of Nature serves on the Ocean Investment Protocol Steering Committee convened by the UN Global Compact Ocean Stewardship Coalition.



For further information on the Group's external engagement related to our four thematic innovation hubs, Adaptation Finance, Blended Finance, Carbon Markets and Nature Positive Solutions, refer to [page 118](#)

Aspiration 4: Drive social impact with our clients and communities

We seek to partner with our clients and communities to mobilise social capital and drive economic inclusion and entrepreneurship through our Futuremakers initiative. We aim to foster collaboration with local partners to support young people and economic development across our markets.

Futuremakers

Established in 2019, Futuremakers by Standard Chartered is our global youth economic empowerment initiative, which aims to help disadvantaged young people learn, earn and grow.

In 2023, we contributed \$14.6 million to Futuremakers, including donations from the Group and fundraising of \$1.7 million from our employees and partners. With our international and local partners, in 2023 alone we reached more than one million young people through Futuremakers, including providing financial education to 159,190 unbanked or young people.

We published the latest Futuremakers Impact Report to share progress and capture lessons learned through Futuremakers. In the past five years, we have reached more than 2.1 million young people, across 43 markets. We were able to exceed our initial \$75 million fundraising target reaching \$93.3 million by end of 2023.

Nearly 517,000 of the over 2.1 million young people reached participated in intensive Futuremakers activities. And of those:

**More than
72,000**

adolescent girls were supported to continue in secondary education



**Over
40,000**

girls and young women showed increased confidence and self-esteem



**More than
39,000**

young people secured employment



**More than
46,000**

young people improved their business-related knowledge and skills



**More than
12,000**

jobs created by entrepreneurs that were supported by Futuremakers activities



Access to finance for female entrepreneurs

Futuremakers' women entrepreneurs programmes, known as Women in Tech and Women in Entrepreneurship in Asia, have expanded from 9¹ to 13 markets – adding South Africa, Saudi Arabia, Taiwan and Singapore – with a network of alumni established.

- In Africa, the Middle East and the US, Futuremakers Women in Tech has partnered with Village Capital to provide financing for alumni. With a primary focus on women-led, impactful start-ups, this project provides dedicated financial support for micro-businesses that are addressing local and global challenges. So far, 107 young women have signed up for the alumni network and expressed interest in financing. Five investments totalling \$375,000 have been agreed, and at least another three investments are expected in early 2024.
- For female entrepreneurs in Kenya, at an earlier stage in establishing their sustainable, environmentally focused ventures, there is financial support from our innovative revolving loan fund with Youth Business International and Somo. As of end of September 2023, the fund has supported 60 low-income, high-potential entrepreneurs aged 18–35 from marginalised communities and contributed directly to the creation of 188 jobs.
- At COP28, we held a Futuremakers Youth Panel as part of the Business Fights Poverty Climate Justice Summit. We heard first-hand from our Women in Tech alumni about their green and social ambitions, the problems they are tackling and some of the financing solutions that are needed to scale for a sustainable and inclusive future.

Supporting young people with disabilities

Futuremakers partners with Sightsavers and Youth Business International, who worked with the African Disability Forum to develop a series of inclusion resources to build greater disability confidence for readers, and help partners understand how to include young people with disabilities in their Futuremakers programmes.

Futuremakers in 2024 and beyond

Based on our successes and learning since 2019, we have set out a seven-year strategy for Futuremakers to maximise impact with a consistent approach to measurement, evaluation and impact analysis.

Between 2024 and 2030 we aim to provide \$120 million to Futuremakers with the ambition to create and sustain 140,000 jobs, focusing on two target groups:

- Helping 70,000 disadvantaged young women to gain skills and sustainable employment.
- Supporting entrepreneurs to build thriving green and social micro-businesses and create 70,000 jobs.

All programmes target disability, gender and financial inclusion. During 2024 we plan to develop a methodology to measure the wider societal impacts of Futuremakers, which we will then apply to all future projects.



Read more about Futuremakers by Standard Chartered at sc.com/futuremakers

¹ The nine original markets for Women in Tech as part of Futuremakers were US, Ghana, Kenya, Nigeria, UAE, Zambia, Bahrain, Pakistan, and Korea.

Gender

To unleash girls' potential, Standard Chartered and later the Standard Chartered Foundation have supported 1,044,359 girls and young women through Goal. We were able to exceed our target to reach one million girls through our global education programme by the end of 2023. Since its launch, Goal has become an internationally recognised global, sport and activity-based movement operating in more than 20 markets, equipping adolescent girls with the confidence, knowledge and skills they need to be economic leaders in their families and communities.

In 2023, we announced our sponsorship of the Women of the World Foundation as their Global Girls Champion. The programme of events concludes on International Women's Day in March 2024 and aims to promote the power and potential of girls and non-binary young people in the UK and globally.

Financial inclusion

In partnership with Primark, we worked with IDEO.org to design and test peer-led, financial health training for workers in factories in Vietnam. A successful pilot with approximately 170 workers tested a model supporting individuals to identify and understand their money personality, how to set financial goals, save and invest, improve their budgeting and understand available social protections. During 2024, we intend to explore how to scale this model across our broader Futuremakers portfolio.

Health and education

In some of our footprint markets, we support projects, which provide basic health and education services as preconditions to economic empowerment.

- In Nepal and Bangladesh we support eye health and environmental projects.
- In India, we have supported eye health since 2003 and supported the screening of more than 2,700 villages to ensure they are free from avoidable-blindness.

Since 2017, our WASHE (water, sanitation and hygiene education) programme has reached more than 880,000 beneficiaries, including over 416,000 women. Tangible improvements include over 100 water ATMs installed and over 5,300 sanitation facilities constructed, creating 1.07 billion litres of annual freshwater capacity.

Employee volunteering

In 2023, 61% of colleagues gave back to their communities by contributing over 76,000 days to support worthwhile causes.

Our Employee Volunteering programme won several awards, including the prestigious Lord Mayor's Dragon Award in the Inclusive Employment category, for our UK-based Futuremakers RISE (Reach, Inspire, Support, Empower) programme which focuses on employability and mentorship delivered in partnership with the East London Business Alliance. In China, Standard Chartered became the only international bank to be recognised in the Top 10 of China's Employee Volunteering Enterprises in 2023.

61%

of colleagues gave back to their communities through employee volunteering

Sustainability Strategic Pillars: our short-term targets and immediate priorities

Our four Sustainability Strategic Pillars represent our near-term strategic focus. Each member of the Group Management Team is responsible for strategically driving climate and sustainability considerations within their region, business segment or function in line with the Group's net zero roadmap. Selected sustainability-related measures continue to be included in the 2024-26 Long-Term Incentive Plan (LTIP) awards granted to senior executives and within the 2024 Group scorecard, which contains financial and strategic measures and is applicable for the majority of our employees.

Further details can be found in the Directors' remuneration report on [pages 182-216](#)

Pillar 1: Scale Sustainable Finance income

We are building a scalable Sustainable Finance franchise, supporting our clients on their transition journeys by developing customised solutions that speak to their needs and ambitions. Our Sustainable Finance franchise generated over \$720 million between January and December 2023 against our longer-term target of at least \$1 billion annual income by 2025. This represents over 6 per cent of our total CCIB income in 2023, a year-on-year growth rate of 42 per cent.

Sustainable Finance income¹

Product	2023 \$m	2022 \$m	YOY %
Transaction Banking	188	80	135%
Trade & Working capital	96	60	60%
Cash Management	92	20	360%
Financial Markets	393	326	21%
Macro Trading	76	54	41%
Credit Markets	306	268	14%
Financing & Securities Services	11	4	175%
Lending & Portfolio Management	139	102	36%
Total	720[^]	508	42%

1 Values noted with a caret symbol (^) are subject to independent limited assurance by EY, report available at [sc.com/sustainabilityhub](#).

As a UK-headquartered international bank we work to deploy capital across our global markets. As can be seen on the following pages and in our 2023 Sustainable Finance Impact Report, we have raised \$8.4 billion of sustainable liabilities in developed markets, while 85 per cent of our \$17.6 billion sustainable finance asset base is located in Asia, Africa and the Middle East.

In 2023, we continued to expand and develop our Sustainable Finance product suite, with 42 product variants as set out in our Green and Sustainable Product Framework. Co-authored with Morningstar Sustainalytics – a leading ESG data, research and ratings firm – our framework is reviewed annually to ensure that it reflects the latest markets trends and industry standards.

Our pureplay clients are also key in advancing our progress to achieving our Sustainable Finance goals. These are companies that generate at least 90 per cent of their revenues from activities outlined in our Green and Sustainable Product Framework. Their significance lies in their ability to deliver credible and robust impact, driven by the inherent green and socially sustainable nature of their business models and operations.

 Read more in our [Sustainable Finance Impact Report](#) at [sc.com/sfimpactreport](#)

Sustainable Finance assets and Sustainability-linked assets

Our Sustainable Finance income includes net income generated from our green, social and sustainable lending activity, as well as from clients recognised as green, social or sustainable pureplays.

Our Sustainable Finance assets reflect the assets on our balance sheet generated as a result of this green, social and sustainable lending activity, and it is against these assets which we raise sustainable liabilities.

The Group's Sustainable Finance asset base increased by 31 per cent to \$17.6 billion between September 2022 and September 2023. The majority of our Sustainable Finance asset base (\$13.6 billion of the \$17.6 billion) is made up of lending to green projects such as renewable energy projects, green commercial real estate and funding for the development of rail projects.

Our social finance assets make up the remaining \$3.5 billion of our total Sustainable Finance asset pool and encompasses categories such as healthcare, education and access to finance in low income countries.

Green finance assets^{1,2}

Theme	Sep 2023 \$m	Sep 2022 \$m	SDGs
Clean Transportation	901	942	
Electric vehicles (EVs)	197	94	
EV battery manufacturers	372	307	
Manufacturing of specialised component parts of EVs	112	–	
Rail	220	541	
Climate Change Adaptation	4	–	
Energy Efficiency	482	–	
LED lighting	7	–	
Modernisation of broadband network	475	–	
Green Buildings	8,742	7,014	
Green buildings	5,066	3,216	
Mortgage portfolio HK	3,657	3,785	
Mortgage portfolio TW/SG	19	13	
Pollution Prevention and Control	14	102	
Portfolio of Green Projects	351	–	Multiple
Renewable Energy	3,100	2,227	
Grid expansion	102	59	
Hybrid wind & solar	38	154	
Hydropower	32	25	
Manufacture of components for renewable energy technology	457	379	
Solar	940	785	
Waste to energy	166	111	
Wind	1,178	714	
Energy storage	68	–	
Green hydrogen	9	–	
Mixed renewables	110	–	
Sustainable Water and Wastewater Management	–	10	
Total Green Assets	13,594	10,295	
Portfolio of green and social projects³	473	–	Multiple

1 Amounts included in the table are as of September 2023 and September 2022 and are aligned to the Group's Sustainable Finance Impact Report available at sc.com/sfimpactreport. September 2023 and 2022 figures have been prepared on the same basis as the Impact Report.

2 Values noted with a caret symbol (^) are subject to independent limited assurance by EY, report available at sc.com/sustainabilityhub.

3 The underlying assets could potentially span across various categories, including renewable energy, sustainable water and wastewater management, access to essential services and food security. These assets, while included in the overall totals, remain unidentified in terms of specific green and social classification until allocation reports are received.

Social finance assets^{1,2}

	Sep 2023 \$m	Sep 2022 \$m	SDGs
Access to water	72	42	
COVID-19	—	39	
Access to essential services	145	105	
Education infrastructure – universities	6	—	
Healthcare infrastructure – hospitals	131	101	
Provision of supporting healthcare-related products and services	8	4	
Road infrastructure	46	57	
Access to finance	3,062	2,930	
SME lending	2,506	2,589	
Microfinance	555	341	
Affordable basic infrastructure	198	—	
Sewage treatment	1	—	
Telecommunications/Internet connectivity	197	—	
Food security	22	—	
Total Social Assets	3,545	3,173	
Total Green and Social Finance Assets	17,612[^]	13,468	

Sustainability-Linked assets^{1,2}

	Sep 2023 \$m	Sep 2022 \$m
Total Sustainability-Linked loans	4,805	3,422
Total Sustainability-Linked assets	4,805	3,422

Total Green and Social finance and Sustainability-Linked assets^{1,2,3}

	Sep 2023 \$m	Sep 2022 \$m
CCIB	17,103	10,505
CPBB	5,314	6,385

Sustainable liabilities^{1,2}

Theme	Sep 2023 \$m	Sep 2022 \$m
Total bond issuances	2,353	2,083
Total sustainable term deposits	4,554	3,154
Total sustainable accounts	1,027	335
Total sustainable retail current and savings accounts and deposits	513	217
Total Sustainable Liabilities	8,447[^]	5,789

1 Amounts included in the table are as of September 2023 and September 2022 and are aligned to the Group's Sustainable Finance Impact Report available at [sc.com/sfimpactreport](#). September 2023 and 2022 figures have been prepared on the same basis as the Impact Report.

2 Values noted with a caret symbol (^) are subject to independent limited assurance by EY, report available at [sc.com/sustainabilityhub](#).

3 Our Sustainable Liabilities are referenced against our Sustainable Assets held in aggregate by SCB Group. The features of our Sustainable Liabilities products are clearly signposted in product documentation to clients as 'sustainable'.

See [sc.com/sfimpactreport](#) for more highlights on our Green and Social Finance assets in 2023.

CPBB sustainable investing momentum

Sustainable investing (SI) assets under management (AUM) increased 25 per cent year-on-year to \$13.3 billion in 2023, driven by an expansion of the SI universe and focused client engagement. This figure includes Mutual Funds, Exchange Traded Funds, Bonds, Equities, and Structured Products. We will look to disclose against advised sustainable AUM in future periods. For further information on our Sustainable Investments universe, refer to [sc.com/sustainable-investing](#).

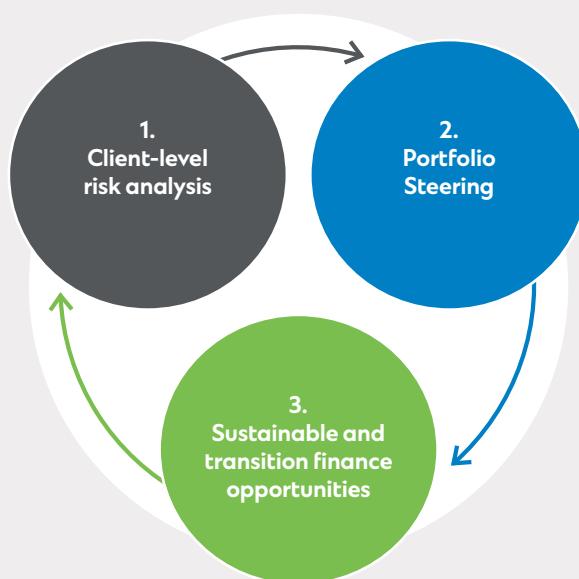
Pillar 2: Further embed sustainability across the organisation

The CSO organisation aims to act as a catalyst for change and a centre of excellence. We foster collaboration internally to embed sustainability across our business operations and functions. We collaborate externally with clients and other stakeholders who are aligned with our mission to drive change. This is achieved by:

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

We aim to create a self-reinforcing cycle, which is built on established processes, clear frameworks, engagement with our clients and collaboration across risk and business teams. We support our clients to deliver on their decarbonisation plans, deploying financing and advisory services to provide capital alongside the next wave of sustainability and technological solutions in which our clients are investing.

Our transition strategy also builds on the Group's financing experience by supporting the early adopters of these services in the US and Europe, and leveraging this knowledge in our core markets across Asia, Africa and the Middle East. Our aim is to work with our clients to support their transition and decarbonisation journeys and where clients evidence transition, help to accelerate progress.



1. Client-level Risk analysis

Environmental, social and climate risk assessments are integrated into credit decision-making processes for existing and new-to-bank clients¹

- We maintain a suite of public Position Statements that outline the Group's environmental and social expectations for providing financial services to clients.²
- Relationship Managers carry out client and/or transaction level Environmental and Social Risk Assessments before we provide financial services.³
- Through client-level Climate Risk Assessments (CRAs), we assess the potential financial risks from climate change using quantitative and qualitative information and assign a Climate Risk grading.⁴
- As part of the CRA process, a Credible Transition Plan (CTP) score is assigned for each client in high-emitting sectors.⁵
- Our Prohibited Activities list details the activities that we will not finance.⁵

2. Portfolio Steering

Portfolio-level emissions are calculated to set and monitor financed emissions baselines and sectoral 2030 targets

- Client-level emission intensities are modelled in accordance with internationally accepted carbon accounting principles using the PCAF methodology.
- Science-based sectoral interim 2030 targets are set for high-emitting sectors in line with the Group's roadmap towards net zero financed emissions by 2050.⁶
- Industry or client coverage leads are appointed as responsible owners of sectoral net zero targets.
- Divergence from portfolio-level emission pathway is monitored and reviewed quarterly along with our exposure to clients associated with high Climate Risk.⁷

3. Sustainable and transition finance opportunities

Products, financing and advisory services are deployed to support clients transitioning their businesses and seeking to achieve their sustainability goals

- The Group's ESG and Transition Finance advisory teams prioritise engagements with clients associated with high Climate Risk with weak or no transition plans and/or insufficient disclosures to recommend enhancements.
- Sustainability considerations are incorporated into account plans and engagement strategies with an aim to identify and prioritise clients that are divergent from portfolio-level emission pathways or associated with high Environmental and Social Risk.
- We endeavour to support and guide our clients to a low-carbon pathway by utilising our full suite of Sustainable Finance solutions.
- We continue to increase our financing of low-carbon technologies and infrastructure including project financing in the developing world where power grid modernisation is critical.

1 Refers to applicable banking clients, please refer to sc.com/esriskframework.

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

3 For further information, please refer to sc.com/esriskframework.

4 Read more about our CRA process in the Risk review section of this Annual Report on pages 298–305.

5 Read more about our list of Prohibited Activities at sc.com/prohibitedactivities.

6 Read more about our sectoral interim 2030 targets in this Annual Report on page 74.

7 In 2023, this commenced for the Oil and Gas, Power, Steel, Aluminium and Automotive Manufacturers sectors, with the rest of the sectoral reviews to be added from 2024.

Education and training

We continued to build the Group-wide sustainability-related education and training programme. The overarching objective of our upskilling programme is to establish foundational knowledge on sustainability across the Group, while tailoring in-depth, capability-based curricula to cater to the needs of practitioners and sustaining the momentum in continuous learning in line with industry best practices.

This objective is achieved by the continued development of our in-house sustainability curricula and partnerships with leading academic institutions, including Imperial College London and Kite Climate School, to ensure that we benefit from cutting-edge expertise in sustainability and remain at the forefront of industry development. A tiered curriculum has been rolled out leveraging both in-house and external expertise via this two-pronged approach.

- Given the role that the Board plays in sustainability governance, the Group Board and subsidiary Boards received training on climate scenarios, with a focus on regulatory expectations, key features of industry-level climate scenarios, in-house base and tail risk scenarios and key second-order impacts from climate change.
- In addition, 154 country and regional CEOs and Heads of Business joined targeted training covering the energy transition and related financing opportunities, clean technology, and sustainability-related risks and regulation.

- Bespoke training has been provided to clusters of practitioners across all lines of defence, ranging from CCIB, CPBB, Risk, CFCC and Audit on a broad range of topics: from how physical and transition risks may manifest, to specialised topics around how climate stress tests are conducted and how we embed Climate Risk into Credit Risk processes.
- At a foundational level, we encourage all employees across our global footprint to improve their understanding on how we embed sustainability into our business, operations and communities, and how they can actively play their part in this journey. 4,870 colleagues completed this programme in 2023, a total of 20,436 colleagues since the launch in 2022.
- To further embed sustainability and continuous learning into the Group's day-to-day operations, 48 ad-hoc training courses were also held throughout the year that reached 3,369 employees, covering specific learning needs and topics, including the Group's progress related to sectoral net zero target setting, sector-specific voluntary carbon markets and Sustainable Finance products and related governance.

In 2024, we plan to further refine the programmes to target specific roles in the Group and further build knowledge and expertise in Sustainable Finance and Environmental and Social Risk Management.

Our net zero roadmap

We aim to reach net zero carbon emissions in our financing activity by 2050 and in our own operations by 2025. We made progress in setting interim 2030 targets for the most carbon-intensive and highest-emitting sectors in the Group's portfolio.

To help us remain on track, we have set short- and medium-term objectives and quantifiable targets to manage and report on our progress on an annual basis.

2021

- Launched our roadmap to net zero by 2050, including interim targets and a supporting methodology

- Announced plans to mobilise \$300 billion in Sustainable Finance by 2030

- Published our inaugural Transition Finance Framework

2022

- Developed financed emissions baselines and 2030 targets for the Aviation, Shipping and Automotive Manufacturers sectors

- Joined Partnership for Carbon Accounting Financials (PCAF)

2023

- Announced our enhanced Oil and Gas absolute financed emissions target

- Updated our Power and Steel sector baselines and targets moving from a revenue-based intensity metric to a production-based intensity metric

- Developed financed emissions baselines and set interim 2030 targets for four additional sectors: Cement, Aluminium, Residential Mortgages, Commercial Real Estate, bringing the total number of science-based targets set for high-emitting sectors to eleven

- Financed emissions baselines and sectoral progress against targets, where indicated, assured for the first time by Ernst & Young

- Calculated the Group's facilitated emissions baseline from debt capital markets following the final PCAF guidance (published in December 2023) under both the 33 per cent and 100 per cent weighting factor

- Updated the Group's net zero methodological white paper, first published in 2021

2024

- We will develop an interim 2030 financed emissions target for the Agriculture sector, planned to be communicated in our 2024 Annual Report, which will be published in Q1 2025

- Aim to set targets for facilitated emissions

2025

- Aim to be net zero in our own operations

2030

- We will have substantially reduced our exposure to the Thermal Coal Mining sector in line with our Position Statements

- Aim to meet the Group's financed emissions interim targets set for high-emitting sectors

2032

- Targeted end date for legacy direct Thermal Coal Mining financing globally

2050

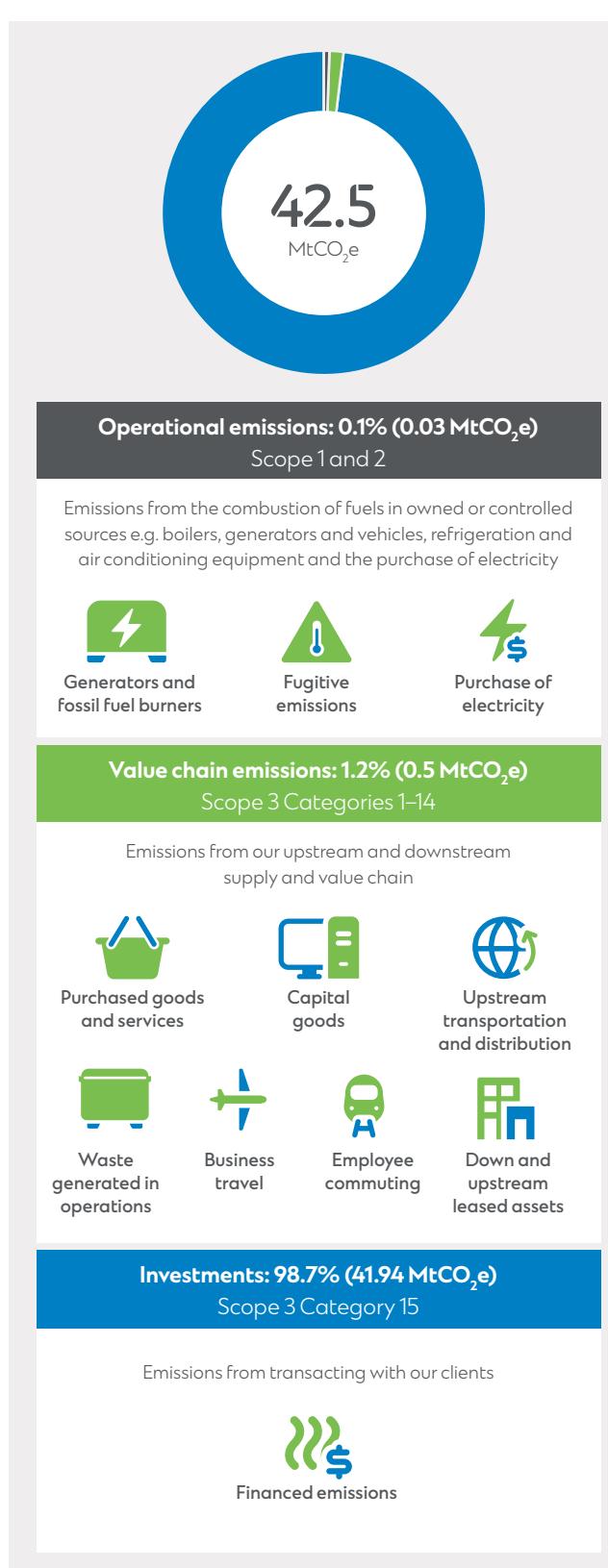
- Aim to become net zero in our financed emissions

Pillar 3: Deliver on our annual milestones set forth in our net zero roadmap

Our emission sources

We aim to reach net zero carbon emissions in our financed emissions by 2050 and in our own operations by 2025. Since 2018 we have been working to align our direct and indirect emissions to the Paris Agreement's goal of well below two degrees Celsius of global warming by the end of the century. We focus on three areas to reduce emissions: our operations, our supply chain, and financed emissions associated with our clients.

 To access the Group's updated 'Net zero methodological white paper – The journey continues' publication, visit sc.com/sustainabilityhub



Scopes of GHG emissions	2023 ⁴ (tCO ₂ e)	2022 (tCO ₂ e)	2021 (tCO ₂ e)
Scope 1 emissions ¹	8,488	2,071	2,902
Scope 2 emissions ²	26,246	47,363	82,761
Total Scope 1 and 2 emissions³	34,734	49,434	85,663
Scope 3 emissions:			
Category 1: Purchased goods and services (other)	286,304	380,732	330,224
Category 1: Purchased goods and services (data centres) ⁵	4,431	7,060	43,132
Category 2: Capital goods	42,707	34,496	47,217
Category 4: Upstream transportation and distribution	24,125	20,300	20,949
Category 5: Waste generated in operations ⁶	520	747	
Category 6: Business travel (air travel)	60,279	39,107	3,654
Category 6: Business travel (miscellaneous other than air travel)	8,918	2,654	4,994
Category 7: Employee commuting	71,228	61,917	
Category 13: Downstream leased assets (real estate)	7,898	8,594	
Category 15: Investments ^{7,8}	41,944,000	49,512,000	45,200,000
Total Scope 3 emissions	42,450,410	50,067,607	45,650,190
Total emissions	42,485,144	50,117,041	45,735,853

¹ As we aim to improve our emissions measurement and reporting year-on-year, we have included fugitive emissions in our Scope 1 figures for the first time in 2023: 5,266 tCO₂e. Prior year data was not available for fugitive emissions. For more information on the methodology and assumptions used to calculate GHG emissions, please refer to the Environmental Reporting Criteria at sc.com/sustainabilityhub.

² Scope 2 indirect emissions include indirect emissions from purchased electricity measured under the market-based approach as set out in the GHG protocol.

³ Our Scope 1 and 2 emissions calculations for the most recent reporting year were independently assured by Global Documentation Ltd., the assurance scope excluded fugitive emissions. Market-based emissions have decreased from 2022 to 2023 due to footprint reduction, efficiency gains and the purchase of additional energy attribution certificates by the Group.

⁴ The reporting period for GHG emissions is 1 October to 30 September. This only differs for Category 1: Purchased Goods (other); Category 2: Capital goods; Category 4: Upstream transportation and distribution; Category 6: Business travel (miscellaneous other than air travel) and Category 15: Investments where a period of 1 January to 31 December is used. Emissions data for these categories is also on a one-year lag with emissions reported in 2023 based on 2022 emissions data.

⁵ Purchased goods and services (data centres) have been restated from 706tCO₂e to 7,060tCO₂e due to an error in converting the unit of emissions.

⁶ Waste emissions have been restated from 498tCO₂e to 747tCO₂e due to an out of date emissions factor being used in prior year.

⁷ Category 15: Investments only includes financed emissions and are measured on a one-year lag, with emissions reported in 2023 being based on 2022 emissions and financial data. Financed emissions are included on page 110. A facilitated emissions baseline was measured for the first time during the year. Refer to page 112 for more details.

⁸ 2022 absolute emissions have been restated from 58.5MtCO₂e to 49.5MtCO₂e. This is due to (i) reduction in shipping absolute emissions as improved data has resulted in individual ship-level fair values being obtained; (ii) pausing of aviation emissions reporting due to the sale of the Group's aviation leasing and lending business; (iii) decreases in Automotive Manufacturers' emissions due to changes in the industry emissions reporting methodology referenced earlier on page 95; (iv) decreases in emissions from the 'Others' sector where improved data has been obtained to calculate emissions; and (v) the sectoral baselining of emissions reporting for Cement and Commercial Real Estate as separate high-emitting sectors.

Our operations

Our approach to managing our environmental footprint

The Group's Property function is responsible for driving efficiency in terms of our space and energy use. In line with the Group's operational net zero target, we set year-on-year improvement targets for our footprint markets.

Our goals and targets

- We aim to achieve net zero in our operations by 2025. We have measured and reduced our Scope 1 and 2 GHG emissions since 2008 and have been targeting a 90 per cent reduction in these emissions since 2018.
- The Group joined RE100 in 2022, a global corporate renewable energy initiative bringing together businesses that are committed to 100 per cent renewable electricity.
- In terms of waste, we aim to achieve 90 per cent avoidance of landfill by 2030.

Operational emissions

We reduced our Scope 1 and 2 emissions by 30 per cent to 34,734 tonnes during 2023. Our measured real estate decreased by 7 per cent during this time. 66 per cent of electricity came from renewable sources across our portfolio. We were able to achieve this by:

- continuing to optimise our office and branch network by retiring unused or inefficient space and creating a working environment that matches office- and hybrid-working patterns of our workforce;
- having a rolling asset replacement strategy for major plant and lighting in our offices. The Group installs LED and circadian lighting, and energy efficient materials throughout all new projects;
- launching a large-scale initiative in 2023 to simplify our technology estate, decommissioning underutilised or inefficient systems and their servers;
- actively seeking to increase the proportion of our electricity usage that comes from renewable sources. These can take the form of power purchase agreements, clean energy contracts, on-site solar installations and renewable energy certificates; and
- purchasing and retiring carbon credits for our residual operational Scope 1 and 2 emissions.

Waste

In 2023, we reduced our overall waste by 37 per cent and achieved 52 per cent avoidance of landfill (up from 31 per cent). We were able to achieve this by:

- commencing the externally verified True Zero Waste (TZW) programme and seeing the first results in India and Poland, both achieving TZW Platinum certification;
- self-certifying 313 buildings across our portfolio being free of single-use plastic in 2023. We aim to continue this programme and promote more sustainable waste management practices; and
- minimising electronic waste by prolonging the lifespan of our technology assets through partnerships with third parties.

Water

We retained a water efficiency metric of less than 0.5 kilolitre per square metre in 2023 despite an increase in the proportion of our employees returning to the office. While water availability is a growing challenge in many of our markets, we did not face any issues sourcing potable water in 2023. We continue to take a responsible approach to managing water use across the Group.

 For detailed environmental performance data see [page 505](#) or our ESG data pack at [sc.com/esg-data-pack](#)

 Read the principles and methodology for measuring our environment data at [sc.com/environmentcriteria](#)

 Read the independent assurance statement related to Scope 1 and 2 GHG emissions at [sc.com/environmentalassurance](#)

Our suppliers

Our approach to managing impacts in our upstream value chain

The Supply Chain Management team within our Group Chief Financial Officer function provides procurement services internally to drive sustainability, risk mitigation and commercial advantages in third-party engagements. In line with the Group's sustainability agenda, we set long-term targets to decrease emissions associated with our supply chain and increase spend with diverse suppliers across our footprint.

With 11,563 suppliers, we recognise our contribution to climate impacts through the goods and services we procure. Severe weather events could result in material disruptions to our supply chain that may potentially impact our ability to serve our clients. As such, we are working to gather site locations for our material suppliers to assess their physical risk exposures, such that suitable continuity plans can be developed.

Our goals and targets

- We targeted a 28 per cent reduction in our emissions associated with air travel from our 2019 baseline of 94,000 tCO₂e by the end of 2023 and managed to exceed this target.
- We aim to increase the breadth of our climate-related engagement with our suppliers. By 2028 we plan to direct 70 per cent of our total spending to suppliers who have set or committed to setting science-based emission reduction targets.

Supply chain-related emissions

- Overall, our emissions associated with the products, services and equipment that we purchase and those related to business travel – Scope 3 Categories 1, 2, 4 and 6 (miscellaneous other than air travel) – have shown an estimated 17 per cent year-on-year reduction.
- We have reduced our air travel emissions from our 2019 baseline of 94,000 to 60,279 tCO₂e. Due to increased travel post COVID-19 we have seen an increase in our emissions associated with air travel in 2023. Nonetheless, the Group was able to exceed our target and managed to reduce these emissions by 36 per cent from our baseline. To ensure a downward trajectory from our baseline, we are implementing demand and control measures including upgrading how we monitor our travel volumes. To help influence behaviours, we implemented a process to charge the price of carbon credits to departmental expense budgets, while also emphasising the need to reduce emissions and avoid any non-essential business trips.
- We aim to engage and work with technology partners that are committed to reducing their emissions in line with their science-based targets.
- Carbon credits were purchased and retired by the Group for select categories of our value chain emissions. In 2023, these included emissions associated with air travel and outsourced on-premise data centres.

Supplier engagement

Emissions data reporting among our suppliers remains limited. Therefore, we continue to use a hybrid methodology for emissions calculations using supplier-specific spend and sector average emissions data. In 2023, we:

- continued our outreach to suppliers to collect emissions data directly from them, thereby improving the accuracy of our Scope 3 Categories 1, 2, 4 and 6 (miscellaneous other than air travel) emissions calculations and reporting;
- began measuring our spending with suppliers who have set a science-based emissions reduction target or committed to setting one in the future. In 2023, we held working sessions with our suppliers to discuss progress against their plans and further opportunities for emissions reduction; and
- joined forces with our key logistics partner DHL to co-invest in sustainable aviation fuel for all consignments globally through DHL's GoGreen Plus programme, which is an example of how we work with suppliers to support the Group's emission reductions goals.

Supplier Charter

Through our Supplier Charter, we expect our suppliers to support and promote environmental protection, and to comply with local environmental laws and regulations. We expect our suppliers to promote the development and distribution of environmentally-friendly technologies and manage environmental concerns in their own supply chains.

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

 For further information on how we engage with suppliers see [pages 58 and 59](#) and for supplier spend data see [page 507](#)

Our clients – Reducing our financed emissions

The majority of our GHG emissions are linked to our lending activities, known as financed emissions. Therefore, we have prioritised our efforts in the highest-emitting and most carbon-intensive sectors of our portfolio, and where working with our clients can have the greatest impact.

A brief summary of the movements in the eleven high-emitting sectors is as follows:

Aluminium sector emissions have trended down as the power supply into the smelters has become less carbon-intensive and the Group has funded clients with less emission intensive operations.

The physical intensity of the **Automotive Manufacturers** sector decreased slightly due to the Group having a larger exposure to zero tailpipe Electric Vehicle manufacturing within the Group's Automotive Manufacturers portfolio.

The physical intensity of the **Cement** sector has remained relatively consistent year-on-year. This will be a hard-to-abate sector in the medium-term until cleaner energy sources are utilised, especially in emerging markets.

In the **Commercial Real Estate** portfolio, building intensities have fallen due to investment in regions with lower emissions power supplies and certain markets' power suppliers decarbonising. We continue to work with technology providers on solutions for individual building emissions measurement and management.

Absolute **Oil and Gas** emissions remained relatively stable year-on-year and are significantly lower versus the baseline year. We continued to pursue overall portfolio decarbonisation, pivoting exposure to counterparties and technologies that are less carbon-intensive.

The **Power** sector's intensity decreased as some of our contractual obligations to coal-fired power plants have ended. We also actively pursued lower emissions technologies including new gas power plants, and expanded our renewables financing.

The emissions intensity of the **Residential Mortgages** sector has remained consistent year-on-year and will decrease over time in line with electricity grid decarbonisation.

The **Shipping** sector's alignment delta has worsened due to the impact from the container sector, which enjoyed very strong profits in 2022, encouraging owners to sail faster, leading to higher emissions. Looking ahead, tightening environmental regulations and mechanisms from both the IMO and EU are expected to lead to better alignment between shipowners' behaviours and the Group's 2030 targets.

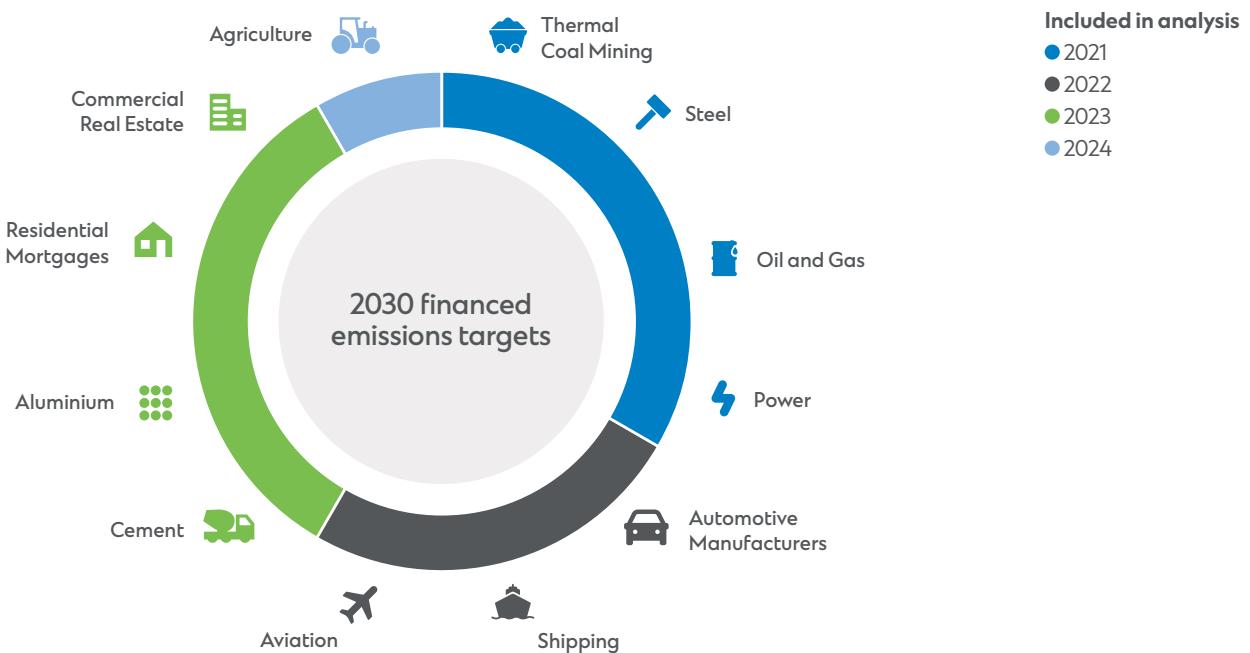
The **Steel** sector is hard-to-abate and requires significant capital to decarbonise. Decarbonisation is reliant on the shift from blast to electric arc furnaces and many of our emerging markets are at early stages of their transition journeys. While the emissions intensity of our steel book remained relatively unchanged year-on-year, we are actively working with our clients in this sector to support their transition.

Our **Thermal Coal Mining** exposure is decreasing in line with our coal revenue thresholds as detailed in our Position Statements and related contractual commitments. No new Thermal Coal Mining use of proceeds loans have been provided in line with our Position Statements.

The Group completed the sale of its global **Aviation** finance leasing business and the majority of its aviation lending book in August 2023. Noting the distortive effects that the sale of this business would create in our emissions profile, the progress against this target has been paused for year-end 2023. This will be re-assessed based on the size and materiality of the remaining portfolio in 2024.

 For further information, please refer to the Group's 'Net zero methodological white paper – The journey continues' via sc.com/sustainabilityhub

Sectors included in financed emissions calculations



Setting science-based targets

The Group set interim 2030 financed emissions targets for 11 of the 12 high-emitting sectors with Agriculture being the 12th planned for 2024.

We follow the Net-Zero Banking Alliance (NZBA) guidance on sectors for target-setting, further expanding the Transport sector into Automotive Manufacturers, Aviation and Shipping.

We set four sectoral targets and updated three targets in 2023. All targets have been informed by what the Group considers pre-eminent scientific forward-looking scenario providers. This includes the International Energy Agency (IEA) for energy sectors, the Mission Possible Partnership (MPP) for metals, International Maritime Organization (IMO) for shipping and Carbon Risk Real Estate Monitor (CRREM) for the residential real estate sector.

For our Scope 3 Financed Emissions, we set science-based targets accounting for differing states of transition readiness across our markets. Due to our footprint – with many emerging markets reliant on carbon-intensive industries – our financed emissions may increase before they decrease. The upper end of our 2030 target may represent low-overshoot scenarios. However, our approach is to remain aligned to a science-based 1.5 degrees Celsius scientific pathway by 2050. Given our science-based approach, we will strive to update our targets both as the scientific community updates their reference scenarios and as data availability improves.

In 2023, the Group:

- Strengthened our Oil and Gas emissions metric from a revenue-based intensity to an absolute financed emissions target and trajectory. This places an emissions budget on the sector and requires a reduction of 29 per cent by 2030 when calculated from a 2020 baseline, aligned with the IEA's NZE trajectory. Our approach ensures we maintain a direct link to absolute GHG emissions in the Oil and Gas sector and allows us to directly assess our progress with the IEA NZE scenario that we have set our target against. By moving away from a revenue-based intensity we remove an element of financial volatility and complexity from our calculations that could restrict transparency and accountability in measuring and disclosing our financed GHG emissions. Oil and Gas is the second sector for which the Group set an absolute financed emission target, in addition to our target for Thermal Coal Mining.
- Updated our Power and Steel sector targets from a revenue-based intensity metric to a production-based intensity metric (i.e., emission intensity per unit of production). The progression from an economic-based intensity to a production/physical-based intensity reduces the financial volatility in the calculation and improves the connection to clients' actual GHG emissions by linking directly to units of production, or a physical activity.

We published the second edition of the Group's 'Net zero methodological white paper – The journey continues', which sets out the methodology, assumptions and scientific pathways for each high-emitting sector and is available via sc.com/sustainabilityhub.

Detailed progress against our sectoral financed emissions targets^{12,13,16}

Sector	2022 Exposure in scope (\$bn)	Target	2022 ¹		2021 ¹		Baseline year	% change cumulative to baseline	Year target set
			Absolute emissions (MtCO ₂ e)	Physical intensity	Absolute emissions ⁹ (MtCO ₂ e)	Physical intensity			
CCIB									
Aluminium ^{2,4} 	0.2	61 t CO ₂ e/ tonne Aluminium (-)	0.3	4.59 [^] tCO ₂ e/ tonne Aluminium	0.6	5.62 [^] tCO ₂ e/ tonne Aluminium	2021	-18%	2023
Automotive Manufacturers ³ 	2.8	66-100 gCO ₂ /Vkm (44-63%)	2.8	165 [^] gCO ₂ /Vkm	3.3	178 [^] gCO ₂ /Vkm	2021	-7%	2022
Cement ⁴ 	0.9	0.52 tCO ₂ / tonne Cement (22%)	3.5	0.66 [^] tCO ₂ /tonne Cement	2.4	0.67 [^] tCO ₂ /tonne Cement	2021	-1%	2023
Commercial Real Estate ⁴ 	4.8	19-39 kgCO ₂ e/ Sq.m (47-74%)	0.1	62 [^] kgCO ₂ e/Sq.m	0.1	73 [^] kgCO ₂ e/Sq.m	2021	-15%	2023
Oil and Gas ^{5,14} 	6.8	9.3 MtCO ₂ e (29%)	10.3 [^]	nm ¹¹	10.2 [^]	nm ¹¹	2020	-21%	2023
Others ^{2,6} 	59.3	nm ¹⁰	12.6	nm ¹⁰	19.6	nm ¹⁰	2021		
Power ⁵ 	5.3	0.17-0.28 tCO ₂ /MWh (46-67%)	5.9	0.47 [^] tCO ₂ /MWh	6.6	0.52 [^] tCO ₂ /MWh	2021	-10%	2023
Shipping ⁷ 	4.1	0% delta 0% delta 0% delta	2.8	+6.4% [^] delta +11.8% [^] delta +16% [^] delta	2.5	+2.6% [^] delta +7.3% [^] delta +10% [^] delta	2021		2022 +4.5%
Steel ¹⁵ 	1.3	1.4-1.6 tCO ₂ / tonne Steel (22-32%)	2.0	1.97 [^] tCO ₂ / tonne Steel	1.9	2.06 [^] tCO ₂ /tonne Steel	2021	-4%	2023
Thermal Coal Mining ¹⁵ 	0.04	0.5 MtCO ₂ e (85%)	1.6 [^]	nm ¹¹	2.3 [^]	nm ¹¹	2020	-52%	2021
	85.5		41.9		49.5				
CPBB									
Residential Mortgages ^{4,8} 	74.3	29-32 kgCO ₂ e/Sq.m (15-23%)	0.04	37.7 [^] kgCO ₂ e/Sq.m	0.04	37.6 [^] kgCO ₂ e/Sq.m	2021	0%	2023
	74.3		0.04		0.04				
Total CCIB and CPBB	159.8		41.9		49.5⁹				

- 1 Due to third-party data sets that feed into our calculations, the Group's reported Financed emissions figures have a one-year lag. The Group reports on 2022 and 2021 data in this 2023 Annual Report.
- 2 During the year a sector-specific deep dive was performed on Aluminium as the majority of the 'Other Metals and Mining' sector reported in the prior year was lending to Aluminium clients. Due to this the sector has been disaggregated from the 'Other Metals and Mining' sector we reported in the prior year. The remainder of the 'Other Metals and Mining' sector has been included in the 'Others' category.
- 3 Automotive Manufacturers has been re-baselined during the year. This was due to an update in methodology from the industry's progress in adopting a test procedure that better reflects driving conditions in the real world.
- 4 Cement, Commercial Real Estate, Residential Mortgages and Aluminium are new sectors reported for the first time this reporting cycle. Two reporting cycles have been calculated and disclosed including a baseline and current year progression value.
- 5 During the year the Group has re-baselined the Oil and Gas sector from a revenue intensity to an absolute emissions metric, additionally the absolute baseline was revised from 13.7 to 13.1 due to a methodology refinement. Power and Steel have been re-baselined from a revenue intensity to a production intensity metric.
- 6 Others includes miscellaneous non-specific high-emitting sectors not included in a sector deep dive.
- 7 Following revisions to the IMO decarbonisation strategy, Poseidon Principles have replaced the initial TtW (tank to wake) delta with two additional GHG strategy scenarios. The Group has disclosed the alignment deltas for the IMO existing strategy, IMO revised minimum and the IMO striving scenarios above in that order. The Group's baseline has been set as the IMO revised minimum strategy.

- 8 The Group has set its Residential Mortgage target range at the most ambitious end of the public commitments made by governments and power companies in the countries where we operate and has been benchmarked to the CRREM scientific pathway.
- 9 2021 Absolute emissions have been restated from 58.5MtCO₂e to 49.5MtCO₂e. This is due to: (i) reduction in shipping absolute emissions as improved data has resulted in individual ship-level fair values being obtained; (ii) pausing of aviation emissions reporting due to the sale of the Group's aviation leasing and lending business; (iii) decreases in Automotive Manufacturers' emissions due to changes in the industry emissions reporting methodology referenced earlier; (iv) decreases in emissions from the 'Others' sector where improved data has been obtained to calculate emissions; and (v) the sectoral baselining of emissions reporting for the Cement and Commercial Real Estate as separate high-emitting sectors.
- 10 Value is not required as the Group has not set a target for the 'Others' sector.
- 11 Value is not required as the Group has set an absolute emissions target and therefore the production intensity of the portfolio has not been measured.
- 12 Values noted with a caret symbol (^) are subject to independent limited assurance by EY, report available at sc.com/sustainabilityhub.
- 13 Emissions are calculated in CO₂ except where other GHGs are material which are noted as CO₂e (this includes Oil and Gas, Coal, Aluminium, CRE, Shipping and Residential Mortgages).
- 14 Of the cumulative movement of -21%, there was a 1% increase in emissions between 2021 and 2022.
- 15 Of the cumulative movement of -52%, there was a 30% decrease in emissions between 2021 and 2022.
- 16 For further information, please refer to our 'Net zero methodological white paper – The journey continues' publication via sc.com/sustainabilityhub.

Our approach to measuring financed emissions

Sector	Emissions approach	Scenario	Value chain	Scope of emissions ⁴	2022 PCAF score	2021 PCAF score	In scope exposure coverage
CCIB³							
Aluminium 	Production intensity	MPP STS	Aluminium producers	1,2	2.4	2.2	100%
Automotive Manufacturers 	Physical intensity	IEA APS and NZE	Automotive manufacturers	1,2 3	2.2 ¹ 5 ²	2.4 ¹ 5 ²	100%
Cement 	Production intensity	IEA NZE	Clinker and cement manufacturing	1,2	2.3	2.9	100%
Commercial Real Estate 	Physical intensity	IEA APS and NZE	Real estate leasing	1,2	4	4	99%
Oil and Gas 	Absolute emissions	IEA NZE	Upstream, midstream and downstream	1,2 3	3.2 ¹ 3.2 ²	3.2 ¹ 3.5 ²	97%
Others 	Absolute emissions	IEA NZE	Other sectors	1,2	3.3	3.3	86%
Power 	Production intensity	IEA APS and NZE	Electricity Generation & Distribution	1,2	3.3	3.2	100%
Shipping 	Physical intensity	IMO existing, IMO rev. min. IMO striving	Shipping lessors and companies	1,3	1	1	99%
Steel 	Production intensity	MPP TM	Steel producers	1,2	3.8	3.7	98%
Thermal Coal Mining 	Absolute emissions	IEA NZE	Thermal coal	1,2 3	3.7 ¹ 3 ²	3.8 ¹ 3 ²	100%

CPBB

Residential Mortgages 	Physical intensity	CRREM	Residential households	1,2	4.4	4.4	100%
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Sector emissions for material Scope 3 high-emitting sectors

Sector	2022		2021	
	Scope 1,2	Scope 3	Scope 1,2	Scope 3
Automotive Manufacturers	0.1	2.7	0.1	3.2
Oil and Gas	1.7	8.6	1.3	8.9
Thermal Coal Mining	0.1	1.5	0.1	2.2

1 PCAF score for Scope 1 and 2 emissions.

2 PCAF score for Scope 3 emissions.

3 In scope coverage remained consistent from 2021 to 2022 improving from 87% to 90% on CCIB financing.

4 For further information, please refer to our 'Net zero methodological white paper – The journey continues' publication via sc.com/sustainabilityhub.

Facilitated emissions

During 2022, Standard Chartered joined the Partnership for Carbon Accounting Financials (PCAF) to support the development of a methodology to measure facilitated emissions associated with the arranging of capital markets issuances. PCAF recognises that capital market facilitation is essential for the climate transition. Therefore, this year we are expanding our reporting to cover facilitated emissions associated with our debt capital markets services. In line with PCAF recommendations, we are reporting our facilitated emissions separately from financed emissions due to the inherent difference in the underlying nature of these activities. The Group is reporting its baseline facilitated emissions under the 33% weighting factor in line with PCAF guidance, noting that facilitated emissions relate to the provision of a service and not financing. PCAF recognises that facilitated emissions are distinct from financed emissions given that capital market transactions are rarely held on a financial institution's balance sheet and typically a financial institution's association with the transaction is temporary. However, the Group is also disclosing facilitated emissions using a 100% weighting factor to reflect the maximum potential GHG emissions that theoretically could be associated with capital market activities.

2021				
Scope of emissions ^{1,2}	33% weighting factor ⁴ MtCO ₂ e	100% weighting factor ⁴ MtCO ₂ e	PCAF Score	Emissions in scope ⁵
Scope 1 and 2	1.5	4.5	3.1	Scope 1 and 2 emissions are covered for all sectors
Scope 3	1.2	3.7	5.0	Scope 3 emissions are included for Oil and Gas, Thermal Coal Mining and Automotive Manufacturing
Total³	2.7[^]	8.2[^]		

1 Our 2021 emissions are calculated using 2021 debt capital markets data from Dealogic and 2021 emissions data from S&P Trucost.

2 Nearly 90% of emissions are based on reported emissions data from S&P Trucost. For the remaining we utilise proxy calculations based on economic activities.

3 Values noted with a caret symbol (^) are subject to independent limited assurance by EY, report available at sc.com/sustainabilityhub.

4 Following the release of the final Facilitated Emissions guidance by PCAF in December 2023 the Group has measured its Facilitated Emissions baseline for 2021. 2022 and 2023 Facilitated Emissions will be published in the 2024 Annual Report.

5 For further information, please refer to our 'Net zero methodological white paper – The journey continues' publication via sc.com/sustainabilityhub



Aluminium

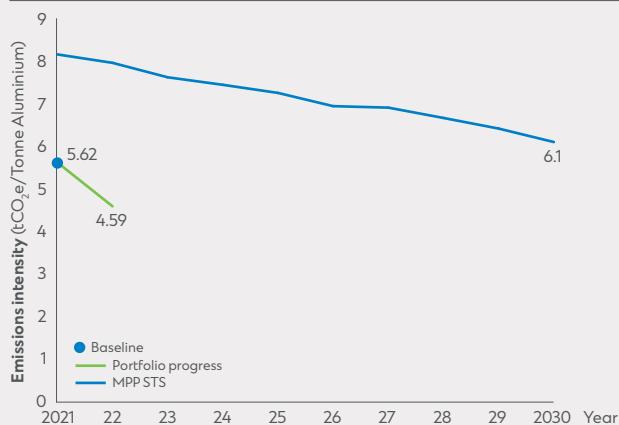
Balance in scope (\$bn)	2030 interim target	Cumulative performance versus baseline
0.2	6.1tCO ₂ e/tonne Aluminium (Maintain at 1.5°C scientific pathway)	-18%



Sector background

The production of aluminium is emissions-intensive and is responsible for roughly 2%¹ of global CO₂e emissions per year. The sector is heavily reliant on electricity from the local grid with over 60% of the sector's CO₂e emissions occurring from the electricity consumed during smelting.

Baseline target and portfolio progress 2021 to 2030²



Progress in the year

During the year, the Group measured the Aluminium portfolio baseline using a production intensity (tCO₂e/tonne Aluminium). A baseline of 5.62tCO₂e/tonne Aluminium has been measured with 2021 as the baseline year. This baseline is below the Mission Possible Partnership Aluminium Sector Transition Strategy (MPP STS) pathway 2030 target of 6.1tCO₂e/tonne Aluminium, as the Group's current exposure is to clients with lower emissions-intensive energy sources.

Nonetheless, we have issued facilities which have not yet been drawn to counterparties with less efficient smelters and therefore the Group's target is to maintain below the MPP STS 1.5°C pathway. Note that our MPP STS pathway has been adjusted downwards to include recycled aluminium production.

When calculating our emissions, we measure the aluminium producer's Scope 1 and 2 emissions. This is in line with the 'Fixed System Boundary' set out by the SAFF (Sustainable Aluminium Finance Framework).

During the year the physical intensity of the portfolio decreased by 18% from 5.62tCO₂e/tonne Aluminium to 4.59tCO₂e/tonne Aluminium. This was due to year-on-year decreases in exposure to some of the Group's higher-intensity primary aluminium producing clients.

On track ● Transition alignment required

1 Emissions contribution per the IEA's World Energy Outlook 2023.

2 Graphs reflect 2022 balance sheet values reported during 2023.



Automotive Manufacturers

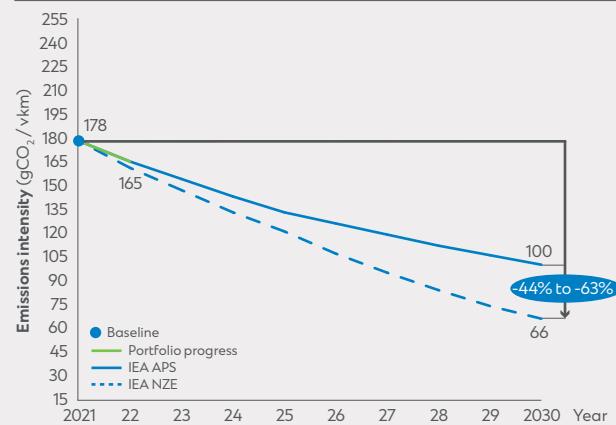
Balance in scope (\$bn)	2030 interim target	Cumulative performance versus baseline
2.8	66–100g CO ₂ /V.km (44–63% reduction)	-7%



Sector background

The automotive industry is a significant contributor to climate change through annual exhaust emissions, accounting for 8% of global CO₂ emissions. Transitioning from internal combustion engines (ICE) to electric vehicles (EVs) is crucial to reach net-zero by 2050 through decreasing the demand of Oil and Gas products.

Baseline target and portfolio progress 2021 to 2030²



Progress in the year

During the year the Group re-baselined the emissions intensity reported for the 2021 baseline year from 160gCO₂/V.km to 178gCO₂/V.km. This was due to the industry's progress in adopting a test procedure that better reflects driving conditions in the real world. This change in assumption was completed by the Transition Pathway Initiative (TPI) through a Worldwide Harmonised Light Duty Driving Test Procedure, which has been globally adopted as the standard against which all global manufacturers are evaluated.

The Group's target aligns with two scenarios of the IEA, the IEA NZE and the IEA APS.

When measuring the sector emissions, the boundary covers Original Equipment Manufacturers (OEMs) of newly manufactured light duty vehicles. The Group includes Scope 1, 2 and 3 emissions (excluding well-to-tank emissions) in our financed emissions calculation. For Scope 3 we include the lifetime tailpipe emissions of the vehicles produced during the reporting cycle and a factor derived from supply chain emissions of the OEM.

The Group's sector intensity for 2022 is 165gCO₂/V.km, a 7% decrease from 178gCO₂/V.km. This emission decrease is due to a larger exposure to zero tailpipe EV manufacturing within the Group's Automotive Manufacturers portfolio.

Cement

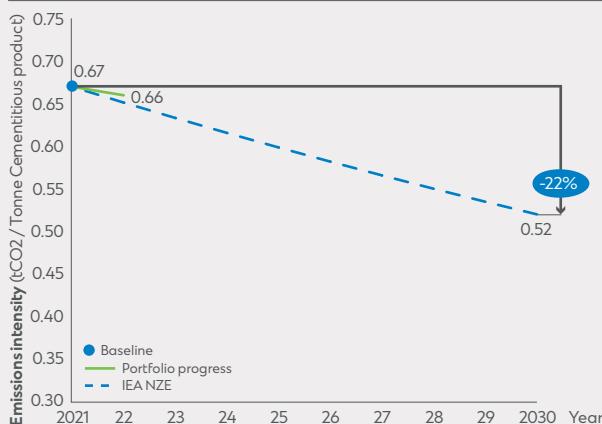
Balance in scope (\$bn)	2030 interim target	Cumulative performance versus baseline
0.9	0.52 tCO ₂ /tonne Cement (22% reduction)	-1%

Sector background

Cement contributes to approximately 7%¹ of total GHG emissions on a global scale. The primary source of carbon dioxide emitted is due to the chemical reaction that takes place between limestone and heat throughout the manufacturing procedure.

By increasing energy efficiency and utilising alternative fuels in the limestone heating process, the industry can reduce its carbon emissions.

Baseline target and portfolio progress 2021 to 2030²



Progress in the year

During the year the Group measured its 2021 balance sheet baseline and current year emissions progress in addition to setting a target. Our target range has been set using the IEA NZE pathway.

When calculating our portfolio emissions, the midstream processes are measured, including heating of limestone and combustion of the fuels used in the cement kiln and other plant processes.

In setting our emissions baseline and target, we have measured our cement sector portfolio emissions with a production-based emissions intensity metric of tonnes CO₂ per tonne of cementitious material (tCO₂/tonne Cement). Our selection of a production-based emissions intensity metric for the cement industry is motivated by the need to balance the rising demand for cementitious materials in emerging economies with the pressing requirement to decarbonise the cementitious material production process.

The portfolio emissions have remained static during the year with new clients having carbon intensities that are consistent with our portfolio. We have started to work with cement counterparties on their transition plans and commitments where their decarbonisation ambition does not match our own.

On track ● Transition alignment required ●

1 Emissions contribution per the IEA's World Energy Outlook 2023.
2 Graphs reflect 2022 balance sheet values reported during 2023.

Commercial Real Estate

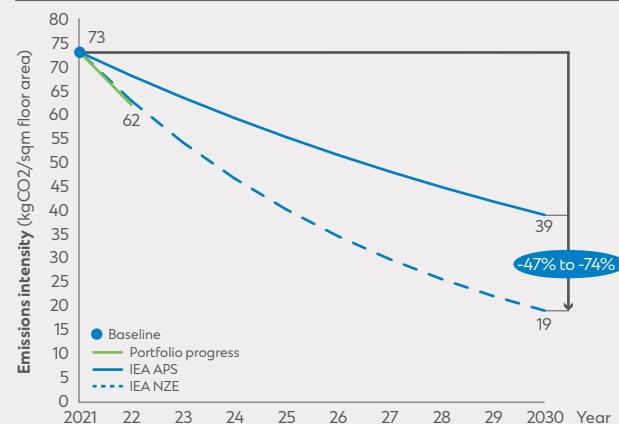
Balance in scope (\$bn)	2030 interim target	Cumulative performance versus baseline
4.8	19–39 kgCO ₂ /Sq.m (47–74% reduction)	-15%

Sector background

The building sector currently contributes 8%¹ of the global energy-related emissions in 2022 per the IEA WEO 2023. Key drivers of the emissions in the portfolio include the size and type of the building as well as the energy source powering the building.

Insulation and ventilation, building energy management, electrification and cleaner electricity will be key drivers of decarbonisation in the portfolio.

Baseline target and portfolio progress 2021 to 2030²



Progress in the year

During the year the Group measured our Commercial Real Estate (CRE) portfolio's 2021 balance sheet baseline and 2022 progress of GHG emissions. The Group has also set a target to reduce emissions in the portfolio by 47% to 74% by 2030 using the IEA APS and NZE scenarios to set the target.

The emissions measured cover CRE assets being leased to earn rental returns and include the Scope 1 and 2 emissions from these buildings. A physical intensity of kgCO₂e/m² is the metric used to measure the portfolio's progress to net zero. This is calculated by summing the portfolio's Scope 1 and 2 emissions and dividing this by the floor area of the portfolio.

Our portfolio intensity moved from 73kgCO₂e/Sq.m to 62kgCO₂e/Sq.m, a reduction of 15% year-on-year. This was primarily due to our CRE regions' power supplies starting to decarbonise and macroeconomic changes resulting in geographical shifting of the portfolio from the east to the west, and less carbon-intensive energy supplies. We continue to work with technology providers on solutions for individual building carbon emissions measurement and management.



Oil and Gas

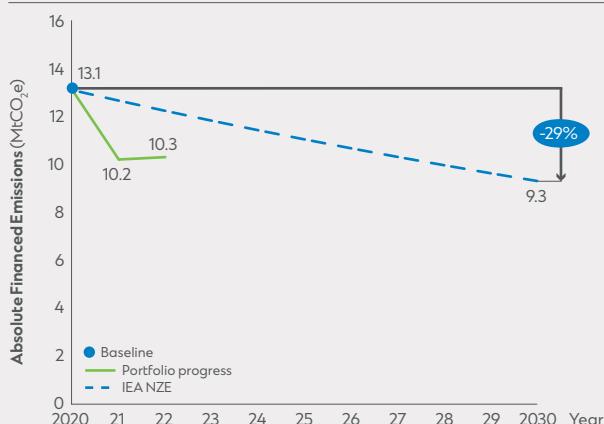
Balance in scope (\$bn)	2030 interim target	Cumulative performance versus baseline
6.8	9.3 MtCO ₂ e (29% reduction)	-21%

Sector background

The Oil and Gas industry's production emissions and consumption emissions account for approximately 15%¹ and 36%² of global energy-related emissions respectively. As such, the decarbonisation of the Oil and Gas sector is crucial for achieving global net zero carbon emissions.

The transition requires the development of new technologies such as abating emissions at source through deployment of carbon capture and (underground) storage technologies, and the evolution of Oil and Gas companies to energy companies through investment in renewables.

Baseline target and portfolio progress 2020 to 2030³



Progress in the year

During the year, the Group replaced its existing revenue intensity target with an absolute Oil and Gas target, which now requires a 29% reduction in absolute financed emissions by 2030 against our 2020 balance sheet baseline. This effectively sets a carbon budget for the Oil and Gas team which can only be achieved through Oil and Gas companies decarbonising or via the Group's exposure to this sector decreasing.

The emissions measured in our reporting include upstream (exploration, extraction and production), midstream (transportation and storage) and downstream (refinement and gas station operation) activities. An absolute emissions metric is used to manage the portfolio, recognising the importance of phasing out oil and gas through the transition but also recognising the importance of gas in the transition period.

Oil and Gas absolute emissions have remained relatively consistent year-on-year from 10.2 MtCO₂e as reported on the 2021 balance sheet to 10.3 MtCO₂e in 2022. This has been a result of greater exposure in scope offset by a decrease of production intensity of certain clients, in line with our expectations of reductions.

● On track ● Transition alignment required

1 IEA: The Oil and Gas Industry in Net Zero Transition.

2 Emissions contribution per the IEA's World Energy Outlook 2023.

3 Graphs reflect 2022 balance sheet values reported during 2023.



Power

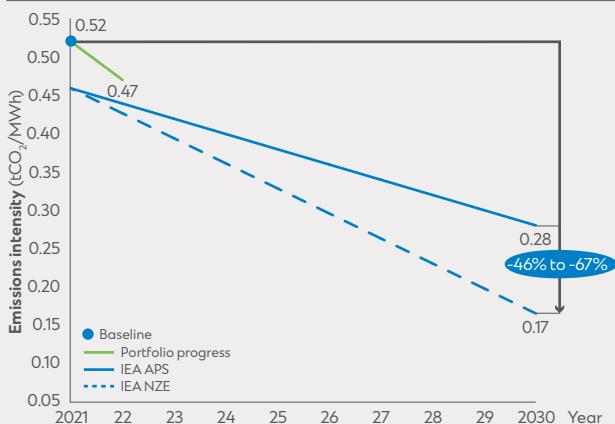
Balance in scope (\$bn)	2030 interim target	Cumulative performance versus baseline
5.3	0.17–0.28 tCO ₂ /MWh (46–67% reduction)	-10%

Sector background

Power generation is a material source of CO₂ emissions globally, through the Scope 1 burning of fossil fuels. It is also a leading sector in the transition to net zero emissions through the rapid increase of renewables such as solar and wind.

Decarbonising the portfolio will require scaling renewable lending or funding of lower-emission plants fuelled by cleaner energy sources.

Baseline target and portfolio progress 2021 to 2030³



Progress in the year

During the year the Group has measured its 2021 balance sheet baseline emission intensity and its 2022 progress towards the 2030 target. The Group's target range was set using an IEA APS and NZE reference scenario range, recognising the importance of decarbonising the power sector but also reflecting our positioning as an emerging markets bank and our commitment to a just energy transition.

In setting our emissions baseline and target, we have measured our Power portfolio emissions with an intensity metric (tCO₂/MWh). We primarily measure the Scope 1 emissions associated with the generation of power through combustion of fossil fuels or biomass when calculating our emissions.

From 2021 to 2022 the portfolios emissions intensity moved from 0.52 tCO₂/MWh to 0.47 tCO₂/MWh, a reduction of 10%. This was caused by a shift in the portfolio mix with more lending to lower-emitting gas generation and renewables.

Shipping

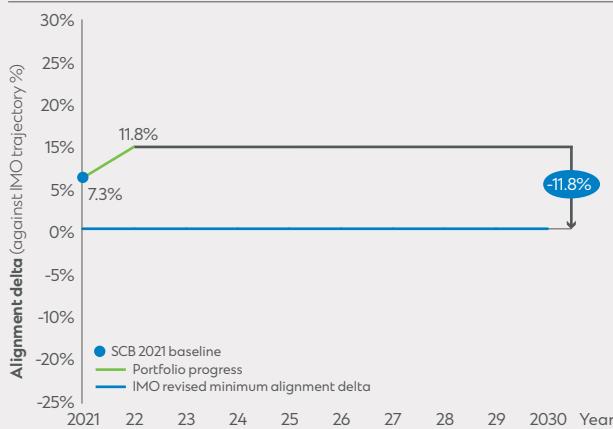
Balance in scope (\$bn)	2030 interim target	Cumulative performance versus baseline
4.1	0% delta	+4.5%

Sector background

International shipping plays an essential role in the facilitation of world trade as the most cost-effective and energy-efficient mode of cargo transport. It contributed 2%¹ of global emissions per the IEA WEO 2023.

With oil-based fuels historically meeting over 99% of shipping energy needs, transition to low emission fuels will be key in decarbonising the sector. The Group is a signatory of the Poseidon Principles, which determines the decarbonisation principles to follow when providing shipping finance.

Baseline target and portfolio progress 2021 to 2030²



Progress in the year

In 2022, the Group set a target to achieve a 0% alignment delta for its shipping portfolio by 2030. This alignment delta is measured using the Poseidon Principles framework based on a 50% CO₂ reduction pathway by 2050 using 2008 as a baseline. A positive alignment score means that the portfolio is misaligned (above the decarbonisation trajectory), whereas a negative or zero score means that the portfolio is aligned. In 2023, Poseidon Principles added two additional pathways: the revised minimum (the Group's base case) and striving trajectory. These new scenarios are more stringent and are net zero by 2050.

During the year, the Group's revised minimum alignment delta increased from 7.3% to 11.8%, placing the Group in the top quarter on an efficiency basis of Poseidon Principle signatories, which collectively represents 70% of global shipping finance exposure. This increase of 4.5% in alignment delta is primarily due to new vessels financed, which were delivered late in the year and therefore were very inefficient, as they travelled very short distances in the start-up phase. These vessels are expected to improve their efficiency once annualised. Secondly, container shipping operators saw strong demand and profitability in 2022, which encouraged faster and more fuel-inefficient journeys. Next year, the Group will further observe the impact of the Carbon Intensity Indicator measurement of ships' efficiency which has come into effect in 2023, and incentivises shipowners to optimise their emissions impact.

● On track ● Transition alignment required

1 Emissions contribution per the IEA's World Energy Outlook 2023.
2 Graphs reflect 2022 balance sheet values reported during 2023.

Steel

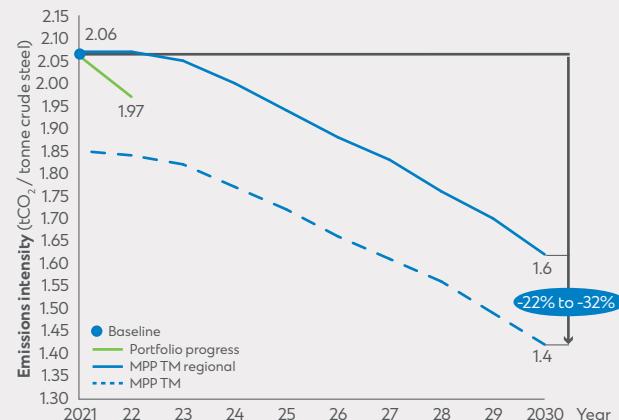
Balance in scope (\$bn)	2030 interim target	Cumulative performance versus baseline
1.3	1.4–1.6 tCO ₂ /tonne Steel (22–32% reduction)	-4%

Sector background

The steel industry is the largest source of industrial CO₂ emissions and accounts for roughly 7% of global CO₂ emissions. This is largely due to the sector's reliance on metallurgical coal as the primary fuel source.

Technological solutions to decarbonise this sector will include scrap-based electric arc furnaces, natural gas or hydrogen-based direct reduction plants with electric arc furnaces (all with clean power supplies) and the potential for CCUS.

Baseline target and portfolio progress 2021 to 2030²



Progress in the year

During the year the Group updated its original revenue-based intensity baseline to a production-based intensity metric with a baseline year of 2021. We also measured our progress during the year.

We have set a target of 1.4–1.6tCO₂/tonne Steel by 2030 using a production intensity metric, recognising the urgent need to decarbonise the steel production process, while balancing the growing demand of steel in emerging economies.

When calculating our emissions, we measure the steelmaker's Scope 1 and 2 emissions. This is in line with the 'Fixed System Boundary' as set out by the Sustainable Steel Principles (SSP).

From 2021 to 2022 the physical intensity of the portfolio moved from 2.06tCO₂/tonne Steel to 1.97tCO₂/tonne Steel, a decrease of 4%. This was due to a year-on-year decrease to the Group's higher-emitting clients and improvements in the energy performance of some clients in Asia.



Residential Mortgages

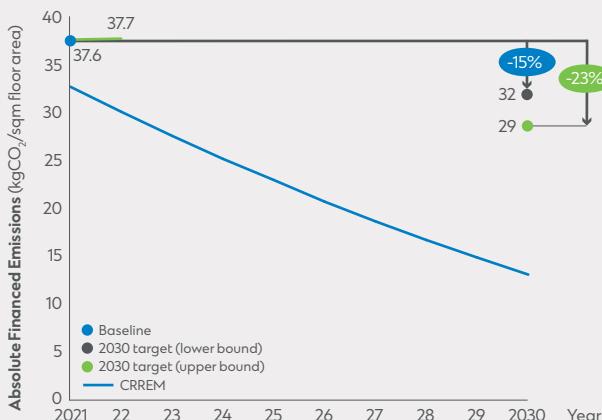
Balance in scope (\$bn)	2030 interim target	Cumulative performance versus baseline	
74.3	29-32 kgCO ₂ e/Sq.m (15-23% reduction)	0%	●

Sector background

The key drivers of the emissions in the residential mortgages portfolio include the size and energy efficiency, and the energy source powering the residential floor area.

Insulation and ventilation, building energy management, electrification and cleaner electricity will be key drivers of decarbonisation in the portfolio.

Baseline target and portfolio progress 2021 to 2030²



Progress in the year

During the year the Group measured its 2021 balance sheet baseline and 2022 progress of GHG emissions from the four main residential mortgage portfolios, namely Hong Kong, South Korea, Singapore and Taiwan, accounting for approximately 89% of the Group's exposure. Emissions measured in our baseline and annual progress include Scope 1 and 2 emissions from the residential properties the Group lends against. A physical intensity of kgCO₂e/Sq.m is the metric used to measure the portfolio's progress.

Standard Chartered, as a UK headquartered Group with a large footprint in Asia, is one of the first banks to set a target on its mortgage portfolio across multiple countries. While we have set a single group-level target, the very nature of the residential real estate market means all decarbonisation actions will take place at the local level. Achieving our target is dependent on actions by local governments and power companies decarbonising power generation. The target range has been set at the more ambitious end of the public commitments made by governments and power companies in the countries where the Group operates. These targets have been benchmarked to, and currently sit above, the global CRREM pathway to 2030. We will review this over time based on changes to country commitments and ambition. The Group has set a target of 29-32kgCO₂e/Sq.m being a 15% to 23% reduction by 2030 of the baseline portfolio intensity of 37.6kgCO₂e/Sq.m. The portfolio intensity remained consistent and will decrease over time through the decarbonisation of the national grids in our markets.

● On track ● Transition alignment required

¹ Emissions contribution per the IEA's World Energy Outlook 2023.

² Graphs reflect 2022 balance sheet values reported during 2023.



Thermal Coal Mining

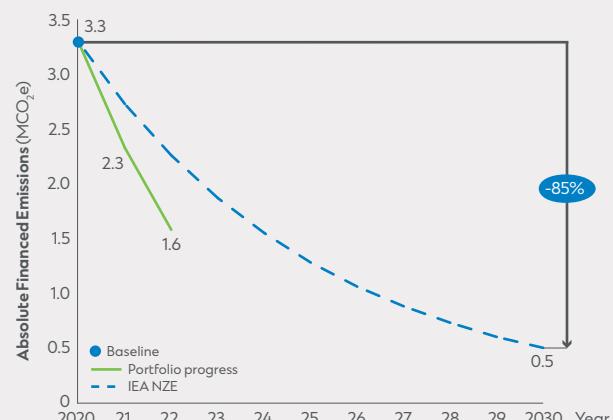
Balance in scope (\$bn)	2030 interim target	Cumulative performance versus baseline	
0.04	0.5 MtCO ₂ e (85% reduction)	-52%	●

Sector background

The coal sector is the largest energy source for electricity generation globally as well as being the largest single source of carbon emissions, contributing 42%¹ of total CO₂ emissions when combusted.

Although global emissions related to coal have increased in 2022 due to the ongoing energy crisis, coal is expected, and is required to be phased out over the transition towards net zero.

Baseline target and portfolio progress 2020 to 2030²



Progress in the year

The Group has set a target of reducing our absolute baseline emissions by 85% by 2030. This target, in addition to our Position Statements, which places ever increasing limits on financial services the Group can provide to coal-reliant clients, recognises there is limited opportunity to reduce carbon intensities associated with the Coal sector and sets a decreasing carbon budget on this sector.

During the year we calculated our progress up to 2022 towards our absolute target against our 2020 balance sheet baseline. This includes thermal coal upstream (exploration and extraction), midstream (transportation) and downstream (refinement) when measuring our absolute emissions.

The absolute emissions of the portfolio from 2021 to 2022 decreased from 2.3MtCO₂e to 1.6MtCO₂e a decrease of 30%. This was due to the portfolio being run down subject to contractual commitments with no new use of proceeds financing having been provided.

Pillar 4: Leverage our innovation hubs

Announced in 2023, the four thematic innovation hubs – Adaptation Finance, Blended Finance¹, Carbon Markets and Nature Positive Solutions – focus on emerging themes of sustainability aligned to areas where the Group has a core competency and are particularly suited to our clients in our footprint markets. Each hub is transversal, run by senior leaders in the CSO organisation, and aims to identify opportunities for future returns outside of our

core range of traditional products and services. By being deliberate in demonstrating leadership to advance the ecosystem in these emerging thematic areas, the Group will be well positioned to take advantage of the significant and differentiated revenue potential that will result from maturation of these thematic areas in the future.



For further information on collaborative initiatives the Group participates in, refer to [page 96](#)

1. Adaptation Finance

The world is experiencing impacts from changes in average temperature, seasonal shifting, an increasing frequency and intensity of extreme weather events, and slow onset events.

A significant proportion of our Group's footprint markets are coastal, which means that adaptation represents both a risk and an opportunity for us and our clients.

There is an urgent global need to unlock and scale public and private climate adaptation finance to build shared societal resilience. This need is applicable to all nations but is particularly acute in emerging and developing economies.

Acknowledging our geographical footprint and the multiplier effect of investment in adaptation – where every dollar spent on adaptation this decade could generate up to \$12 of economic benefit ([sc.com/adaptation-economy](#)) – it is our ambition to act decisively and mobilise others on adaptation.

In 2023:

- Closed the Group's first Adaptation Finance transaction; an adaptation letter of credit with a parametric insurance provider for the renewable energy sector.
- Reviewed our Group's portfolio to analyse data on past transactions related to adaptation.
- Used data collected from our Climate Risk Assessments to design an 'adaptation readiness' test at the client level.
- Collaborated externally with KPMG and the United Nations Office for Disaster Risk Reduction (UNDRR) to develop the market's first Guide to Adaptation and Resilience Finance (GARF), which was announced at COP28 and published in early 2024.

"The Adaptation Hub has drawn on our diverse experience from across the Group. Our first Adaptation Finance deal provided a test case to scaling our efforts internally and demonstrate how private sector finance can be deployed into Adaptation. The new Guide for Adaptation and Resilience Finance (GARF) is centred around bankable opportunities and we hope it will unlock significant private sector capital flow towards adaptation in emerging markets."

Alex Kennedy

Head of Sustainable Finance Solutions

2. Blended Finance¹

The Independent High-Level Expert Group on Climate Finance estimate that by 2030 there will be a \$2.5–3 trillion per year financing gap between current baselines and what is required to deliver the UN Sustainable Development Goals (SDGs) in emerging markets and developing countries other than China.

Such sums cannot be delivered through public financing alone. They require the international private sector to step up, including in markets historically considered as too risky for high levels of investment. Blended finance – using concessional public funds to mobilise much larger volumes of private capital – can help to close this gap. The Just Energy Transition Partnerships (JETPs) are an example of such blended finance.

Our hub brings together public and private expertise across the Group, including one of the architects of the South Africa and Vietnam JETPs, to help commercialise blended finance. Some of the objectives of the JETPs – e.g., financing the early retirement of coal-fired power plants – will require truly innovative approaches and collaboration.

In 2023:

- Worked through international fora and industry groups (e.g., GFANZ) to leverage the Group's expertise and support – alongside other international banks – blended finance projects and programmes, including the development of frameworks for early coal retirement.
- Hosted both the Vietnamese and Indonesian governments as they launched their JETP events at COP28.
- Standard Chartered became one of the founding partners of the Bangladesh Climate and Development Partnership, which aims to use blended finance to help Bangladesh adapt to climate change.

"Where money goes today shapes tomorrow's world" was the theory of change for the COP26 organisers. While the scale of the challenge remains significant – the Vietnam and Indonesian JETPs alone each require over \$100bn of private finance – the opportunities also remain clear. Blended Finance offers us in Standard Chartered the chance to make use of donor financing to help the markets that we call home accelerate their journeys towards net zero."

John Murton

Senior Sustainability Advisor

¹ The hub developed an internal working definition in order to differentiate and build upon the Group's already long-established blended finance reputation in Export Credit Agency financing. We use 'Blended Finance' here to refer to the strategic use of catalytic public (and/or philanthropic) capital and regulatory reform to increase private sector investment that supports the SDGs. This can happen at a programme level or at a project level and may involve the creation and use of innovative financing instruments and structures to overcome barriers to investment.

3. Carbon Markets

A high-integrity carbon market, combined with corporate commitments to cut emissions and high standards of reporting, can accelerate the global progress towards net zero by 2050. The use of high-quality carbon credits can play a part in a multi-faceted and urgent approach to decarbonisation, as it enables climate action in sectors and geographies that remain severely underfunded today.

Carbon credits can be complementary to a credible corporate net zero transition plan and help bridge the gap between the emissions reductions that can be implemented now, and the longer lead time for technological solutions that are yet to scale.

Standard Chartered has been at the forefront of several initiatives that are working to ensure that a high integrity, scalable market develops. We offer trading, advisory, financing and risk management services to our clients around the world.

In 2023:

- Involved in some of the largest carbon market transactions, including the Regional Voluntary Carbon Market Company and Climate Impact X (CIX) auctions.
- Established primary supply partnerships with clients in Kenya, Brazil, China and Vietnam.
- Educated policymakers, clients and colleagues on the benefits of a liquid carbon market to bring funding to people and projects that likely would not receive it otherwise.
- Participated in several industry initiatives that support development of the global carbon market: the International Emissions Trading Association (IETA), the Integrity Council for the Voluntary Carbon Markets (ICVCM), the Voluntary Carbon Markets Integrity Initiative (VCMI) and the Africa Carbon Markets Initiative (ACMI).

“For many years, we have faced a huge challenge and a degree of scepticism, to build the framework for a global carbon market. With the arrival of the ICVCM’s Core Carbon Principles and the development of end-to-end carbon market announced at COP28, that framework now exists. We have all the component parts of a vibrant market. We need to make it work in practice and make sure it grows big enough to make a meaningful contribution to global net zero.”

Chris Leeds
Head of Carbon Markets Development

4. Nature Positive Solutions

It is estimated that over half of global GDP is moderately or highly dependent upon nature. Despite its importance, biodiversity is rapidly declining.

Having applied international environmental and social standards in our financing for more than 20 years, our presence in markets with some of the richest biodiversity in the world positions us to engage with a range of stakeholders. We are guided by our commercial ambition to increasingly shift financial flows toward nature positive outcomes and thereby contribute to the halting and reversing of biodiversity loss. Nature is also a critical lever for climate change mitigation and adaptation and the hub collaborates with the Carbon Markets and Adaptation Finance hubs to explore natural climate solutions and ecosystem-based adaptation opportunities.

In 2023:

- Conducted initial impact and dependency assessment to identify our exposure to potentially material sectors in our CCIB segment.
- Partnered externally with organisations such as the Ocean Risk and Resilience Action Alliance (ORRAA) and were invited to participate in the UN Global Compact Ocean Investment Protocol Steering Committee.
- Welcomed the publication of the Taskforce for Nature-related Financial Disclosures (TNFD) guidance and recommendations as we see the value in transparency and comparability when reporting on nature-related dependencies, impacts, risks and opportunities.
- In January 2024, the Group joined a cohort of early adopters of the TNFD framework preparing to publish our first TNFD-aligned disclosures in early 2026.

“The Kunming-Montreal Global Biodiversity Framework signed by 196 nations puts the global economy on a policy trajectory that is needed to bend the curve on biodiversity loss. Now is the opportunity for collective action to halt and reverse biodiversity loss to allow species and ecosystems to recover.”

Oliver Withers
Head of Nature

Climate- and sustainability-related governance

Sustainability-related risks, opportunities and organisational implications are overseen by the Group's Board, Management Team and multiple supporting sub-committees.

Board oversight of climate- and sustainability-related risks and opportunities

The Board is responsible for the long-term success of the Group and its supporting committees consider climate-and sustainability-related risks and opportunities when reviewing and guiding strategic decisions. Throughout 2023, Board activities have included reviewing and guiding strategic decisions on our approach to reach net zero financed emissions by 2050. Since 2019, the Board has approved a Climate Risk Appetite Statement annually to reflect our aim to measure and manage the financial and non-financial risks arising from climate change and to reduce emissions related to the Group's own activities, including those associated with providing financial services to clients, in line with the Paris Agreement.

Management-level governance

Each member of the Group Management Team is responsible for strategically driving climate considerations within their geography, business segment or function in line with our net zero roadmap.

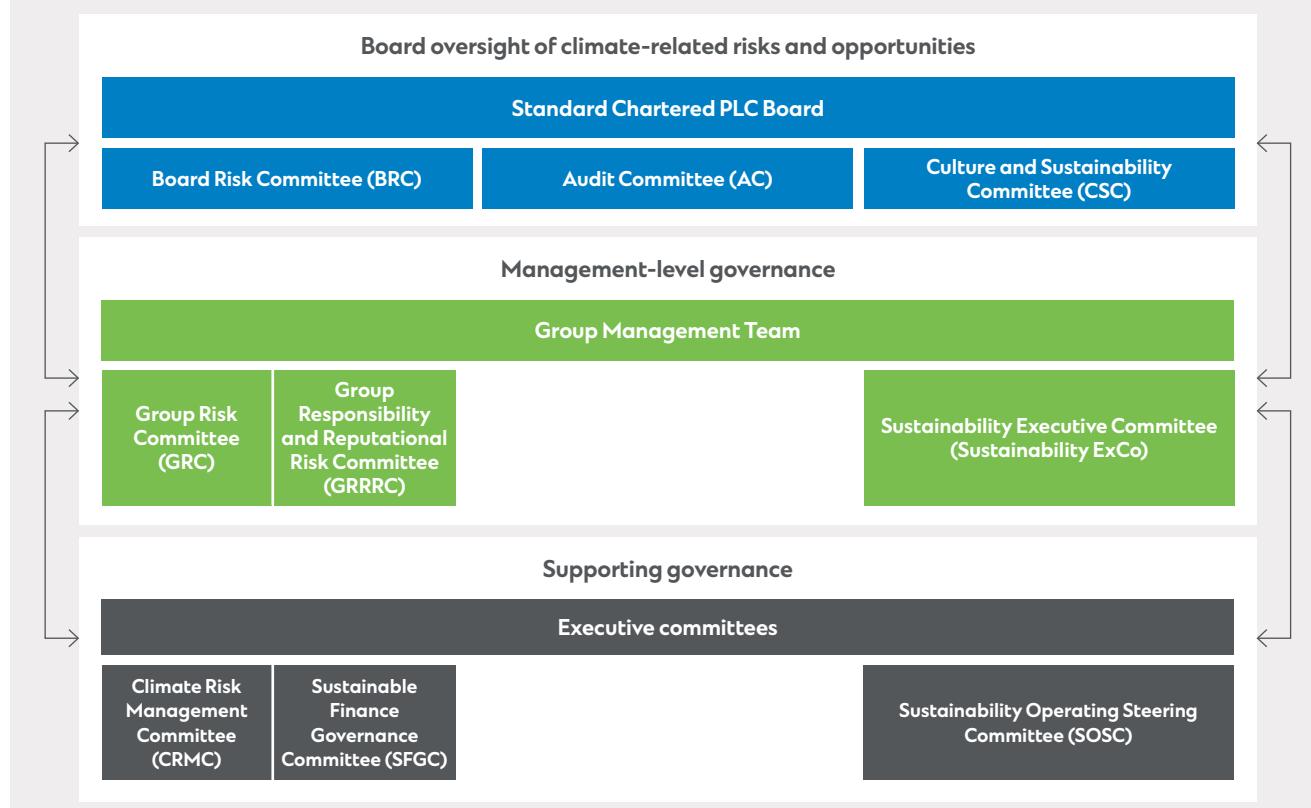
The responsibility for identifying and managing financial risks from climate change sits with the Group Chief Risk Officer (GCRO) as the appropriate Senior Management Function (SMF) under the Senior Managers Regime (SMR). The GCRO is supported by the Global Head, Enterprise Risk Management, who has day-to-day oversight and responsibility for the Group's second line of defence against Climate Risk.

 The structure of the Group's Board and Management Team can be found on [pages 137 to 144](#)

Supporting governance

The oversight and management of climate and sustainability-related risks and opportunities are an integral part of our business management, involving several executive committees. These committees operate under their terms of reference, delineating responsibilities, decision-making process, authority and the escalation route for any material issues. Additionally, a number of teams across our business, risk and functional areas are either dedicated to, or spend a proportion of their time, working on climate and sustainability-related activities. We are also expanding governance and risk management at the regional, country and segment levels to better identify and manage climate-related risks and opportunities.

Structural overview of Standard Chartered PLC's climate- and sustainability-related governance



Governance committees and steering groups

Several committees and steering groups support the Group's Board and Management Team on the management and monitoring of climate and sustainability-related risks and opportunities and associated impacts on our business and for our key stakeholders.

Climate- and sustainability-related governance

Governance body	Chair	Agenda frequency and inputs	Roles and responsibilities	Topics covered in 2023
Standard Chartered PLC Board	Group Chairman	Annual update on Sustainability Climate Risk updates delivered quarterly through the Group CRO report	<ul style="list-style-type: none"> Oversight of the Group's sustainability strategy 	<ul style="list-style-type: none"> Received an update on the Group's sustainability strategy, including progress made against key performance indicators and public commitments Received quarterly Climate Risk updates through the GCRO reports Approved Climate Risk Appetite Statement and Board-level Risk Appetite (RA) metrics The Board received training on climate risk scenarios
Board Risk Committee (BRC)	Independent Non-Executive Director	Climate Risk updates are provided to BRC in Group CRO reports six times a year	<ul style="list-style-type: none"> Provide oversight of the Group's key risks on behalf of the Board and is the primary risk committee at Board level that oversees Climate Risk Consider the Group's Risk Appetite and make recommendations to the Board on the Climate Risk Appetite Statement Assess risk types (including Climate Risk) and the effectiveness of risk management frameworks and policies Provide oversight and challenge the design and execution of climate-related Group-wide enterprise stress tests mandated by a regulator 	<ul style="list-style-type: none"> Reviewed, discussed and challenged: <ul style="list-style-type: none"> (i) the Group's progress on embedding climate risk in line with the Prudential Regulation Authority (PRA) Supervisory Statement (SS 3/19) (ii) the results of the Group's first bespoke short-term base case and tail risk scenarios and development of the Group's internal modelling capabilities, and (iii) key focus areas for 2024 Reviewed Climate Risk Information Report quarterly Monitored adherence to RA metrics
Audit Committee (AC)	Independent Non-Executive Director	Updated annually in the fourth quarter and more frequently if any material disclosures are made outside of the Group's Annual Report	<ul style="list-style-type: none"> Responsible for oversight of the Group's quantitative reporting metrics and controls over those metrics 	<ul style="list-style-type: none"> Reviewed changes to the climate and carbon emissions-related quantitative disclosures to be reported in this Annual Report, and the key controls around those quantitative disclosures
Culture and Sustainability Committee (CSC)	Independent Non-Executive Director	Three times in 2023	<ul style="list-style-type: none"> Review the Group's overall sustainability strategy and monitor its execution Monitor the development and implementation of the Group's public commitment to net zero financed emissions by 2050 	<ul style="list-style-type: none"> Received an update on the Group's sustainability strategy, including risk, regulatory and governance matters, public commitments, and Position Statements Reviewed progress on the Group's net zero roadmap Oversaw the update and consolidation of the Group's Sustainability Aspirations Reviewed and discussed the Group's Environmental, Social and Governance (ESG) rating scores against prioritised frameworks
Group Risk Committee (GRC)	Group Chief Risk Officer (CRO)	Climate Risk updates were provided to GRC in Group CRO report 10 times during 2023	<ul style="list-style-type: none"> Ensure the effective management of Climate Risk in support of the Group's strategy Review Risk Appetite (RA) and approve Management Team-level RA metrics and thresholds for Principal Risk Types and integrated risks, including Climate Risk 	<ul style="list-style-type: none"> Received an update on Climate Risk embedding and the Climate Risk profile as part of the Risk Information Report Approved the Management Team-level Climate RA metrics and monitored adherence to these

Governance body	Chair	Agenda frequency and inputs	Roles and responsibilities	Topics covered in 2023
Group Responsibility and Reputational Risk Committee (GRRRC)	Group Head, Conduct, Financial Crime and Compliance	Monthly	<ul style="list-style-type: none"> • Oversee and approve Position Statements including sector-specific and cross-sector statements including Climate Risk • Oversee climate-driven Reputational and Sustainability Risk Appetite • Oversee changes to Climate Risk decision frameworks 	<p>Reviewed:</p> <ul style="list-style-type: none"> • Exposure to clients that do not comply with enhanced environmental and social criteria • Transactions where Position Statement criteria are not fully met • Transactions with high or very high Reputational Risk with climate change factors and decisions on whether to decline transactions or not • The process for net zero portfolio steering and governance, including: <ul style="list-style-type: none"> (i) evaluating clients' transition plans, (ii) refreshed financed emissions data for clients in sectors where the Group has set net zero targets and (iii) ongoing approach to net zero portfolio management • Updates for cross-sector and sector-specific Position Statements
Sustainability Executive Committee (Sustainability ExCo)	Chief Sustainability Officer (CSO)	At least eight times a year	<ul style="list-style-type: none"> • Hold ultimate decision-making authority over all material Sustainability initiatives as delegated by the Group Management Team • Direct actions as necessary for areas of improvement to ensure the effective implementation of Sustainability initiatives • Review findings and escalations from delegated committees (including but not limited to the Sustainability Operating Steering Committee) • Oversees the net zero programme 	<p>Reviewed and approved:</p> <ul style="list-style-type: none"> • New or updated net zero sector targets for Aluminium, Steel, Power, Cement, Residential Mortgages and Commercial Real Estate • Consolidation of the Group's Sustainability Aspirations <p>Discussed:</p> <ul style="list-style-type: none"> • The Group's approach to integrating nature-related risk into the business model • The Group's ESG ratings and priority disclosures
Climate Risk Management Committee (CRMC)	Global Head, Enterprise Risk Management	Six times in 2023	<ul style="list-style-type: none"> • Oversee development and implementation of the Climate Risk framework, including relevant regulatory requirements • Oversee all aspects of risk management practices for climate-related financial and non-financial risks, including leadership and oversight in developing and effectively implementing the Group's Climate Risk management framework • Provide structured governance around engagement with relevant Principal Risk Types impacted by or linked to Climate Risk • Provide challenge and recommend Climate Risk-related Enterprise Stress Test results • Review, challenge and provide input on external disclosures such as Climate Risk-related financial disclosures, including those set out by the Taskforce on Climate-related Financial Disclosures (TCFD) • Monitor and manage the Climate Risk and net zero profile of the Group within Risk Appetite 	<p>Drove delivery of:</p> <ul style="list-style-type: none"> • Climate-related Group-wide stress testing and management scenario analysis • Progress associated with integrating Climate Risk across all impacted risk types • Climate Risk-related external disclosures, including those discussed in this report • Climate Risk research with Imperial College London • Regulatory feedback and supervision • Climate-related management information and Risk Appetite metrics • Approach to delivering training and upskilling staff on Climate Risk across the Group • Oversight on the development, ownership, as well as the results of Climate Risk models in scope

Governance body	Chair	Agenda frequency and inputs	Roles and responsibilities	Topics covered in 2023
Sustainable Finance Governance Committee (SFGC)	Global Head of Sustainable Finance (SF)	At least six times a year	<ul style="list-style-type: none"> Provide leadership, governance and oversight in delivering the Group's SF offerings Review and endorse SF products Guide the Group in identifying opportunities in SF and managing the greenwashing risks relating to SF 	<p>Reviewed and approved:</p> <ul style="list-style-type: none"> SF products including sustainable cash products, sustainable trade finance products and SF retail loan products Green and sustainable finance transactions including transactions with climate-related key performance indicators The Group's approach to launching sustainable and climate products The Group's Green and Sustainable Product Framework (GSPF), encompassing a range of climate finance activities The Group's Transition Finance Framework outlining our approach to defining transition activities The Group's approach to pureplay clients which align to the Group's GSPF
Sustainability Operating Steering Committee (SOSC)	Head Strategic Initiatives, Sustainable Finance	Monthly	<ul style="list-style-type: none"> Central forum where all strategic priorities related to sustainability are consolidated, prioritised and agreed upon Oversee and monitor milestones and deliverables of sustainability initiatives Ensure sustainability investment budget is centrally prioritised and allocated to Business and Function's Quarterly Performance Reviews Be a forum for escalation and decision-making 	<ul style="list-style-type: none"> Tracked delivery of net zero sectoral target setting against our commitments Enforced accountability and fostered collaboration across the Group to implement the Group's net zero plan requirements and advance the digitalisation of Sustainable Finance data and reporting Provided updates on advancement within the Group's innovation hubs

Governance of our Sustainable Finance frameworks

We have Product Programme Guidance documents which underpin each Sustainable Finance product that we offer, signed off by a delegate of the Sustainable Finance Governance Committee (SFGC) following approval of the product construct by the SFGC.

The SFGC is our forum for reviewing Sustainable Finance products and derives its authority from the Group Responsibility and Reputational Risk Committee (GRRRC). The SFGC is our foremost committee on managing greenwashing risk in Sustainable Finance product design and labelling.

- Our **Green and Sustainable Product Framework** sets out our approach to mitigating greenwashing risk across our product suite and defines the themes and activities that we consider eligible for green and social financing. The Framework is informed by international market guidelines and standards on green and sustainable finance, among others, the Climate Bonds Standard, EU Taxonomy for sustainable activities and the Green Loan Principles. Co-authored with Morningstar Sustainalytics, our Framework is reviewed annually to ensure it remains in line with the latest industry standards. For more information, please visit sc.com/gspf.

- Our **Sustainability Bond Framework** governs our sustainable debt products, providing transparency and guidance on the use of proceeds and the impact of the green, social and sustainability bonds and notes issued by the Group. It has received a Second Party Opinion from Morningstar Sustainalytics, which confirms our Framework is credible, impactful and aligns with industry guidelines. For more information, please visit sc.com/sustainability-bond-framework.
- We have outlined our approach to defining Transition Finance in our **Transition Finance Framework**. This Framework is informed by the 2023 IEA NZE 2050 scenario and is reviewed annually to ensure it is in line with the latest available science and industry standards. For more information, please visit sc.com/transition-finance-framework.

Incentive structure

Our sustainability-related goals and targets are reflected in the measures that determine employee incentives and variable remuneration. Variable remuneration is based on measurable performance criteria linked to the Group's strategy and overseen by the Remuneration Committee.

Annual incentive

Annual incentives are based on the assessment of the Group scorecard which contains financial and strategic measures and is operated for the majority of our employees.

Sustainability-related measures continue to be included in the 2024 Group scorecard related to:

- Growing Sustainable Finance income in our CCIB segment
- Reducing our financed emissions for key sectors in line with our risk appetite and based on our interim 2030 sectoral targets
- Meeting key milestones for building client and transaction-related, and central data infrastructure for delivering on our net zero ambition
- Reducing Scope 1 and 2 emissions in line with our operational net zero by 2025 target

Long-Term Incentive Plan (LTIP)

LTIP awards are granted to senior executives who have the ability to influence the long-term performance of the Group. Members of the Group Management Team are eligible for LTIP awards, which may also be granted to other employees in the Group.

Sustainability continues to be included in the 2024–26 LTIP through the following performance measures:

- Accelerating zero: Progress towards our 2030 Sustainable Finance mobilisation target in each of the three performance years
- Lifting participation: Year-on-year growth in financing activity with female and/or small and medium enterprise (SME) clients and other underserved populations
- Delivering on our Sustainability Aspiration to further develop the global sustainability ecosystem by actively contributing to global partnerships, initiatives and cross-sector collaborations

 Further details can be found in the Directors' remuneration report on pages 195 to 204

Key individuals or teams with climate-related objectives which impact variable remuneration

In addition to the Group scorecard and LTIP performance measures, dedicated climate and sustainability-related objectives apply across functional and regional scorecards including the Risk function, and individual objectives add a further link between sustainability outcomes and reward.

Individual or team	Objectives/performance linkage
Group Management Team (MT)	Members of the Group MT are eligible for an annual incentive based on the outcome of our Group scorecard and an LTIP award which both include sustainability-related measures. Further details can be found on pages 200 to 203 of this Annual Report.
Group Chief Risk Officer (CRO)	The Group CRO is responsible and accountable for Climate Risk under the Financial Conduct Authority's Senior Managers and Certification Regime. This includes responsibility for overseeing the delivery of the Climate Risk workplan covering Climate Risk governance, Climate Risk assessment, Climate Risk scenario analysis and stress testing, and Climate Risk disclosure.
Chief Sustainability Officer (CSO)	The CSO helps drive the Group's sustainability agenda and brings together its Sustainable Finance, Sustainability Strategy, Net Zero Delivery, Strategic Initiatives and Environmental and Social Risk Management (ESRM) teams. Performance measures for the CSO include progress against the delivery of net zero roadmap and Sustainable Finance targets.
Global Head of Supply Chain Management	The Global Head of Supply Chain Management is responsible for ensuring and overseeing the delivery of supply chain emissions and climate related objectives and plans in partnership with contract owners across the Bank. This includes baselining our supply chain emissions related to products and services, supply chain emissions disclosures, and the implementation of plans to reduce supply chain-related emissions and managing climate risks in partnership with our suppliers.
Global Head, Property	The Global Head, Property is responsible for delivering on our aim to reach net zero carbon emissions in our own operations by 2025.
All employees	Selected sustainability-related targets are incorporated into our annual Group scorecard which determines annual incentives for the majority of our employees.

Managing Environmental and Social Risk

We seek to proactively manage Environmental and Social (E&S) Risks and impacts arising from the Group's client relationships and transactions.

For over 20 years, our cross-sector Environmental and Social Risk Management (ESRM) Framework has helped us apply international standards and best practices across all our markets. In the frontline, our ESRM team within the Chief Sustainability Officer (CSO) organisation oversees the management of E&S Risks associated with our client relationships.

 For further information please refer to our ESRM Framework at sc.com/esriskframework

Our approach is embedded directly into our credit approval process and supports us to work with our stakeholders to identify, manage, mitigate and monitor the potential impacts that stem from our financing decisions.

Our Position Statements, approved by the Group Responsibility and Reputational Risk Committee (GRRRC), outline the cross-sector and sector-specific criteria we apply to assess whether to provide financial services to our clients.

We use these statements – which draw on International Finance Corporation (IFC) Performance Standards, the Equator Principles (EP) and global best practice – to assess E&S risk related to our financing.

Position Statements

Cross-sector Position Statements

Climate Change

Human Rights

Nature

Sector-specific Position Statements

Agribusiness

Chemicals and Manufacturing

Extractive Industries

Infrastructure and Transport

Power Generation

Thermal Coal

Prohibited Activities

We reviewed 1,341 clients and 708 transactions that presented potential for elevated E&S risk in 2023. If we find a material E&S issue, we take steps to proactively engage the client to mitigate identified risks and impacts, and support and guide our clients to improve their E&S performance over time. However, for clients who do not meet our Position Statement criteria, we may look to withdraw financial services and exit the relationship if we cannot work with them to align over time.

In 2023, we completed the review and update of our cross-sector Climate Change and sector-specific Position Statements covering all sensitive sectors, with the requirements to take effect in 2024. We also commenced the review of our cross-sector Human Rights Position Statement.

During the year, we evolved our approach to nature risk assessment. This included a loan book analysis to identify impacts and dependencies from nature-related risks at sector, country and financial services levels. The Group's cross-sector Nature Position Statement provides a consolidated view of our approach to managing Nature Risk across our business, operations and supply chain.

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

 Our list of Prohibited Activities can be found at sc.com/prohibitedactivities

 Our reporting against the Equator Principles can be found on page 504 or at sc.com/equatorprinciples

Managing Climate Risk

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

1. Treat Climate Risk like a traditional risk type. Climate Risk may lead to financial losses and non-financial detriments, much like Credit Risk, and should be managed as such to limit the 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.

Our climate toolkit – Processes for identifying and assessing Climate Risks

We have invested in a number of toolkits and partnerships to quantitatively measure climate-related physical and transition risks and we have conducted scenario analysis across a range of plausible scenarios in 2023. We continue to engage with our clients to understand their climate adaptation, mitigation and transition plans. In 2024 and beyond, we aim to reduce reliance on third-party models with the development of our internal carbon elasticity and IFRS 9 expected credit loss models including climate-related impacts.

Toolkits and Partnerships	Description
In-house Climate Risk Questionnaires	Client-level Climate Risk Questionnaire (CRQ) to assess and gather information on client mitigation and adaptation plans. The information gathered through these CRQs form part of the Client-level Climate Risk Assessments (CRAs).
Munich Re	Physical Risk assessment tool built on extensive re-insurance experience to obtain location-based hazard and risk scores under current day for acute weather events (e.g., storms, floods, or wildfire) and longer-term time horizons (2050, 2100) for Representative Concentration Pathway (RCP) scenarios 2.6, 4.5 and 8.5, and for chronic risks such as sea level rise.
Baringa Partners	Scenario expansion models and expertise used to design bespoke short-term scenario narratives and build scenarios for management stress tests and implement them within the Aladdin Climate transition risk models.
BlackRock	Aladdin Climate transition risk models are used to translate the impact of transition and Physical Risk scenario variables on company financials and probabilities of default, and obtain temperature alignment results to assess a temperature score to indicate client- and portfolio-level global warming potential up to 2030. ¹
S&P Global	Asset locations, energy mixes and client-level emissions i.e., absolute emissions (tonnes of CO ₂ e) and emissions intensities by revenue (tonnes of CO ₂ e/\$ million) for Scope 1 and 2 and, where available, for Scope 3 emissions.
Imperial College London	Academic expertise leveraged to advance our understanding of climate science, upskill our employees and senior management, and progress independent research on climate risks with a focus on emerging markets.

¹ The inclusion of the Aladdin Climate analytics, based on models from BlackRock, contained in this report should not be construed as a characterisation regarding the materiality or financial impact of that information. The Aladdin Climate analytics include non-financial metrics that are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data. The Aladdin Climate analytics are not fixed and are likely to change and evolve over time. The Aladdin Climate analytics rely on comparatively new analysis and there is limited peer review or comparable data available. BlackRock does not guarantee and shall not be responsible for the content, accuracy, timeliness, non-infringement, or completeness of Aladdin Climate analytics contained herein, or have any liability resulting from the use of the Aladdin Climate analytics in this report, or any actions taken in reliance on any information herein.

Limitations with existing tools and data

We recognise that there are limitations when assessing Climate Risk, given approaches to quantifying Climate Risk are nascent and data availability and coverage across our clients continue to present challenges. This is particularly true in emerging markets where Climate Risk-related disclosure and preparedness can be less advanced. We have seen limitations in coverage, granularity of information at client group and entity level and timeliness of data leading to the use of proxies such as regional and/or sector averages and sovereign heatmaps. Most tool outputs do not factor in

existing adaptation measures, governmental policies to protect and build for changing climate, and structural adaptation e.g., age and quality of construction or flood defences and dams protecting the property. Over time, sovereigns and policymakers are also expected to drive market trends such as investment in adaptation plans, technological advancements, innovative risk transfer and mitigation approaches to combat the potential impacts of climate change. Such assumptions are not factored into our analysis.

We have seen an improvement in data coverage since the creation of our Climate Analyst team in the first line of defence and Relationship Managers engaging clients to close data gaps. Additionally, we are in the process of setting up a centralised data store which will capture all sustainability-related data for our clients, including monitoring of the data quality, and reduce the usage of proxies over time. We recognise that data coverage will keep pace with client disclosures and reporting, which is likely to be aligned with timelines on sovereign requirements and commitments. This places some reliance on proxy information, and we will refine our evaluations and methodologies progressively as the availability and quality of data improves.

The data we have captured through various sources has helped us develop our client-level climate-risk assessments for both existing and new clients, improve our internal climate modelling capabilities and strengthen the risk measurement and monitoring of our portfolios.

Integrating climate-related risks into overall risk management, client segments and own operations

We manage Climate Risk according to the characteristics of the impacted Principal Risk Types (PRTs). Risk Framework Owners for the impacted PRT are an integral component of the Enterprise Risk Management Framework (ERMF) and responsible for embedding Climate Risk requirements within their respective risk types. In 2023, we have continued to build Climate Risk into existing risk management frameworks and processes. The areas where we have made progress to embed Climate Risk considerations within the first line of defence and across PRTs are listed in the following table.

Impacted Risk Type	Key updates in 2023	Next steps	Page
Credit Risk – CCIB  	<p>Disruption to clients' business models due to physical or transition risk impacting their profitability and thereby affecting their capacity to repay debt, or the capital and collateral required to back the loan.</p> <ul style="list-style-type: none"> Completed ~4,100 Climate Risk Assessments (CRAs) accounting for ~85-90 per cent of our corporate portfolio limits. Established linkages to Credit Underwriting Principles for four sectors (Oil and Gas, Shipping, Commercial Real Estate (CRE) and Mining), spanning climate-related analysis, portfolio-level caps and additional data gathering measures. Designed Version 3 of the Climate Risk Questionnaire with sector-specific nuances and covering questions related to net zero and Credible Transition Plans (CTPs). Established a Net Zero Climate Risk Working Forum to discuss account plans and risk decisions on high Climate Risk and net zero divergent clients. Initiated work on building our approach to assess physical and transition risk to underlying collateral specifically for CRE and Shipping portfolios. Assessed the impact of climate risks for approximately 95 per cent of our CCIB portfolio under different climate scenarios. The first-generation transition risk models, for Corporates (priority sectors including Oil & Gas, Mining, Steel and Power, and a generic Carbon Elasticity Model), Sovereign, as well as the Temperature Alignment models for Automotive Manufacturers, Oil and Gas, Steel, and sector agnostic models have been developed. 	<ul style="list-style-type: none"> Enhance portfolio management and oversight on clients exposed to climate-related risks within the credit decisioning processes. Enhance quality and streamlining underlying client-level assessments across financial and non-financial impacts from ESG risks including climate and net zero. Upskill all impacted client relationship staff including credit officers with a net zero certification. Build Physical Risk grading capabilities. 	300
Credit Risk – CPBB  	<p>Physical risks, such as rising sea levels and severe flood events, could adversely impact repayment ability through damages to properties or loss of insurance cover, leading to potential increases in credit losses or due to changes in the economic environment as the economy transitions towards lower emissions.</p> <ul style="list-style-type: none"> We now assess physical risk for 79 per cent and transition risk for 54 per cent of our CPBB credit portfolio as of September 2023. We have quantified the transition risk for our top consumer mortgage markets using energy bills data, where available and proxies based on financed emissions, while utilising actual energy performance certificate data for the markets where this information is available (currently only Jersey). Worked with Imperial College London to enhance the Retail Mortgages physical risk approach (through Property Price Index haircut), for usage in stress testing exercises. 	<ul style="list-style-type: none"> Expand our scenario analysis capabilities for CPBB across physical and transition risks. Continue to refine the transition risk approach to enable factoring in the impact from transition risk on underlying collateral. 	298

 Physical Risk  Transition Risk

Impacted Risk Type	Key updates in 2023	Next steps	Page
Operational and Technology Risk  Impact of acute or chronic physical risks may disrupt our own properties, data centers and third parties leading to business disruptions. Furthermore, increased costs may arise through implementation of practices such as renewable energy sources and waste reduction to reduce emissions.	<ul style="list-style-type: none"> Physical risk scenarios impacting our sites and causing disruption to services are assessed for loss estimates. New sites onboarded within the Group are assessed for physical risk vulnerabilities. Third-party continuity plans have been enhanced to include climate risk related disruptions. 	<ul style="list-style-type: none"> Gather site locations for our material vendors to assess their physical risk exposures, such that suitable continuity plans can be developed. 	308
Country Risk  Both Physical and Transition risks can have a direct impact on a sovereign's economic strength and increase their cost of borrowing, directly impacting overall creditworthiness.	<ul style="list-style-type: none"> Our methodology for Physical and Transition Risk Sovereign Rankings serves as an input into the annual sovereign reviews and quarterly early warning indicators. We have developed Climate Risk report cards for approximately ~30 sovereigns covering 75% of GCR exposure across our footprint, which provide a detailed breakdown of the Physical and Transition Risk scores, along with key takeaways and historic climate disaster statistics. We have built an in-house Sovereign climate model that forecasts Sovereign credit grades across the various NGFS scenarios. Country limit benchmark computations consider climate factors. 	<ul style="list-style-type: none"> Enhance our methodology for the assessment of sovereign physical risks to limit reliance on static data sources from external research and expand coverage to include nature/biodiversity risks. 	306
Reputational and Sustainability Risk  Potential for stakeholders to view the Group negatively due to actual or perceived actions or inactions in response to our stated climate, ESG and net zero commitments. Increasing expectations from governments, regulators, NGOs, investors, and individuals heightens reputational risks.	<ul style="list-style-type: none"> Additional due diligence is conducted to support client or transaction level assessments for (i) clients covered by the Group's net zero targets for high-carbon sectors (Oil & Gas, Power, Steel, Aluminium, Cement, Automobiles, Shipping, Aviation & CRE) (ii) clients with a coal nexus as well as (iii) those assessed as high climate risk. Governance standards and new controls rolled out to mitigate the greenwashing risk throughout the lifecycle of Sustainable Finance products. The controls aim to ensure accurate Sustainable Finance labelling and ongoing monitoring of clients, products, and transactions, and are continuously reviewed and tested for control effectiveness, bearing in mind the changing regulatory landscape and innovation in Sustainable Finance. Established key management information to track divergence of net zero pathways from group-level sector targets to aid the monitoring of the impact of climate risk on various portfolios. 	<ul style="list-style-type: none"> Increase in the pace and variety of Regulations around Sustainability with a focus on greenwashing will be a key priority for 2024. Ensure framework and controls consider new regulations and the controls are embedded in an effective manner. 	305
Traded Risk  Acute physical risk events or a disruptive transition can cause sudden changes in the fair value of assets driven by commodity price changes. Additional impact may result due to trigger sales, sudden and negative price adjustments where these risks are not yet incorporated into prices.	<ul style="list-style-type: none"> The Traded Risk stress testing framework covers market impacts from Climate Risk, including an assessment of transition effects from climate change policies and two physical risk scenarios as part of the global Traded Risk scenarios inventory. These flow into existing Traded Risk Appetite metrics. 	<ul style="list-style-type: none"> Extend the tail scenario narratives developed for the CCIB portfolio to develop transition risk scenarios for the trading book and implement enhancements related to Market Risk factors and shorter-term shocks. 	308

 Physical Risk  Transition Risk

Impacted Risk Type	Key updates in 2023	Next steps	Page
Treasury Risk  	<ul style="list-style-type: none"> Progressed towards a more quantitative approach as we continue to consider capital requirements as part of the Group Internal Capital Adequacy Assessment Process (ICAAP). Commenced monitoring of climate risk-related vulnerabilities and readiness of our top corporate liquidity providers, leveraging our client-level climate risk assessments. 	<ul style="list-style-type: none"> Review risk pockets within high Climate Risk and net zero divergent sectors as part of the ICAAP. Advance our capabilities to assess Climate Risk as part of the Internal Liquidity Adequacy Assessment Process (ILAAP). 	309
Model Risk  	<p>Model Risk may exist from inappropriate design / specification / development / governance of a model relative to the intended business objectives and/or ineffective model remediation in response to issues identified by model validation.</p> <ul style="list-style-type: none"> The first-generation of internal models have been developed and are in various stages of model governance. 	<ul style="list-style-type: none"> Target to enhance physical risk modelling capabilities, advancing sector models to factor in sector-specific nuances and building carbon elasticity models for Shipping and Automobile. Implementation of models within the Group's infrastructure. 	309

 Physical Risk  Transition Risk

Investing in Climate Risk research

Since the launch of our four-year partnership with Imperial College London in 2020, the Group has sponsored a series of public research projects. As part of our ongoing academic partnership, we supported new climate research on the range of opportunities that exist for private investors in nature-related investments and cross-sectoral implications of electrification of transport in India. In 2023 we have cooperated with Imperial College London on three specific projects:

1. Asset haircuts

For our key residential mortgage markets, we have collaborated with our academic partner to develop an internal model for revaluing property valuations under different climate scenarios using the forward-looking risk indices from Munich Re. These revaluations are then used to inform haircuts on the property prices and arrive at climate adjusted Expected Credit Loss values for the mortgage book.

2. Country Risk

The cooperation involves the construction of a methodology used to project sovereign ratings along selected NGFS climate scenarios for 40 target countries. The model develops a term structure of sovereign Probability of Defaults (PDs) along each climate scenario and associated projected ratings and compares it with a term structure of sovereign PDs and ratings in a counterfactual (non-climate change) scenario.

3. Cross-sectoral implications of transport electrification in India

Exploring the potential impact of introducing a legislative requirement for the switch to electric vehicles (EVs), including, but not limited to supply chain management, the strain on existing power supply (as some regions are already experiencing regular blackouts), and the need for expansion of the power grid to support the connection of the required number of chargers. The research has been completed and preparations for the publication have been made.

Integrity, conduct and ethics

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

Good conduct is critical to delivering positive outcomes for our clients, markets and stakeholders. It is fundamental to achieving our brand promise, here for good. Conduct Risk may arise anywhere in the Group at any time. The Group therefore expects all employees to be responsible for managing Conduct Risk given it is a transversal risk, which means it impacts every aspect of the Group’s operations.

Our Conduct Risk management approach has been strengthened since 2022 through several initiatives, including launching the new Group Conduct Risk Management Standard, which sets minimum standards for the management of Conduct Risk across our operations. The Group employs a risk-based, three lines of defence approach to Conduct Risk management, where oversight, governance and controls applied are proportionate to our assessment of the risk. We set target Conduct Outcomes that the Group aspires to deliver for clients, external stakeholders, employees, and the environment.

Code of Conduct and Ethics

The Code of Conduct and Ethics (the Code) remains the primary tool through which we communicate our conduct expectations. In October 2023, we launched the refreshed Code to improve alignment with our Stands, strengthen the link between ethics, culture, conduct, and the Group’s strategy. The Code is intended to be more than a guidance document: rather, it is a code to live by, designed to guide colleagues through how to live our valued behaviours on a day-to-day basis, whatever their business, function, region, or role. We have made the Code more user friendly, interactive and accessible to all colleagues. The Code also includes more content on ethical leadership, the way we use personal data, having a culture of inclusion and feeling safe to speak up.

 Download our Code of Conduct and Ethics at sc.com/codetofconductandethics and visit sc.com/speakingup to find more about how our Speaking Up programme works

To reinforce our shared commitment to the highest possible standards of conduct, each year we ask our colleagues to reconsider what the Code means to them through a refresher e-learning, and to reaffirm their commitment. In 2023, 99.8 per cent of our colleagues completed the mandatory training and affirmation. Colleagues who are overdue without a valid reason are subject to a 25 per cent reduction in their annual variable compensation for the year they failed to attest.

99.8%

of employees affirmed recommitment to our Code annually

Speaking Up

Our Speaking Up programme provides a safe, independent and confidential way to report concerns. It helps build and maintain a strong ethical culture, with integrity, trust, and transparency. The early disclosure of concerns reduces the risk of financial and reputational loss caused by misconduct. We encourage colleagues, contractors, clients, suppliers and members of the public to use our Speaking Up programme without fear of retaliation. When a concern is raised, our Shared Investigative Services team will determine whether the matter is a Speaking Up disclosure or if it is an out-of-scope disclosure. Examples of Speaking Up concerns may include breaches of regulatory requirements or breaches of Group policy or standards. Out-of-scope disclosures will be referred to the appropriate internal teams. If a matter is considered a Speaking Up Disclosure, relevant Shared Investigative Services and/or Employee Relations colleagues will conduct fact-finding into the matter, with any follow-up action taken as required following the fact-finding process.

Throughout 2023, we hosted a series of awareness campaigns to ensure that our colleagues understand the importance of upholding our conduct standards and know how, and when, to Speak Up. To recognise Whistleblowers' Day on 23 June, the Global Head of Conduct, Financial Crime and Compliance issued a Group-wide communication underlining the importance of Speaking Up. A World Whistleblowers' Day panel discussion was held, covering Speaking Up and ESG (Environmental, Social and Governance) topics, with Group Independent Non-Executive Director and Whistleblowing Champion Phil Rivett as a panellist.

Fighting financial crime

Access to the financial system helps transform lives around the world, helping to reduce poverty and spur economic development. But the financial system is also used by those involved in some of today's most damaging crimes – from human trafficking to terrorism, corruption and the drug trade. Our ambition is to help tackle these crimes by making the financial system a hostile environment for criminals and terrorists. We have no appetite for breaches in laws and regulations related to financial crime.

Our Conduct, Financial Crime & Compliance (CFC) team sets our financial crime risk management framework. We seek to protect our clients and communities against money laundering (AML), terrorist financing, sanctions, fraud and other risks, applying core controls such as client due-diligence, screening and monitoring, and strengthening our people's understanding as to how to identify, manage and mitigate such risks. In addition, anti-bribery and corruption (ABC) controls aim to prevent colleagues, or third parties working on our behalf, from engaging in bribery or corruption.

A particular focus of our financial crime investigatory teams is the use of data analytics to identify those clients and cases which generate the greatest financial crime risk. This has strengthened the second line of defence in support of colleagues in business lines and country teams across the Group.

To mitigate the risk of financial crime, particularly laundering the proceeds of corruption, in the lead-up to, during and after major political elections in footprint markets, the Group conducts enhanced monitoring designed to identify and investigate transactions of potential concern. In 2023, enhanced monitoring was conducted during major elections and times of political transition or conflict, for example in Nigeria, Sierra Leone and Zimbabwe.

This event was part of the wider Global Conduct Week from 19 to 23 June, themed 'Be the Change', which encouraged colleagues to think about how their individual actions on a daily basis can aggregate to a much wider impact on outcomes for our clients, customers and other stakeholders. In addition, in October 2023, a Group-wide panel discussion was held to celebrate Global Ethics Day, with the theme 'Ethics Empowered'. All campaigns included interactive messages from our senior leaders and live panel discussions designed to both set the tone from the top and nurture it from within.

The Speaking Up programme continues to be utilised across all countries, businesses and functions, and our 2023 MyVoice survey found that 88 per cent of employees (no change from 2022) felt comfortable raising concerns through these channels. The Board reviews a Speaking Up report annually. For the period July 2022 to June 2023 a three per cent (34 cases) decrease was noted in the volume of total disclosures via Speaking Up channels compared with the previous period (i.e. July 2021 to June 2022).

88%

of employees in our MyVoice survey felt comfortable raising concerns through Speaking Up channels

 Visit our Speaking Up programme's website <https://secure.ethicspoint.eu/domain/media/en/gui/108379/index.html>

Since the beginning of the war in Ukraine on 24 February 2022, the authorities of the European Union, United Kingdom, United States, and several other nations have imposed multiple rounds of sanctions against Russia by targeting a wide range of Russian entities (state-owned and private) and a large number of Russian elites, oligarchs, political leaders and officials. While the pace of change and the complexity of these sanctions against Russia are unprecedented and had the potential to create areas of uncertainty as to the scope of some of the regulatory prohibitions, we have sought to comply with these requirements fully and promptly. This work remains a significant area of focus for teams across the first and second line of defence.

We have invested significantly to ensure our employees are properly equipped to combat financial crime. In 2023, 99.9 per cent of colleagues and governance body members completed financial crime mandatory e-learning which cover topics such as ABC, AML including terrorist financing, sanctions, tax evasion and fraud topics (Asia: 99.9 per cent, AME: 99.8 per cent, EA: 99.8 per cent, Governance body members: 100 per cent).

99.9%

of colleagues and governance members completed financial crime mandatory e-learning

Fighting financial crime continued

For those in high-risk roles and functions, we delivered additional training across all financial crime areas, including in-depth awareness on Russia sanctions, ABC training for targeted roles, training on tax evasion risks, trade AML, and money laundering risks concerned with money mules and shell companies. We also delivered new training modules on financial crime risks in fintech and digital assets. In addition, masterclasses and forums were held to deepen understanding. We shared our Supplier Charter, which sets out our principles and expectations, and provides guidance related to ABC, with 11,563 suppliers and third parties across 48 markets.

This was supported by our Group-wide financial crime awareness campaign, 'The Whole Story', which aimed to raise employee awareness of the real-life impact of financial crime and highlight the work we are doing individually and collectively to build a robust risk culture and lead in the fight against financial crime. The Whole Story 2023 theme of 'Let's get #fightingfit' focused on how we can reboot and recharge the fight against financial crime and play a part in driving the right outcomes for our clients, through the right conduct and culture, vigilance and risk management.

Collaborative initiatives

Our public-private partnerships are aimed at producing new insights about various criminal typologies and advances in how we collectively combat financial crime in an increasing number of jurisdictions, including Singapore, Hong Kong, South Africa, India, the UK and UAE.

Throughout 2023, we also engaged with peers in contributing to the ongoing dialogue to advance effectiveness in combating financial crime through our active participation in several of the leading industry groups, including the Wolfsberg Group of global banks, Madison Group and UK Finance.

We also participated in discussions and forums with many external thought leaders including participation with the World Economic Forum's Partnering Against Corruption Initiative and United Nations Office on Drugs and Crime, in addition to hosting events with clients designed to foster dialogue on the tackling of financial crime.

 For more, visit sc.com/fightingfinancialcrime

Responsible lending and fair treatment of our customers in our CPBB segment

The Group's Board of Directors provides oversight of the Group's treatment of customers through its reporting and committee structures. The relevant governance forum or Risk Committee is required to challenge the business for any new or material product proposals prior to the commencement of the product approval process.

Escalations may be taken to the CPBB Risk Committee chaired by the CPBB Chief Risk Officer or the Group Risk Committee chaired by the Group Chief Risk Officer, and ultimately to the Group's Board and Board Risk Committee. Oversight and governance of Collections is performed by the CPBB Risk function with regular reviews of performance metrics and complaints-handling data.

Complaints management

Formal avenues are established for CPBB customers to lodge complaints. A complaints-handling process has been put in place to enable the proper receipt, acknowledgement and independent and effective handling of complaints, which are to be resolved and notified to customers within a reasonable turnaround time without compromising the quality of the review.

At the global level, key complaints insights, trends and root causes are provided to the CPBB Risk Committee every month. Examples of key metrics that are used to track and manage complaints across CPBB markets include: total number of complaints received in the month split by type and root cause, including sub-categories such as potential inappropriate sales, proven mis-selling or fraud, and percentage of complaints resolved within the pre-determined turnaround time.

Loan modifications

Where possible, practical support programmes may be offered to customers experiencing financial difficulty. Loan modification options that may be offered to our customers take into account the most recently available information on the customer's income, expenditures and circumstances. Collections staff managing these arrangements are trained to discuss options thoroughly with customers in order that any restructured payments, if agreed, are kept affordable.

Collections

Across the Group, while the approach may vary across markets in line with local regulations, programmes to assist retail banking borrowers in financial distress are handled by Collections teams.

The expectation on the Bank's Collections teams include meeting the following requirements:

- Providing a fair and reasonable treatment regarding any late fees
- Aligning calling and visitation hours to local regulations and practices
- Updating the financial status of customers on a timely basis in our systems to support fair treatment
- Having all customer interactions with the Collections teams, complaints and feedback monitored and regularly reviewed

All Collections staff responsible for dealing with customers in financial distress are trained prior to commencement of collection activities, and in particular, are required to be familiar with the Bank's Code of Conduct and Ethics. Where external collections agencies are utilised, these agencies undergo assessment and due diligence in accordance with Group sourcing standards and their staff must undertake the same training as the Group's internal Collections teams.

Respecting human rights

We strive to be a responsible company and respect human rights across our business. We recognise that the global nature of our business may expose us to the risk of modern slavery and human trafficking in our operations, supply chain and client relationships and we are committed to managing and mitigating these risks. Our Modern Slavery Statement details our approach and actions to manage modern slavery risks across our value chain.

 Read our Modern Slavery Statement at sc.com/modernslavery

Due diligence is a central part of our approach in assessing and managing risks associated with the provision of financial services to our clients. We approach this due diligence in accordance with our Environmental and Social Risk Management (ESRM) and Financial Crime Compliance (FCC) frameworks.

Our Position Statement on Human Rights is a key part of our framework and was developed following engagement with a range of external stakeholders, including expert practitioners and civil society organisations. Like our cross-sector Position Statements, the Human Rights Position Statement applies to our clients, suppliers and employees and is regularly reviewed to ensure it addresses emerging risks and issues.

 Read more about our ESRM Framework and Position Statements at sc.com/esriskframework or sc.com/positionstatements

Standard Chartered will not enter into relationships with suppliers involved in human trafficking, modern slavery, or forced labour. Suppliers that are identified as presenting higher risks of modern slavery are subject to enhanced due diligence. Our Supplier Charter sets out the principles for the behavioural standard that Standard Chartered expects from all its suppliers, and those within a supplier's sphere of influence that assist them in performing their obligations to us.

 Read our Supplier Charter at sc.com/suppliercharter

Our Fair Pay Charter sets out the principles by which we seek to deliver fair and competitive remuneration to all employees. We use these principles to guide reward and performance decision-making globally, including how we set, structure and deliver remuneration. Further information on our alignment to the Fair Pay Charter can be found in our 2023 Diversity, Equality and Inclusion Report available at sc.com/diversityfairpayreport.

Directors' report

- 136 Group Chairman's governance overview
- 137 Board of Directors
- 142 Management Team
- 145 Corporate governance
- 182 Directors' remuneration report
- 208 Additional remuneration disclosures
- 217 Other disclosures
- 229 Statement of Directors' responsibilities

► Liverpool FC and Standard Chartered encourage girls to 'Play On' ◀

In May, alongside our long-time partners Liverpool FC, we launched 'Play On', our four-year campaign aimed at encouraging girls to play sport because of the transferable life skills it teaches off the pitch. As well as raising awareness that twice as many girls than boys drop out of sport by age 14, the programme delivers physical support and training for female grassroots coaches in our key markets.

The campaign also provides a digital repository where girls, teachers, coaches and parents can access useful resources.



Read more at sc.com/playon

Group Chairman's governance overview



Dr José Viñals
Group Chairman

"In times of uncertainty, a robust corporate governance framework is especially important."

In my opening letter, I referred to the uncertainties in our markets caused by the multiple geopolitical and macroeconomic events affecting the year. These require our close attention given their ability to impact our various businesses in quite different ways. The Board has monitored these developments carefully and proactively, devoting agenda time at the Board and across our committees and also considering them at the Group's International Advisory Council (IAC), which includes representatives from our Management Team.

The Board also received a series of briefings from internal and external experts who provided valuable insights from their diplomatic, central banking, economic, regional and political vantage points to help us prepare for events which may occur in the future. In the same vein, the Board Risk Committee (BRC) and Audit Committee (AC) jointly held a Blue Sky Thinking session on forward-looking geopolitics and their impact on the work of those committees. The session was facilitated by Robert Zoellick, the Chair of our IAC.

In times of uncertainty, a robust corporate governance framework is especially important, and this report sets out how the Board and our committees work to ensure that risks are addressed, opportunities are taken, and the Group continues to deliver sustainable value.

The Board was disappointed with the market reaction to the Group's third-quarter results. We considered carefully the reasons for that with our advisers and also at our December Board meeting, from which we drew a number of lessons.

The Board's priorities for 2023 were guided by our business objectives, the environment in which we operate and suggestions from last year's externally facilitated Board evaluation. These were woven into agendas at the beginning of the year and reviewed regularly.

In February 2023, the banking sector faced volatility caused by the collapse of the Silicon Valley Bank which was followed by that of Credit Suisse. The BRC monitored the situation carefully, receiving regular updates from management on our own financial position and actions to address issues arising in the markets. These were also shared with the Board which also received updates at meetings.

Information and cybersecurity (ICS) risk was also a key area of focus for both the Board and the BRC in 2023. The BRC devoted significant time to reviewing and discussing ICS matters, including a new ICS Risk Appetite Statement that was also brought to the Board. The AC had a very busy year, reviewing internal controls and assurance around the Group's activities. It paid close attention to the carrying value of loans and investments in certain industries, locations and subsidiaries, especially China.

The Remuneration Committee continues to work hard to implement the remuneration strategy approved in 2022. Our Directors' Remuneration Report, which details the key activities of the Remuneration Committee in 2023, can be found on page 182.

In January, we appointed Linda Yueh as an independent Non-Executive Director (INED). Linda then succeeded Jasmine Whitbread as chair of the Sustainability and Culture Committee (CSC) following Jasmine's retirement from the Board in May. Jasmine has been an excellent contributor to the Board across her eight years and has led the CSC with distinction. We are also very sorry to see the departure of Andy Halford, who stepped down from his Group Chief Financial Officer (GCFO) role in January 2024, after a tenure of over nine years, marked by his very significant contributions to the Group.

We welcomed Diego De Giorgi to the Group in September 2023 as GCFO Designate, following a thorough external talent mapping and selection process overseen by the Governance and Nomination Committee (GNC). Following regulatory approval, Diego began his role in January 2024 following a thorough induction programme and handover from Andy. Further detail regarding the changes made to our Board appears in the GNC report starting on page 177.

We have been following the proposals for UK Audit and Corporate Governance (ACG) reforms, both at Board level and across our committees. Following the Financial Reporting Council (FRC) publication of the UK Corporate Governance Code 2024, we are considering the changes in readiness for the application of the new UK Code in 2025, and additional internal control reporting provisions coming into force in the following year.

We travelled to a number of markets as a Board during 2023, with visits to Hong Kong, Jakarta and Seoul; in addition, onward market visits were made by a number of directors to obtain an on-the-ground perspective of the business, opportunities and challenges faced. In each market we visited as a Board, employee engagement sessions were held where directors met and listened to colleagues from across our footprint, either face-to-face or through hybrid mechanisms. We welcomed the opportunity to engage with so many of our valued colleagues, both long-standing employees and newer recruits. These market visits provided an opportunity to test enhancements made to the Board's workforce engagement model, which facilitate more face-to-face contact following our emergence from the COVID pandemic. Details of the changes to our workforce engagement model are set out in the CSC report on page 174. Apart from allowing us to connect with colleagues from across our footprint, overseas board visits also provide opportunities for the Board to strengthen the links with subsidiary boards. The Board is planning to visit several countries across our footprint in 2024. Further detail regarding Board engagement with stakeholders appears on page 157.

Engagement with all stakeholders, including, of course, our investors is key to our decision-making. I hosted a stewardship event in November alongside the chairs of the Audit and Remuneration Committees to provide an update regarding the Group's strategy, including with respect to sustainability, and on the work of our Board committees. Close engagement has continued between the Board and our subsidiary boards, through regular exchanges among the chairs, committee chairs and other INEDs.

The Corporate Plan is an important part of the Board's agenda each year. In June, we held a deep and productive two-day strategy discussion, which considered any impact from the economic and political headwinds emerging in 2023. The session concluded with the Board's firm belief that it remains the right strategy for the Group. Throughout the year, the Board considered a number of strategic opportunities for growth in the context of our Corporate Plan and Risk Appetite.

Finally, the Board remains confident for the Group's future and is committed to our strategy and our purpose, and is laser focused on developing sustained and sustainable returns within our Risk Appetite.



Dr José Viñals
Group Chairman

Board of Directors

Committee key

- Committee Chair shown in green
- A Audit Committee
- Ri Board Risk Committee
- S Culture and Sustainability Committee
- N Governance and Nomination Committee
- R Remuneration Committee

Dr José Viñals (69) Group Chairman

Appointed October 2016 and Group Chairman in December 2016. José was appointed to the Court of Standard Chartered Bank in April 2019.



Bill Winters (62) Group Chief Executive

Appointed June 2015. Bill was also appointed to the Court of Standard Chartered Bank in June 2015.



Experience José has substantial experience in the international regulatory arena and has exceptional understanding of the economic, financial and political dynamics of our markets and of global trade. He has a broad network of decision-makers in the jurisdictions in our footprint.

Career Until 2016, José was the Financial Counsellor and the Director of the Monetary and Capital Markets Department at the International Monetary Fund (IMF) and was responsible for the oversight and direction of the IMF's monetary and financial sector work. He was the IMF's chief spokesperson on financial matters, including global financial stability. During his tenure, José was a member of the Plenary and Steering Committee of the Financial Stability Board, playing a key role in the reform of international financial regulation. Prior to the IMF, José began his career as an economist and as a member of the faculty at Stanford University, before going to the Central Bank of Spain, where he was the Deputy Governor. He is a past President of the International Monetary Conference.

Experience Bill is a career banker with significant frontline global banking experience and a proven track record of leadership and financial success. He has extensive experience of working in emerging markets and a proven record in spotting and nurturing talent.

Career Bill began his career with JP Morgan, where he went on to become one of its top five executives and later Co-Chief Executive Officer at the investment bank from 2004 until he stepped down in 2009. Bill was invited to be a committee member of the Independent Commission on Banking to recommend ways to improve competition and financial stability in banking. Subsequently, he served as an adviser to the Parliamentary Commission on Banking Standards and was asked by the Court of the Bank of England to complete an independent review of the bank's liquidity operations.

José has held many other board and advisory positions, including chair of Spain's Deposit Guarantee Fund, chair of the International Relations Committee at the European Central Bank, member of the Economic and Financial Committee of the European Union, and chair of the Working Group on Institutional Investors at the Bank for International Settlements.

External appointments José is Co-Chair of the United Nations' Alliance of Global Investors for Sustainable Development (GISD). He is a board member of the Institute of International Finance (IIF), a member of the board of directors of the Bretton Woods Committee, member of the Leadership Council of CityUK, and member of the Business Advisory Group to the Director General of the World Trade Organisation (WTO).

Committees N

As announced on 1 August 2022, Christine Hodgson retired from the Board on 31 January 2023. Jasmine Whitbread retired from the Board on 3 May 2023.

As announced on 21 December 2023, Andy Halford stepped down as Group Chief Financial Officer and from the Board on 2 January 2024, and therefore will not seek re-election at the 2024 Annual General Meeting (AGM).

As announced on 16 February 2024, Gay Huey Evans will step down from the Board with effect from 29 February 2024. Carlson Tong's departure from the Board will take place on 9 May 2024, ahead of the AGM. Diane Jurgens will join the Board as an INED, with effect on 1 March 2024.

Diego De Giorgi (53)
 Group Chief Financial Officer

Appointed January 2024. Diego was also appointed to the Court of Standard Chartered Bank in January 2024.


Maria Ramos (65)
 Senior Independent Director

Appointed January 2021. Maria was also appointed to the Court of Standard Chartered Bank in January 2021. She was appointed as Senior Independent Director in September 2022.


Shirish Apte (71)
 Independent Non-Executive Director

Appointed May 2022. Shirish was appointed to the Court of Standard Chartered Bank in January 2023.



Experience Diego has more than three decades of experience in the global financial services sector, working with clients across the UK, Europe, the US, Asia, the Middle East and Africa. This has helped him build a strong understanding of the complexity of delivering across diverse markets.

Career Diego spent 18 years at Goldman Sachs, with leadership roles in the Equity Capital Markets Group and the Financial Institutions Group before becoming the Chief Operating Officer for the Global Investment Banking division. Following this, he moved to Bank of America Merrill Lynch, where he spent six years, rising to Head of Global Investment Banking. He served as a non-executive director at UniCredit and a member of their Compensation Committee in 2020 and 2021.

Experience Maria has extensive CEO, banking, commercial, financial, policy and international experience.

Career Based in South Africa, Maria served as chief executive officer of ABSA Group Limited (previously Barclays Africa Group), a diversified financial services group serving 12 African markets, from 2009 to 2019. Before joining ABSA, Maria was the group chief executive of Transnet Ltd, the state-owned freight transport and logistics service provider, for five years. Prior to her CEO career, Maria served for seven years as director-general of South Africa's National Treasury (formerly the Department of Finance), where she played a key role in transforming the National Treasury into one of the most effective and efficient state departments

Experience Shirish has extensive corporate, investment banking, risk management, commercial and retail banking experience. He has a deep understanding of financial services, notably across the Asia Pacific, Middle East, Africa and Central and Eastern European regions.

Career Shirish spent over 30 years with Citigroup, where he focused on corporate and investment banking, and managed commercial and retail banking businesses at country and regional level. He has strong risk experience at country and regional level and was a Senior Credit Officer and a Senior Securities Officer at Citigroup. Shirish was Co-CEO for Citi's Europe, Middle East and Africa business from 2008 to 2009, and Regional CEO Asia Pacific from 2009 to 2011.

From 2021, Diego was the Co-Chief Executive of Pegasus Europe, Europe's largest-ever Special Purpose Acquisition Company (SPAC), which was focused on the financial services sector and was listed on Euronext Amsterdam.

External appointments Diego also sits on the Board of the MIB Trieste School of Management.

in the post-apartheid administration. Maria has served on a number of international boards, including Sanlam Ltd, Remgro Ltd, and SABMiller plc and more recently was a non-executive director of The Saudi British Bank and Public Investment Corporation Limited before stepping down in December 2020.

External appointments Maria is Chair of AngloGold Ashanti PLC and a non-executive director of Compagnie Financière Richemont SA. She is also a member of the Group of Thirty, sits on the International Advisory Board of the Blavatnik School of Government at Oxford University and on the Wits Foundation Board of Governors.

Committees

He was Chairman of Asia Pacific Banking from 2012 until his retirement in 2014.

He was on the Executive and Operating Committees of Citigroup from 2008 to 2014. From June 2014, he was an independent non-executive director at the Commonwealth Bank of Australia until stepping down in October 2022.

External appointments Shirish is an independent non-executive director at Singapore Life Pte Ltd, and an independent non-executive director of Keppel Corporation Limited, where he is a member of its Audit and Board Risk Committees.

Committees

Phil Rivett (68)
Independent Non-Executive Director

Appointed May 2020. Phil was also appointed to the Court of Standard Chartered.



Dr Linda Yueh, CBE (52)
Independent Non-Executive Director

Appointed January 2023. Linda was also appointed to the Court of Standard Chartered Bank in January 2023.



David Conner (75)
Independent Non-Executive Director

Appointed January 2016.



Experience Phil has significant professional accountancy and audit experience, specifically focused in the financial services sector. He has a strong technical accounting knowledge and understanding of disclosure requirements. He has broad financial and business experience especially of the financial services sector.

Career Phil joined PricewaterhouseCoopers (PwC) as a graduate in 1976, becoming a Partner in 1986. He spent more than 30 years at PwC and was lead relationship Partner for several FTSE 100 companies, including a number of international banks and financial services institutions. He also has substantial international experience, having worked with banks across the Middle East and Asia,

in particular China. He became Leader of PwC's Financial Services Assurance practice in 2007 and was appointed Chairman of its Global Financial Services Group in 2011. Phil has sat on a number of global financial services industry groups, producing guidelines for best practice in governance, financial reporting and risk management.

External appointments Phil is an independent non-executive director and Chair of the Audit Committee at Nationwide Building Society.

Committees A (R) N

Experience Linda is a renowned economist and financial broadcaster with a diverse range of skills and experience across financial services, technology, not-for-profit and business-to-business service sectors.

Career Linda has held various academic roles and acted in various advisory roles after starting her career as a corporate lawyer at Paul, Weiss, Rifkind, Wharton & Garrison. Linda was Economics Editor at Bloomberg News from 2010 to 2012 and Chief Business Correspondent for the BBC between 2013 and 2015. She was a Visiting Professor at LSE IDEAS at the London School of Economics and Political Science from 2019 to 2022 and served on the Independent Review Panel on Ring-Fencing and Proprietary Trading for HM Treasury. Linda held non-executive directorships with Scottish Mortgage Investment Trust Plc, London & Partners Ltd and JPMorgan Asia Growth & Income Plc.

She was Senior Independent Director of Fidelity China Special Situations Plc. Linda was awarded a CBE for Services to Economics in the New Year Honours List of 2023. Linda was a Trustee of the Coutts Foundation and Adviser to the UK Board of Trade.

External appointments Linda is a Fellow at St Edmund Hall, Oxford University and Adjunct Professor of Economics at London Business School. She currently serves as an independent non-executive director of Rentokil Initial Plc and Segro Plc. She is Chair of the Baillie Gifford The Schiehallion Fund Ltd, an investment company listed on the Specialist Fund Segment of the London Stock Exchange Main Market. Linda is Executive Chair of the Royal Commonwealth Society, and an Associate Fellow at Chatham House.

Committees S (R) N

Experience David has significant global and corporate, investment and retail banking experience, strong risk management credentials and an in-depth knowledge of Asian markets.

Career David spent his career in the financial services industry, living and working across Asia for 37 years, for both Citibank and OCBC Bank. He joined Citibank in 1976 as a management trainee and went on to hold a number of Asia-based senior management roles, including Chief Executive Officer of Citibank India and managing director and marketing manager at Citibank Japan, before leaving Citibank in 2002. David joined OCBC Bank in Singapore as Chief Executive Officer and director in 2002. He implemented

a strategy of growth and led the bank through a period of significant turbulence. David stepped down as Chief Executive Officer in 2012 but remained as a non-executive director on the board of OCBC Bank, before leaving the group in 2014. He was previously a non-executive director of GasLog Ltd.

External appointments David is Chair of the Barnard Cancer Institute and an emeritus trustee of Washington University in St Louis.

Committees A (R) R

David is also a member of the Combined US Operations Risk Committee of Standard Chartered Bank.

Gay Huey Evans, CBE (69)
 Independent Non-Executive Director

Appointed April 2015. Gay was appointed to the Court of Standard Chartered Bank in April 2019.


Jackie Hunt (55)
 Independent Non-Executive Director

Appointed October 2022. Jackie was also appointed to the Court of Standard Chartered Bank in October 2022.


Robin Lawther, CBE (62)
 Independent Non-Executive Director

Appointed July 2022. Robin was appointed to the Court of Standard Chartered Bank in December 2022.



Experience Gay has extensive banking and financial services experience with significant commercial and UK regulatory and governance experience.

Career Gay spent over 40 years working within the financial services industry, the international capital markets and with the UK financial regulator. Gay spent seven years with the Financial Services Authority from 1998 to 2005, where she was director of markets division, capital markets sector leader, with responsibility for establishing a market-facing division for the supervision of market infrastructure, oversight of market conduct and developing markets policy. From 2005 to 2008, Gay held a number of roles at Citibank, including head of governance, Citi Alternative Investments, EMEA, before joining Barclays Capital where she was vice chair of

investment banking and investment management. She was previously a non-executive director at Aviva plc, the London Stock Exchange Group plc and Itau BBA International Plc. In 2016, she received an OBE for services to financial services and diversity and a CBE for services to the economy and philanthropy in the Queen's Birthday Honours 2021. Gay is a former Chair of the London Metal Exchange.

External appointments Gay is a non-executive director of ConocoPhillips and S&P Global, and a non-executive member of the HM Treasury board. Gay also sits on the panel of senior advisers at Chatham House and the board of the Benjamin Franklin House.

Committees (R)

and Africa. She was Group Chief Financial Officer of Standard Life plc from 2010 to 2013, where she helped transform the life insurer into a diverse savings, pensions and asset management business. Jackie was previously the Senior Independent Director of National Express Group PLC, a non-executive director of TheCityUK and the Deputy Chair of the FCA Practitioner Panel. She was also an independent non-executive director of Man Group PLC, Rethesay Life PLC and OneWeb Holdings Limited.

External appointments Jackie is an independent non-executive director of Willis Towers Watson plc.

Committees (A) (S)

Experience Jackie is a Chartered Accountant and has spent most of her career within financial services. She brings significant UK and international financial services experience, including asset management, insurance, regulatory and accounting knowledge.

Career Jackie has held a number of senior management positions in companies including Aviva, Hibernian Group, Norwich Union Insurance, PwC and RSA Insurance. From 2016, Jackie was a member of the Allianz SE management Board with executive responsibility for the asset management and US life insurance divisions, a position she held until 2021. Prior to that, Jackie was an executive director of Prudential plc and CEO of Prudential UK, Europe

Experience Robin brings extensive international banking experience in global markets and financial institutions. In addition to a broad understanding of commercial banking, she has specialist knowledge in investment banking, mergers and acquisitions and capital raising.

Career Robin spent over 25 years at JP Morgan Chase in a number of senior executive positions. She has valuable executive and non-executive experience across global markets and has considerable understanding of regulatory and governance issues. From 2019 to 2021, she served as a non-executive director on the board of M&G plc. In January 2014, Robin joined Shareholder Executive, which later became UK Government Investments (UKGI), as a non-executive board member until

completing her term in May 2022. She received a CBE for services to finance and diversity in the Queen's Birthday Honours 2020. From 2018 to 2023, she served as an independent non-executive director of Nordea Bank Abp.

External appointments Robin is an independent board member of Ashurst LLP and a member of the advisory board at Aon PLC.

Committees (R) (S) (R)

David Tang (69)
Independent Non-Executive Director

Appointed June 2019. David was also appointed to the Court of Standard Chartered Bank in June 2019.



Carlson Tong (69)
Independent Non-Executive Director

Appointed February 2019.



Adrian de Souza (53)
Group Company Secretary

Appointed Adrian was appointed Group Company Secretary in May 2022.



Experience David has a deep understanding and experience of emerging technologies in the context of some of our key markets, most notably mainland China.

Career David has more than 30 years of international and Chinese operational experience in the technology and venture capital industries, covering venture investments, sales, marketing, business development, research and development and manufacturing. From 1989 to 2004, David held a number of senior positions in Apple, Digital Equipment Corp and 3Com based in China and across the Asia Pacific region. From 2004 to 2010, David held various positions in Nokia, including corporate vice president, chairman of Nokia Telecommunications Ltd and vice chairman of Nokia (China) Investment Co. Ltd. He went on to become corporate senior vice president

and regional president of Advanced Micro Devices (AMD), Greater China, before joining NGP Capital (Nokia Growth Partners) in Beijing as managing director and partner in 2013, a position he held until retiring in June 2021. David was a non-executive director of Kingsoft Corporation, a leading Chinese software and internet services company listed on the Hong Kong Stock Exchange.

External appointments David joined Kaiyun Motors, an electric vehicle start-up based in China, in June 2021 as Chief Value Officer. David is also a non-executive director of JOYY Inc., the Chinese live streaming social media platform listed on the Nasdaq Stock Market. He is also an adviser to NGP Capital.

Committees

Experience Carlson has a deep understanding and knowledge of operating in the financial services and regulatory sectors in mainland China and Hong Kong.

Career Carlson joined KPMG UK in 1979, becoming an Audit Partner of the Hong Kong firm in 1989. He was elected Chairman of KPMG China and Hong Kong in 2007, before becoming Asia Pacific chairman and a member of the global board and global executive team in 2009. He spent over 30 years at KPMG and was actively involved in the work of the securities and futures markets, serving as a member of the Main Board and Growth Enterprise Market Listing Committee of the Stock Exchange of Hong Kong from 2002 to 2008 (Chair from 2006 to 2008). After retiring from KPMG in 2011, he was appointed a non-executive director of the Securities and Futures Commission, becoming its Chair in 2012 until he stepped down in October 2018. He oversaw a number of major policy initiatives during his term as the Chair, including the introduction of the Hong Kong and Shanghai/Shenzhen Stock

connect schemes and the mutual recognition of funds between the mainland and Hong Kong. From 2017 until July 2020, Carlson was a non-executive director of the Hong Kong International Airport Authority. He was a member of the Hong Kong Human Resource Planning Commission from April 2020 until December 2022 and Chair of the Hong Kong University Grants Committee from January 2016 until he stepped down in December 2022.

External appointments Carlson is an independent non-executive director of MTR Corporation Limited, Chairman of its Audit & Risk Committee and a member of its Finance and Investment Committee. He sits on various Hong Kong SAR government bodies and is also an observer on behalf of the Hong Kong Government for Cathay Pacific Airways Limited. He is a board member of Hong Kong Investment Corporation Limited and the Hong Kong Stock Exchange.

Committees

Career Adrian qualified as a lawyer in 1997. Prior to joining Standard Chartered, he was General Counsel for Vivo Energy PLC, a FTSE-250 pan-African fuel retailer, where he was responsible for the Company Secretarial, Governance, Ethics, Compliance and Forensic Investigations functions, and was a member of the group's Executive Committee.

After working in private practice at international law firms Hogan Lovells and Clifford Chance, Adrian served as General Counsel and Company Secretary at IQSA Group (a Goldman Sachs private equity business); Company Secretary at Barclays Bank UK PLC, General Counsel and Company Secretary of the FTSE 100 company, Land

Securities Group PLC, where he was a member of the Group's Executive Committee and Head of Legal at SABMiller PLC, Europe.

Reasons why the contribution of each director standing for re-election is, and continues to be, important to Standard Chartered PLC's long-term sustainable success will be included in the Notice of AGM 2024.

Management Team

Bill Winters (62)
Group Chief Executive



Simon Cooper (56)
CEO, Corporate, Commercial & Institutional Banking and Europe & Americas



Claire Dixon (51)
Group Head of Corporate Affairs, Brand & Marketing



Judy Hsu (60)
CEO, Consumer, Private & Business Banking



Diego De Giorgi (53)
Group Chief Financial Officer



Simon joined the Group as CEO, Corporate & Institutional Banking in April 2016. He assumed additional responsibility for Commercial Banking in March 2018 and the Europe & Americas region in January 2021.

Career Simon was previously group managing director and chief executive of Global Commercial Banking at HSBC. He has extensive experience across our markets and client segments. Simon joined HSBC in 1989 and held a number of senior roles there, including deputy chairman and chief executive officer, Middle East and North Africa; chief executive officer, Korea; and

Head of Corporate and Investment Banking, Singapore. He has extensive experience in the areas of investment banking, corporate banking and transaction banking.

External appointments Simon is Chairman of the advisory board of the Lee Kong Chian School of Business.

Claire joined Standard Chartered as Group Head, Corporate Affairs, Brand & Marketing in March 2021.

Career Claire is a seasoned communications expert who has led teams at global brands in a variety of sectors, in Europe and the US. She spent nearly eight years living and working in Silicon Valley, including for eBay/PayPal and latterly as Chief Communications Officer at Intel. Throughout her career she has been a champion for creating positive global impact, including leading Global Corporate Responsibility at GlaxoSmithKline. Claire is Chair of the Standard Chartered Foundation.

External appointments None.

Judy was appointed CEO, Consumer, Private & Business Banking on 1 January 2021 and has been a member of the Group Management Team since 2018.

Career Prior to her most recent appointment, Judy was Regional CEO, ASEAN & South Asia, a position she held from June 2018. Judy was the country CEO for Standard Chartered Singapore from 2015 to 2018. She joined Standard Chartered in December 2009 as the Global Head of Wealth Management and led the strategic advancement of the Bank's wealth management business.

Prior to this, Judy spent 18 years at Citibank, where she held various leadership roles in its Consumer Banking business in Asia.

External appointments Judy was appointed to the board of CapitaLand Investment Limited as a Non-executive Independent Director in June 2021.

Mary Huen (56)

CEO, Hong Kong and Cluster CEO,
Hong Kong, Taiwan and Macau

**Benjamin Hung (59)**

CEO, Asia

**Tanuj Kapilashrami (46)**

Group Head, Human Resources

**Sunil Kaushal (58)**

CEO, Africa & Middle East



Mary was appointed Chief Executive Officer (CEO) for Hong Kong in March 2017, and took on an expanded role as Cluster CEO for Hong Kong, Taiwan and Macau in January 2021.

Career Mary has over 30 years of experience in business management and banking services. Prior to her current role, Mary was Regional Head of Retail Banking, Greater China & North Asia, and the Head of Retail Banking, Hong Kong. She is a board member of Standard Chartered Bank (Hong Kong) Limited and the chairperson of the Board of Standard Chartered Bank (Taiwan) Limited.

External appointments Mary is the vice chairperson of the Hong Kong Association of Banks, a member of the Banking Advisory Committee of the Hong Kong Monetary Authority and the Aviation Development and Three-runway System Advisory Committee.

She is also a representative of Hong Kong, China to the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council, and holds Board positions in the Hong Kong Tourism Board, the Hospital Authority, and the Community Chest of Hong Kong.

Ben was appointed CEO, Asia on 1 January 2021. He is the Chairman of Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited.

Career Ben joined Standard Chartered in 1992 and has held a number of senior management positions spanning corporate and retail banking. Prior to his current role, Ben was Regional CEO for Greater China & North Asia and CEO for the Bank's Retail Banking and Wealth Management businesses globally. He is currently based in Hong Kong and has international banking experience in the United Kingdom and in Canada. Ben was previously chairman of the Hong Kong Association of Banks, a member

of the Financial Services Development Council and a board member of the Hong Kong Airport Authority and the Hong Kong Hospital Authority. He was also a Council Member of the Hong Kong University.

External appointments Ben is an independent non-executive director of the Hong Kong Exchanges and Clearing Limited. He also sits on the Exchange Fund Advisory Committee and is a member of the General Committee of the Hong Kong General Chamber of Commerce. He is a strategic adviser at the International Consultative Conference on the Future Economic Development of Guangdong Province, China.

Tanuj joined the Management Team as Group Head, Human Resources (HR) in November 2018.

Career Prior to joining the Group, Tanuj built her career at HSBC. She has worked across multiple HR disciplines in many of our footprint markets (Hong Kong, Singapore, Dubai, India and London). Tanuj joined the Bank in March 2017 as Group Head, Talent, Learning and Culture and took on additional responsibility as Global Head HR, Corporate, Commercial and Institutional Banking in May 2018.

External appointments Tanuj is a non-executive director of Sainsbury's PLC and a member of their Nomination and Remuneration committees. She is a member of the Asia House board of trustees, of which Standard Chartered is a founding stakeholder. Asia House is a London-based centre of expertise on trade, investment and public policy whose mission it is to drive political, economic and commercial engagement between Asia and Europe. Tanuj is also a board member of the UK Financial Services Skills Commission.

Sunil was appointed CEO, Africa & Middle East on 1 October 2015.

Career Prior to his current role, Sunil was regional CEO South Asia, responsible for Standard Chartered's operations in South Asia (which included India, Bangladesh, Sri Lanka and Nepal). He has over 36 years of banking experience in diverse markets and has been with Standard Chartered for over 26 years, holding senior roles across the Wholesale and Consumer Bank. Sunil has rich experience across the Group's footprint, having served as the Head of Corporate

Banking in UAE, Head of Originations and Client Coverage in Singapore, Global Head Small and Medium Enterprises and New Ventures in Singapore and Chief Executive Officer of Standard Chartered Bank (Taiwan) Ltd.

Before joining Standard Chartered in 1998, Sunil held various banking positions at a number of leading international financial institutions.

External appointments None.

Roel Louwhoff (58)
Chief Technology, Operations and Transformation Officer



Tracey McDermott, CBE (54)
Group Head Conduct, Financial Crime and Compliance



Sandie Okoro, OBE (59)
Group General Counsel



Sadia Ricke (53)
Group Chief Risk Officer, director of Standard Chartered Bank



Roel joined the Group in November 2021 as Chief Digital, Technology & Innovation Officer, before becoming the Chief Transformation, Technology & Operations Officer from 1 April 2022. He spearheads the Bank's Technology and Operations strategy and the development of its technology systems, business resilience framework and infrastructure which support its clients and employees globally and leads the innovation agenda of the Bank. Roel is also responsible for leading bank-wide transformation, which includes the digital transformation of the Bank into an agile, digital and future-focused organisation.

Career Prior to joining Standard Chartered, Roel was Chief Operations and Transformation Officer at ING Bank, where

Tracey has been the Group Head Conduct, Financial Crime and Compliance since January 2019.

Career Tracey originally joined Standard Chartered as Group Head of Corporate, Public and Regulatory Affairs in March 2017, subsequently adding Brand and Marketing to her portfolio in December 2017 and Compliance in March 2018. Prior to joining the bank, Tracey served as Acting Chief Executive of the Financial Conduct Authority (FCA) from September 2015 to June 2016. She joined the then Financial Services Authority (FSA) in 2001 where she held a number of senior roles, including Director of Supervision and Authorisations, and Director of Enforcement and Financial Crime. Tracey also served as a Board Member of the FSA from April 2013, as a member of the Financial Policy Committee of the Bank of England, and as non-executive

he oversaw operations, technology and the broader transformation agenda. During his seven years in this role, Roel led the successful digital transformation of ING, seen by many as a trailblazer in digitising financial services. Before ING, Roel spent 10 years at British Telecom (BT), latterly as CEO of BT-Operate based in the UK. At BT, he redefined the technology and operational approach and led the BT communication side of the 2012 Olympics before applying that learning in delivering turn-key digital and infrastructure solutions for major exhibition and sporting events.

External appointments None.

director of the Prudential Regulation Authority from September 2015 to June 2016. Prior to joining the FCA, Tracey worked as a lawyer in private practice, having spent time in law firms in the UK, USA and Brussels. In 2016, Tracey received a CBE for her services to financial service consumers and markets. She is a trustee of the Standard Chartered Foundation.

External appointments Tracey chairs the Net Zero Banking Alliance, is a member of the International Regulatory Strategy Group Council and chairs the Conduct and Ethics Committee of the Fixed Income, Currencies and Commodities Markets Standards Board. She is also a non-executive director of 25x25 Limited and a Member of the Management Board of Cambridge Endowment for Research in Finance.

Sandie Okoro joined the Bank as Group General Counsel in April 2022. In the role, she leads the Bank's Legal, Group Corporate Secretariat and Shared Investigative Services functions.

Career Sandie is a pre-eminent lawyer, having served as General Counsel and Senior Vice President, and Vice President for Compliance, at the World Bank Group. Prior to joining the World Bank, Sandie was General Counsel for HSBC Global Asset Management and Global General Counsel at Barings. Sandie is an Honorary Bencher of Middle Temple in the United Kingdom (2018) and was named one of the Upstanding 100 Leading Ethnic Minority Executives (2016), Top 20 Global General Counsel (2019) by the Financial Times, and was recognised as Britain's 10th most

influential person of African and African Caribbean heritage by Powerlist (2023).

Sandie received a lifetime achievement award from the UK Black Solicitors Network (2016), was named one of the Power 100 Women by City A.M., 100 Women to Watch by Female FTSE Board and received an OBE for services to Diversity in International Finance in 2024.

External appointments Sandie was appointed inaugural Chair of the UK-based charity Women of the World Foundation in June 2021, she received an honorary lifetime Emeritus membership of the Law Societies' Compact and Forum for Sustainable Development Goal 16 in June 2022, and she is a Governor of the Royal Shakespeare Company.

Sadia Ricke joined the Bank in February 2023.

Career Sadia has a broad range of financial and risk experience and a thorough understanding of our footprint markets.

She joined the Bank from Société Générale, where she started in 1994 in the Financial Institutions Credit department. She gained more than 13 years of structured finance experience in the Natural Resources and Energy Finance division where she was Co-Deputy Head, a position she held until 2010. She then became Head of Credit Risk for SG CIB in Paris, before moving to Hong Kong to take on the role of Head of Global Finance for Asia Pacific in January 2015.

She was appointed Group Country Head and Head of Coverage and Investment Banking for the UK in 2017. In 2019, Sadia became Deputy Chief Risk Officer and then Group Chief Risk Officer in January 2021.

External appointments Sadia became a member of the International Financial Risk Institute Foundation Board in February 2023 and was appointed as Vice-Chair in March 2023.

Corporate governance

This section provides an insight into key Board items and activities covered during the year, as well as the structure of the Board, its committees, and its meetings.



Code compliance

The directors are pleased to confirm that the Company continued to comply with the UK Corporate Governance Code 2018 (UK Code) and the Hong Kong Corporate Governance Code contained in Appendix C1 of the Hong Kong Listing Rules (HK Code) for the whole of the year under review.

We share insights into how governance operates within the Group and how we have applied the principles set out in the UK Code and HK Code in the pages that follow and in particular on page 217. Copies of the UK Code and the HK Code can be found at frc.org.uk and hkex.com.hk respectively.

The Group confirms that it has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than required by Appendix C3 of the Hong Kong Listing Rules.

Having made specific enquiry of all directors, the Group confirms that all directors have complied with the required standards of the adopted code of conduct.

To the extent applicable, information required by paragraphs 13(2) (c), (d), (f), (h) and (i) of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is available in Other disclosures on [pages 217 to 228](#)

Our stakeholders, their interests: driving commerce and prosperity through our unique diversity

The Board is conscious of the need to create and maintain positive stakeholder relationships and spends significant time interacting with them to better understand their views, as well as the opportunities, challenges and the Group's impact across our diverse markets.

These relationships were considered extensively during Board and Committee meetings and in decision-making, and also in the individual and collective engagements that took place throughout the year. Examples of this can be found in the stakeholder engagement section on pages 157 to 161, within the feature sections on the following pages and on pages 54 to 64.

Clients



[Read more on page 55](#)

Regulators and governments



[Read more on page 57](#)

Investors



[Read more on page 57](#)

Suppliers



[Read more on page 58](#)

Society



[Read more on page 59](#)

Employees



[Read more on page 60](#)

Key areas of Board discussion and activities during 2023

↑ Strategy

- Reviewed the Group's strategy over two days at a Board and senior management offsite, discussing progress, possible enhancements and confirming that it remains appropriate
- Reviewed and approved the 2024–2028 Corporate Plan as a basis for preparation of the 2024 budget, receiving confirmation from the Group Chief Risk Officer that the plan is aligned to the Enterprise Risk Management Framework and the Group Risk Appetite Statement
- Reviewed and scrutinised the strategic and operational performance of the business across client segments, product groups and regions, which included details of their priorities, progress, opportunities and response to current events. This included deep dives into the following areas:
 - Information and Cybersecurity
 - Private Banking
 - SC Ventures
 - Hong Kong, South Korea, and the ASEAN region
- Received and discussed regular corporate development updates
- Discussed and reviewed the Group's sustainability strategy
- Discussed and reviewed the Group's Transformation, Technology & Operations strategy
- Received updates on the Group's investment in its associate China Bohai Bank and on real estate investments in China
- Approved the sale of its global aviation finance leasing business
- Monitored the sales of its subsidiaries in Angola, Cameroon, The Gambia, and Sierra Leone, and its Consumer, Private & Business Banking (CPBB) business in Tanzania

Spotlight

Driving transformation with SC Ventures

SC Ventures, the Group's innovation, fintech investment and ventures arm, was set up in 2018 and now encompasses a portfolio of 36 ventures across four themes: Digital Assets, Sustainability & Inclusion, Online Economy & Lifestyle and SME & World Trade. In 2023, the Group completed the restructuring and ringfencing of SC Ventures' activities. Within the Group, SC Ventures is driving a culture of innovation by scaling up intrapreneurship, fintech engagement, and collaborating with the bank's clients. SC Ventures is continuing to build a sustainable ecosystem of ventures and partners for the bank and accelerating transformation in banking.

Given the size of the SC Ventures portfolio, the Board considered how best to articulate its value both to the organisation and externally to investors. The Board scrutinised management's plans in respect to SC Ventures' current and future business model. The Group will focus on putting Ventures in a position where it would help transform the core bank.

Stakeholders



Clients



Employees



Investors

! Risk management

- Received and discussed briefings from management on ICS matters, approved a revised ICS Risk Appetite and completed training on the topic
- Approved the Operational Resilience Self-assessment
- Reviewed work on projects to replace and upgrade data centres in Asia
- Discussed macroeconomic headwinds and tailwinds as both risks and opportunities for the Group
- Reviewed and discussed risk reports from the Group Chief Risk Officer
- Reviewed and approved the draft Group's Resolvability Assessment, delegating the final approval to the Board Risk Committee
- Engaged with the Prudential Regulation Authority (PRA) on the findings of their 2023 Periodic Summary Meeting Letter
- Reviewed the FCA's periodic Firm Evaluation Letter
- Assessed progress in continuing to strengthen the Group's risk culture
- Approved the Risk Appetite for 2024 which included a consideration of principal risks
- Approved the renewal of the Group's insurance policies for 2023/2024
- Approved material changes to the Enterprise Risk Management Framework

Spotlight

Blue Sky Thinking session facilitated by Robert Zoellick, a former President of the World Bank and Chair of our International Advisory Council

The Board Risk and Audit Committees jointly attended a Blue Sky Thinking session entitled the "Forward-Looking Geopolitical Agenda". Robert Zoellick led the session by introducing three key meta-trends (technology innovation, demographics and the environment) and three key constituents (consumers, workers and investors). Drawing upon analyses prepared by our Group Regulatory and Public Affairs team, committee members considered the interaction of meta-trends, key constituents and policy levers. Committee members then analysed how key policy and regulatory levers can be used in response to pressures created by the meta-trends and constituents.

Stakeholders



Clients



Suppliers



Regulators and governments



Society



Investors

Financials and performance

- Monitored the Group's financial performance
- Approved the 2022 full year and 2023 half year results
- Monitored and assessed the strength of the Group's capital and liquidity positions
- Considered the carrying value of the Group's investments
- Considered the Group's approach to capital management and returns
- Approved a 2022 final dividend and 2023 interim dividend
- Approved two share buy-back programmes
- Received half yearly updates on, and discussed, the Group's major investment programmes in 2023
- Received half yearly updates on, and discussed, investor relations matters
- Approved the Group's 2022 Country-by-Country Reporting disclosures

Spotlight

Dividend payments and share buy-backs

In 2023, the Board approved two dividend payments and two ordinary share buy-back programmes. As part of its decision-making process, the Board noted the importance of approving distributions and other capital management activities within an appropriately prudent framework. Assurance was also sought from management regarding the protection of the Group's capital position and its ability to execute planned investment activities for future growth. By November 2023, the two share buy-back programmes initiated during the year successfully completed approximately \$2 billion in shareholder returns for 2023, complemented by a total dividend payment of \$569 million. This progress brings us closer to our goal of achieving at least \$5 billion in shareholder returns by 2024.

Stakeholders



Clients



Regulators and governments



Investors

People, culture and values

- Approved the Group's 2022 Modern Slavery Statement
- Approved the Group's refreshed Code of Conduct and Ethics
- Discussed progress made against the Group's people strategy and culture aspirations
- Discussed aspects of the Group's global employee engagement survey, My Voice
- Received updates on the progression and evolution of the Management Team's and senior management's succession plans following a number of recent appointments
- Discussed the Group's diversity and inclusion initiatives
- Reviewed the Board Diversity Policy
- Approved changes to the Group's operational resilience strategy
- Reviewed an annual report update on the operation and effectiveness of the Group's Speaking Up programme

Spotlight

Culture of Excellence

The Board considered the Group's People Strategy and discussed the extent to which objectives could be introduced to better measure the transformation of the organisation. They discussed with management the Group's culture aspiration, which is to encourage a culture of ambition, action and accountability, improve operational efficiency and drive client centricity through a culture of high performance and execution. The Board noted the importance of the People Strategy to the success of the transformation of the business, and ultimately the delivery of the Group's strategic objectives.

Stakeholders



Clients



Employees



Society

External environment

- Received updates on the macroeconomic headwinds and tailwinds in the global economy, including an assessment of the impact on the key drivers of the Group's financial performance
- Received internal and external briefings and input across a range of subjects, including:
 - global market trends
 - the global macro impact of geopolitical uncertainties in the Middle East
 - China's emergence from the COVID pandemic
 - Russia-Ukraine war
 - China/ US tensions
 - societal and business implications of global demographic trends
 - strategic insights into global markets, geopolitics and policy
 - regulatory developments and updates

Spotlight

Global market trends

The Board invited a number of internal experts and guest speakers to attend Board dinners providing important and specialist insight and context to the Board discussion on a variety of matters. Geopolitical uncertainties and global market trends were among the topics which were covered this year.

Stakeholders



Clients



Suppliers



Regulators and governments



Society



Investors



Employees

Key areas of Board discussion and activities during 2023 continued

Governance

- Monitored developments and trends in corporate governance, focusing on changes proposed by the UK Government, FRC and Hong Kong Stock Exchange
- Noted and/or approved changes to the membership of the Board's committees, including the appointment of Linda Yueh as the new Committee Chair of the CSC
- Received reports at each scheduled meeting from the Board committee chairs on key areas of focus for the committees and quarterly updates from Standard Chartered Bank (Hong Kong) Limited (SCBHK) and its Audit and Board Risk committees
- Undertook training on directors' duties and the governance landscape
- Discussed and reviewed the independence, performance and annual re-election of the non-executive directors
- Approved the re-appointment of the independent adviser to the Board on cyber security and cyber threats
- Approved the replacement of the independent adviser to the Board on financial crime with an annual externally-facilitated session on financial crime risk
- Authorised potential conflicts of interest relating to directors' external appointments
- Discussed the observations and themes arising from the 2023 internal Board and committees' effectiveness review ahead of approving the 2024 Action Plan
- Reviewed, and where appropriate, approved updates to the Terms of Reference for each Board committee
- Further developed meaningful linkages between the Board and its subsidiaries at chair, board and committee level

Spotlight

Appointment of the Group Chief Financial Officer

In 2023, the GNC led the search process for a successor to Andy Halford as GCFO. The GNC oversaw a robust search and assessment process, conducted in conjunction with executive search firm Russell Reynolds, which resulted in some exceptionally talented internal and external candidates being interviewed and considered. Diego De Giorgi emerged as the preferred choice, and joined the Group as GCFO Designate in September 2023. He received a thorough induction and training programme, meeting colleagues and other stakeholders from around the Group's footprint. Following regulatory approval, Diego's appointment as GCFO took effect on 3 January 2024.

Stakeholders

	Clients		Suppliers
	Regulators and governments		Society
	Investors		Employees

Shareholder and stakeholder engagement

- Engaged with investors, held meetings with brokers, discussed the views of institutional shareholders
- Discussed and reviewed the approach to engaging investors and other relevant stakeholders ahead of the 2023 AGM
- Engaged with clients, shareholders and regulators
- Engaged with colleagues around the business throughout the year
- Hosting a stewardship event, with a focus on strategy, including sustainability
- Received bi-annual updates from Investor Relations, including share price and valuation analysis, market engagement and ownership analysis and sell-side sentiment

Spotlight

Stewardship Event

The Group Chairman welcomed external investors to our annual stewardship event in November 2023, alongside the chairs of the Board Audit and Remuneration Committees. The event took a hybrid format and was attended by investors representing 43 per cent of the Group's shareholders by value. The Group Chairman provided an update regarding the Group's strategy, including with respect to sustainability, and was supplemented by opening remarks from the Remuneration Committee Chair. The Audit Committee Chair also discussed key updates on the activities of the Audit and Board Risk Committees during the year. This was followed by a Q&A session.

Stakeholders

	Investors
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For a detailed overview of our strategy see [pages 24 and 25](#)

Board and committee structure: decisions, responsibilities and delegation of authority

Standard Chartered PLC

The Board sets the Company's purpose, values and strategy. Under the Board's Terms of Reference, it is collectively responsible to shareholders for the governance, strategic direction and performance of the Company and the delivery of sustainable value within a framework of prudent and effective controls to which the Company's culture is aligned. The Board is responsible for understanding the views and interests of key stakeholders and for considering those views and interests during Board discussions and decision-making. It is responsible for overseeing the Group's conduct and affairs and for promoting its long-term sustainable success.

The Board discharges its responsibilities directly or, in order to ensure effective independent oversight and stewardship, delegates specified responsibilities to its committees.

Detail of how the Board fulfilled its responsibilities in 2023, as well as key topics discussed and considered by the Board committees, can be found in this Directors' report.

→ Biographies for each director are set out on [pages 137 to 141](#)

Audit Committee

The Audit Committee is responsible for oversight and review of matters relating to financial reporting, the Group's internal controls, including internal financial controls, and the work undertaken by the Conduct, Financial Crime & Compliance, Group Internal Audit and the Group's Statutory Auditor, Ernst & Young LLP (EY).

→ Read more on [page 162](#)

Board Risk Committee

The Board Risk Committee is responsible for oversight and review of the Group's Risk Appetite Statement, the appropriateness and effectiveness of the Group's risk management systems and the principal risks, including Climate Risk, to the Group's business. Furthermore, it considers the implications of material regulatory change proposals and due diligence on material acquisitions and disposals.

→ Read more on [page 168](#)

Culture and Sustainability Committee

The Culture and Sustainability Committee is responsible for oversight and review of the Group's culture and sustainability priorities.

→ Read more on [page 174](#)

Governance and Nomination Committee

The Governance and Nomination Committee is responsible for oversight and review of Board and executive succession, overall Board effectiveness and corporate governance issues.

→ Read more on [page 177](#)

Remuneration Committee

The Remuneration Committee is responsible for oversight and review of remuneration, share plans and other incentives.

→ Read more on [page 182](#)

Group Chief Executive

The Board delegates authority for the operational management of the Group's business to the Group Chief Executive for further delegation by him in respect of matters that are necessary for the effective day-to-day running and management of the business. The Board holds the Group Chief Executive accountable in discharging his delegated responsibilities.

Management Team

The Management Team comprises the Group Chief Executive and the Group Chief Financial Officer, regional CEOs, client segment CEOs, and our global function heads. It has responsibility for executing the strategy. Details of the Group's Management Team can be found on [pages 142 to 144](#).

Terms of Reference for the Board and each committee are in place to provide clarity over where responsibility for decision-making lies. These are reviewed annually against industry best practice and corporate governance provisions and guidance, including the PRA Supervisory Statement on Board Responsibilities (as amended).

With the exception of the Governance and Nomination Committee (where the Group Chairman is its Chair) all of the Board committees are composed of INEDs who bring a diversity of skills, experience and knowledge to the discussion.

→ Written Terms of Reference for the Board and its committees can be viewed at sc.com/termsofreference

Our Board meetings

The Board is committed to maintaining a comprehensive schedule of meetings and a forward agenda to ensure its time is used most effectively and efficiently, and is supported by the Group Company Secretary to facilitate this. Flexibility in the programme is important and permits key items to be added to any agenda so that the Board can focus on evolving and important matters at the most appropriate time.

Performance against delivery of the agreed key financial priorities is reviewed at every scheduled meeting, with particular reference to the detailed Group management accounts. The Group Chief Executive and Group Chief Financial Officer comment on current trading, business performance, the market, colleagues, relevant stakeholders, and regulatory and external developments at each scheduled meeting, and present comparative data and client insight.

In addition, the Group Chief Risk Officer periodically attends meetings to update the Board on key risks.

The Group Chairman holds INED-only meetings ahead of each scheduled Board meeting, which provides the opportunity for discussion on key agenda items and other matters without the executive directors and management present.

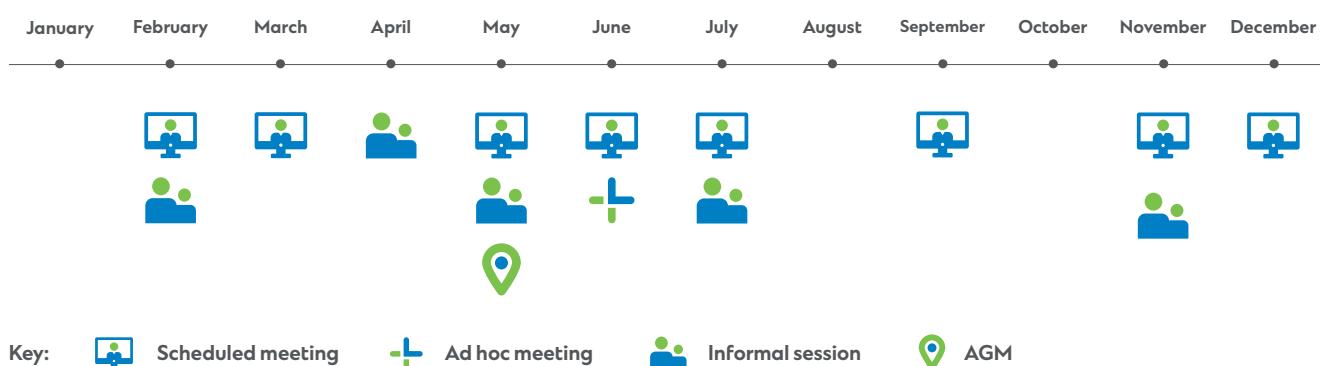
Sir Iain Lobban and Paul Khoo, as independent advisers to the Board and its committees on cyber security and cyber threat management and financial crime respectively, attended a combination of Board and committee meetings to provide an independent and current view on the Group's progress in this area.

Our Board committees

The Board places significant reliance on its committees by delegating a broad range of responsibilities and issues to them. It therefore remains crucial that effective linkages are in place between the committees and the Board as a whole, not least as it is impracticable for all INEDs to be members of all of the committees. Mechanisms are in place to facilitate these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each committee and overlapping membership between Board committees where necessary. Alongside interconnected committee membership, the Board regularly receives a written summary of each of the committee's meetings, and verbal updates at the Board, where appropriate.

Further details on each committee, including their oversight and focus during 2023, can be found in the Board committee reports starting on page 162.

Board activities during 2023



Board composition, roles and attendance in 2023

The Group Chairman is committed to ensuring optimal Board effectiveness. A key mechanism to drive this is the appropriate composition and balance of the Board.

The Board is composed of a majority of independent non-executive directors who provide an independent perspective, constructive challenge, and monitor the performance and delivery of the strategy within the Risk Appetite and controls set by the Board.

 Detail regarding Board diversity can be found within the Governance and Nomination Committee report on [pages 177 to 181](#)

Group Chairman	Executive directors																																																									
 Group Chairman José Viñals	 Group Chief Executive Bill Winters	 Group Chief Financial Officer Andy Halford																																																								
Responsibilities																																																										
Responsible for leading the Board, ensuring its effectiveness in all aspects of its role and developing the Group's culture with the Group Chief Executive. Promotes high standards of integrity and governance across the Group and ensures effective communication and understanding between the Board, management, shareholders and wider stakeholders.	Responsible for the management of all aspects of the Group's businesses, developing the strategy in conjunction with the Group Chairman and the Board and leading its implementation.	Responsible for Finance, Corporate Treasury, Strategy, Group Corporate Development, Group Investor Relations, Property and Supply Chain Management functions.																																																								
Attendance		Attendance																																																								
AGM	Y	AGM	Y																																																							
Scheduled	8/8	Scheduled	8/8																																																							
Ad hoc	1/1	Ad hoc	1/1																																																							
Independent non-executive directors																																																										
 Senior Independent Director Maria Ramos	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; padding-bottom: 5px;"></th><th style="text-align: center; padding-bottom: 5px;">Attendance</th><th style="text-align: center; padding-bottom: 5px;">AGM</th><th style="text-align: center; padding-bottom: 5px;">Scheduled</th><th style="text-align: center; padding-bottom: 5px;">Ad hoc</th></tr> </thead> <tbody> <tr> <td>David Conner</td><td style="text-align: center;">Y</td><td style="text-align: center;">8/8</td><td style="text-align: center;">1/1</td><td></td></tr> <tr> <td>Gay Huey Evans, CBE</td><td style="text-align: center;">Y</td><td style="text-align: center;">8/8</td><td style="text-align: center;">1/1</td><td></td></tr> <tr> <td>Phil Rivett</td><td style="text-align: center;">Y</td><td style="text-align: center;">8/8</td><td style="text-align: center;">1/1</td><td></td></tr> <tr> <td>David Tang</td><td style="text-align: center;">Y</td><td style="text-align: center;">8/8</td><td style="text-align: center;">1/1</td><td></td></tr> <tr> <td>Shirish Apte</td><td style="text-align: center;">Y</td><td style="text-align: center;">8/8</td><td style="text-align: center;">1/1</td><td></td></tr> <tr> <td>Robin Lawther, CBE</td><td style="text-align: center;">Y</td><td style="text-align: center;">8/8</td><td style="text-align: center;">1/1</td><td></td></tr> <tr> <td>Jackie Hunt</td><td style="text-align: center;">Y</td><td style="text-align: center;">8/8</td><td style="text-align: center;">1/1</td><td></td></tr> <tr> <td>Jasmine Whitbread</td><td style="text-align: center;">N/A</td><td style="text-align: center;">3/3</td><td style="text-align: center;">1/1</td><td></td></tr> <tr> <td>Linda Yueh, CBE</td><td style="text-align: center;">Y</td><td style="text-align: center;">8/8</td><td style="text-align: center;">1/1</td><td></td></tr> <tr> <td>Carlson Tong</td><td style="text-align: center;">Y</td><td style="text-align: center;">8/8</td><td style="text-align: center;">1/1</td><td></td></tr> </tbody> </table>				Attendance	AGM	Scheduled	Ad hoc	David Conner	Y	8/8	1/1		Gay Huey Evans, CBE	Y	8/8	1/1		Phil Rivett	Y	8/8	1/1		David Tang	Y	8/8	1/1		Shirish Apte	Y	8/8	1/1		Robin Lawther, CBE	Y	8/8	1/1		Jackie Hunt	Y	8/8	1/1		Jasmine Whitbread	N/A	3/3	1/1		Linda Yueh, CBE	Y	8/8	1/1		Carlson Tong	Y	8/8	1/1	
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<p> Board committee roles and attendance can be found in the committee sections starting from page 162.</p> <p> The biographies of each director are set out on pages 137 to 141</p> <p> Linda Yueh joined the Board on 1 January 2023. Further information can be found on page 139</p> <p> The roles of the Group Chairman and Group Chief Executive are distinct from one another and are clearly defined in detailed role descriptions which can be viewed at sc.com/roledescriptions</p>																																																										

Director induction

Linda Yueh joined the Board on 1 January 2023. Her experience can be found in her biography on page 139. Along with Shirish Apte, Robin Lawther and Jackie Hunt, who were all appointed in 2022, the new directors were given a comprehensive induction programme, tailored to meet each director's individual level of experience and expertise.

Diego De Giorgi was appointed as Group Chief Financial Officer on 3 January 2024, following the retirement of Andy Halford on 2 January 2024. Diego received in-depth handovers from Andy, which included a period of shadowing from September 2023 to January 2024. As well as numerous tailored, individual training sessions, Diego also attended formal training sessions on topics including Directors' Duties (on 20 September 2023), Climate Risk (on 28 September 2023), Trading Activity Wind-Down Governance (on 28 September 2023), Environmental, Social and Governance (ESG) litigation (on 30 November 2023), ICS Horizon Scanning (on 5 December 2023) and Directors' Duties applicable to directors of Hong Kong-listed companies (on 14 December 2023). Following his relevant training provided by a firm of solicitors on 14 December 2023, Diego confirmed his understanding of the obligations as a director of a listed issuer pursuant to Rule 3.09D of the Hong Kong Listing Rules.

The Group Company Secretary supports new directors as they undertake their induction programmes, which are typically completed within the first six to twelve months of their appointment. The induction programmes are regularly reviewed and take into account directors' feedback to ensure continuous development and improvement.

Progress against induction programmes

The Governance and Nomination Committee is responsible for periodically reviewing the induction programme of all new INEDs, to understand the level of progress made and to consider where any areas of additional focus might be required. The Committee is satisfied that all new INEDs have made good progress completing induction work, both in London and as part of overseas Board visits to our markets.

2023 director training overview

	Induction ¹	Directors' duties and regulatory updates	Digital assets	Climate Risk	ICS Horizon Scanning Emerging Risks
José Viñals	N/A	✓	✓	✓	✓
Bill Winters	N/A	✓	✓	✓	✓
Andy Halford	N/A	✓	✓	✓	✓
Shirish Apte²	✓	✓	✓	✓	✓
David Conner	N/A	✓	✓	✓	✓
Gay Huey Evans, CBE	N/A	✓	✓	✓	✓
Jackie Hunt²	✓	✓	✓	✓	✓
Robin Lawther, CBE²	✓	✓	✓	✓	✓
Maria Ramos	N/A	✓	✓	✓	✓
Phil Rivett	N/A	✓	✓	✓	✓
David Tang	N/A	✓	✓	✓	✓
Carlson Tong	N/A	✓	✓	✓	✓
Jasmine Whitbread³	N/A	N/A	✓	N/A	N/A
Linda Yueh, CBE²	✓	✓	✓	✓	✓

1 Applicable to directors who received induction training during 2023

2 Shirish Apte, Robin Lawther, Jackie Hunt and Linda Yueh joined the Board on 4 May 2022, 1 July 2022, 1 October 2022 and 1 January 2023 respectively

3 Jasmine Whitbread stepped down from the Board on 3 May 2023

Ongoing development plans

Continuous training and development beyond a director's induction plan is essential for maintaining a highly engaged, effective and well-informed Board. Ongoing development plans also help ensure directors lead with integrity and promote the Group's culture, purpose and values.

Mandatory learning and training are important elements of directors' fitness and propriety assessments as required under the UK Senior Managers and Certification Regime. During the year, all directors received a combination of mandatory learning and training, internal and external briefings, presentations from guest speakers, and papers on a wide range of topics to ensure the directors are well informed and that the Board remains highly effective. The table below gives further detail on who received these briefings.

In 2023, Board members received briefings from and engaged with leading diplomats, former national security advisers, former leaders of international organisations and economists on topics including China's emergence from the COVID pandemic, the evolving geopolitical landscape in the Middle East, and the global macroeconomic environment.

The Board committee members also received specific training relevant to the work of their respective committees. In 2023, the Board Risk Committee received training on topics including: Threat Scenario-led Risk Assessment, Trading Activity Wind-Down Governance, Operational Risk and the implications of Basel 3.1.

The Group Chairman reviews with each director their training and development needs both in real time and as part of the annual performance cycle. Where it is recognised that the Board or individual directors need further training or development in key areas, additional sessions are arranged with subject matter experts.

✓ Director attended the session

✗ Director was unable to attend the session but received any accompanying material and had opportunities to raise questions and observations with the Group Chairman and Group Company Secretary

All of the directors have access to the advice of the Group Company Secretary, who provides support to the Board and is responsible for advising the Board on governance matters. Directors also have access to independent, professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as directors.

Directors' performance

The Group Chairman led the evaluation of individual director performance during 2023. These one-to-one sessions considered:

- their performance against core competencies and their individual effectiveness
- their time commitment to the Group, including (where relevant) the potential impact of any outside interests
- their ongoing development and training needs
- the Board's composition, taking into account when each INED envisaged stepping down from the Board
- the current and future committee membership and structure
- their engagement across the Group.

These performance reviews are used as the basis for recommending the re-election of directors by shareholders at the 2024 AGM and to assist the Group Chairman with his assessment of the INEDs' competencies. In addition, the Group Chairman has responsibility for assessing annually the fitness and propriety of the Company's INEDs and the Group Chief Executive Officer under the Senior Managers Regime. These assessments were carried out in respect of each INED and the Group Chief Executive and no issues in relation to fitness and propriety were identified.

Group Chairman's performance

Maria Ramos, as Senior Independent Director, reviewed José Viñals' performance as Group Chairman, meeting with each director separately to take their feedback. Consolidated feedback was shared with him.

Time commitment

Our INEDs commit sufficient time in discharging their responsibilities as directors of Standard Chartered. In general, we estimate that each INED spent approximately 40 to 90 days on Board-related duties.

Spotlight

Interview with Dr Linda Yueh

An insight into one of our new INEDs

Dr Linda Yueh
Independent Non-Executive Director



Q. What drew you to Standard Chartered and have your initial impressions aligned with your experiences as an INED one year on?

A. One of the key things that attracted me to Standard Chartered was the Group's culture and its people. Prior to my appointment, I had a number of discussions with several directors, including the Group Chairman, who offered insights into serving on the Board of a global financial institution. I was particularly impressed with their willingness to listen and engage collaboratively in constructive discourse over issues of importance to the Group. One year on, I'm pleased to say that I am working with a great group of people from a variety of backgrounds, who possess strong skills and industry-leading experience in their respective fields. In my role as Chair of the Culture and Sustainability Committee (CSC), I am able to actively engage with the issues around culture that are central to a people business. This has been particularly rewarding.

Q. How effective have you found your induction programme in preparing you as an INED and for the Standard Chartered Board and committee discussions?

A. The induction programme, designed to be undertaken over several months, is extensive and well-designed. As my knowledge of the Group grew, my induction meetings became a mixture of introductions and substantive discussions, which worked well. I met with various employees and stakeholders around the Group, which provided a great opportunity to listen to, and understand, a number of different aspects of the bank. The induction programme also included joint sessions with other INEDs who joined the Board in 2022. These joint induction sessions were extremely helpful, as we learned from each other's perspectives and got to know each other better through the process. In addition, I joined part of the BRC meetings as an observer, on discussions covering topics such as reputation and sustainability risks, which dovetail into the work of the CSC. I also travelled with the Board to Hong Kong, Seoul and Singapore and undertook part of my induction in these overseas locations. Market visits are a helpful part of the induction programme and provide important commercial and regulatory context, which helped me to better understand the global nature of Standard Chartered's business.

Q. As the new chair of the Culture and Sustainability Committee, what do you see as its key priorities over the next five years?

A. It is a privilege to chair the CSC and to help define the priorities of the Group in areas which lie at the heart of our organisation and inform everything that we do.

In terms of culture, our priorities include embedding a high-performance culture, whereby our people can excel and do so in prudent ways. Diversity and inclusion are essential building blocks which will go a long way in ensuring that our employees can succeed and thrive. Another key component to driving a healthy culture is through embedding valued behaviours, such as risk awareness, into the Group's culture.

In terms of sustainability, our key priorities include achieving the Group's net zero transition pathway, with particular focus being placed on ensuring that the milestones are clearly defined, measured and delivered. In addition, biodiversity and other emerging issues around safeguarding our planet will also be in focus in the coming years.

Q. How important is a company's culture to you and what are your views on the culture at Standard Chartered?

A. Standard Chartered is a people business, so culture is central to its success and ability to contribute positively to our stakeholders, including clients, investors, employees and wider society. The Group is a global institution with footprints in over 52 markets, so it is particularly important that INEDs and executive directors continually engage with our stakeholders and always remain sensitive to the cultural and business context in which particular issues arise in individual markets. In the year I've been on the Board, I have been impressed by the focus on culture and the thoughtfulness of the Group in this area that is not straightforward to manage.

Q. As an INED, how do you build connections and maintain relationships with our key stakeholders?

A. Delivering for our stakeholders is an area I have placed great focus on. I am pleased that the CSC has been refocused on supporting the Board's engagement notably with our employees, communities, suppliers and shareholders. For instance, our relationship with our colleagues has been strengthened by honing our Board workforce engagement sessions this year. During our workforce engagement sessions, which regularly take place as part of the Board's overseas market visits as well as in the Group's London headquarters, INEDs will spend time with colleagues to understand the areas in which the business excels, and also the areas where the My Voice survey scores are below average. With those insights, the CSC and the Board can have informed follow-up discussions, where we can reflect and act upon what we have heard to continually improve the Group's operations.

Board effectiveness

The 2023 Board and committees' effectiveness review was conducted internally, facilitated by the Group Company Secretary, and in accordance with the UK Code.

Progress against the 2023 Action Plan

The 2023 Action Plan set out a number of actions to be achieved following the externally facilitated Board evaluation conducted in 2022. The 2023 Action Plan was regularly reviewed during the year and good progress had been made against many of the actions as evidenced by this year's internally facilitated Board effectiveness review.



Key observations from the 2023 internal effectiveness review

- The Board remains effective at testing and shaping the Group's strategy.
- Board meetings had focused well on business opportunities with a good level of discussion and challenge, which helped to set strategic priorities.
- The Board has a comprehensive understanding of the Group's principal risks and explores them extensively.
- The Board engaged well with a range of key stakeholders at different levels.
- The Board agenda had accommodated the impact of emerging geopolitical vulnerabilities and the evolving macroeconomic landscape.
- The management of the transition of new INEDs on the Board had been handled well.

2024 Action Plan

- Review the length and focus of Board papers, ensuring a focus on key points for the Board to understand, discuss, challenge and agree on actions.
- Evaluate the balance of topics on the Board agenda to maximise time allocation and focus on key strategic items, challenges and commercial opportunities.
- Enhance measurement of progress on the Group's engagement with its key stakeholders.
- Continue to enhance the sustainability aspect of the Board's education programme.

Internal evaluation process



Review approach agreed



Questionnaires completed



Evaluation and report



Findings shared with committee Chairs and committees

Findings discussed with the Group Chairman and Governance and Nomination Committee

Board discussion and agreed Action Plan for 2024



2023 Board effectiveness review

This year's review took the form of a questionnaire-based evaluation for the Board and its committees which was completed by every Board member. These questionnaires explored some of the themes for the previous year's review as well as probing the Board's and committees' performance through the year.

The results were compiled into a detailed report and conclusions were discussed with the Group Chairman and by the Governance and Nomination Committee ahead of a Board discussion. At the Board meeting, the key findings and recommendations were presented along with an Action Plan for 2024, which was then approved. Details of the key observations from this year's review and the agreed Action Plan are set out on page 155.

The Board's five committees were also included as part of the effectiveness review. The observations and key themes arising from the review were shared with the relevant committee Chairs before being circulated to each of the committees and action plans for 2024 agreed. Details of the key observations and action plans for each of the committees can be found within each of the committees' reports.

Director independence

The GNC reviews the independence of each of the non-executive directors, taking into account any circumstances likely to impair, or which could impair, their independence. Recommendations are then made to the Board for further consideration.

In determining the independence of a non-executive director, the Board considers each individual against the criteria set out in the UK Code and the Hong Kong Listing Rules and also considers their contribution and conduct at Board meetings, including how they demonstrate objective judgement and independent thinking.

The Board considers all of the non-executive directors to be independent of Standard Chartered, concluding that there are no relationships or circumstances likely to impair any INED's judgement.

External directorships and other business interests

Board members hold external directorships and other outside business interests. We recognise the significant benefits that broader boardroom exposure provides for our directors. However, we closely monitor the nature and quantity of external directorships our directors hold, in order to satisfy ourselves that any additional appointments will not adversely impact their time commitment to their role at Standard Chartered, and to ensure that all of our Board members remain compliant with the PRA directorship requirements, as well as the shareholder advisory groups' individual guidance on 'overboarding'. These requirements impose a limit on the number of directorships both executive and INEDs are permitted to hold.

Details of the directors' external directorships can be found in their biographies on pages 137 to 141. Before committing to an additional appointment, directors confirm the existence of any potential or actual conflicts, that the role will not breach their limit as set out by the PRA, and provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a director of the Company. All directors continue to hold no more than four non-executive directorships (or one executive directorship alongside two non-executive directorships) permitted under the General Organisational Requirements Part of the PRA Rulebook.

Our established internal processes ensure that directors do not undertake any new external appointments without first receiving formal approval of the Board. The Board has delegated authority to make such approvals to the Group Chairman, with the exception of his own appointments. Of those INEDs who took on new external directorships during the year, two were regarded as significant directorships (appointed to the board of a listed company) and as such were announced to the market in line with our listing obligations. Further detail on the specific appointments are provided below:

- Carlson Tong was appointed to the board of Hong Kong Stock Exchange as a Board member on 23 April 2023.
- Jackie Hunt was appointed to the Board of Willis Towers Watson plc as an independent non-executive director on 1 April 2023.

The two directors discussed their respective appointments with the Group Chairman in advance of accepting the positions. Each director confirmed the existence of any potential or actual conflicts; provided assurance that the respective roles would not breach their limits as set out by the PRA; and confirmed that their appointments would not impact their abilities to devote sufficient time and focus to both their Board and committee responsibilities.

Stakeholder engagement

Ensuring authentic engagement across our markets



Investors



Clients



Suppliers



Regulators and governments



Society



Employees

The Board recognises the importance of stakeholder consideration and interaction. It forms a crucial part of Board decisions and discussions, as well as the review of our purpose, values and strategy.

Board activities led to a number of invaluable opportunities to engage with stakeholders across the Group's diverse network, including those identified on the following pages. Directors did not just engage collectively with stakeholders, but also individually. The Remuneration, Culture and Sustainability, Board Risk and Audit Committees also engaged directly with employees. Informal and formal sessions with stakeholders across our footprint help provide INEDs and independent adviser members with a comprehensive understanding of the Group's market operations, implementation of strategy, and the external and internal impact of the Group's activities.

Further detail regarding the Board's engagement with our stakeholders can be found on the following pages. Detail regarding how Board committees and their members engaged with stakeholders can be found in the committee report sections starting from page 162.

Chairman and INED travel across our markets

The Chairman and INEDs, either together or individually, visited a range of markets.

Europe and the Americas

1. Germany
2. Poland
3. UK
4. US

Africa and Middle East

5. Ghana
6. Kenya
7. South Africa
8. UAE

Asia

9. China, including Hong Kong
10. Indonesia
11. Japan
12. South Korea
13. Malaysia
14. Singapore
15. Vietnam



3. London, United Kingdom
In September 2023, the Board and committees held their meetings in London. The Board was joined by UK-based colleagues for an informal top talent lunch at which colleagues shared their experiences of working at Standard Chartered. The Board also heard from other UK colleagues through the employee townhall, held to mark 170 years of Standard Chartered's presence in the UK. Board members also met with the UK PRA, and Hong Kong Trade Development Council in London.

9. Hong Kong, China
The Board and committees held their meetings in Hong Kong in March 2023. During this visit, the Board met with clients, colleagues, senior government officials and regulators. An informal top talent lunch was held where the Board met with employees from Hong Kong representing different functions and discussed the goals, challenges and opportunities of the business. The Board also took the opportunity to visit Max Bank, the Group's virtual bank in Hong Kong and hosted a client dinner.

10. Jakarta, Indonesia
In June 2023, the Board travelled to Jakarta. During this visit, the Board took the opportunity to meet with a wide range of stakeholders, including informal discussions with senior leaders, other colleagues at the bank as well as top government officials. The Board also hosted an employee townhall and concluded the visit with a client dinner celebrating 160 year of Standard Chartered's presence in Indonesia.

12. Seoul, South Korea
The Board held its November meetings in Seoul. The week's programme began with a global townhall, with colleagues around the world tuning in virtually. The Board also hosted a talent lunch and met with colleagues based in Korea. As part of the trip, the Board met with clients, top government officials, and local regulators, and engaged with local entrepreneurs for a community engagement session.



The Board's engagement with investors

Our approach

Aiming to deliver robust returns and long-term, sustainable value for shareholders is of key importance to the Board. We continuously reflect on how the Board engages with our investors, openly seeking feedback and reviewing previous activities. We believe this strengthens engagements and helps support the Board's focus on developing open and trusted relationships with investors.

During the year, we maintained a comprehensive programme of engagement, including with investor advisory bodies and credit rating agencies, and provided updates on progress made to transform our business for improved returns.

The Group Chairman and other Board directors had direct contact with investors and advisory voting bodies during the year, and received regular updates from the Investor Relations team, including reports on market developments. The Group Chairman, as part of his role, leads engagement with shareholders and hosted the 2023 AGM alongside fellow Board members. The Group Chairman and certain Board members also held an investor stewardship event.

Maria Ramos, our Senior Independent Director, was available as an alternative point of contact for shareholders.

Bill Winters and Andy Halford were the primary spokespersons for the Group in 2023. Throughout the year they engaged extensively with existing shareholders and potential new investors during individual or group meetings and conferences, either in person or virtually. Diego De Giorgi has replaced Andy, following his retirement, in this regard from January 2024. In addition, Ben Hung, CEO Asia hosted investors and analysts in Asia aimed at promoting greater awareness of our strategy and progress in that region. Various members of the Group's Management Team also participated in investor conferences throughout the year.

Institutional shareholders

The Group maintains a diverse, high-quality and predominantly institutional shareholder base. The Investor Relations team has primary responsibility for managing day-to-day communications with these shareholders and provides support to the Group Chairman, Group Chief Executive, Group Chief Financial Officer, other Board members and senior management in conducting a comprehensive engagement programme.

 Presentation material and webcast transcripts are made available on the Group's website and can be viewed at sc.com/investors

Investor stewardship event

The Group Chairman hosted a stewardship event in November 2023 alongside the chairs of the Board Audit and Remuneration committees. The Group Chairman provided an update regarding the Group's strategy, including with respect to sustainability, which was supplemented by opening remarks from the Remuneration Committee Chair. The Audit Committee Chair also provided updates on both the Audit and Risk committees and their activities during the year. This was followed by a Q&A session. Questions could be submitted in advance of the event, asked live in person or via a web-based platform for those who joined electronically.

Debt investors and credit rating agencies

Our Debt Investor Relations team has primary responsibility for managing the Group's relationships with debt investors and the three major rating agencies, with local market chief executives and chief financial officers leading on smaller subsidiary ratings. In 2023, management met with debt investors across the regions, and maintained a regular dialogue with the rating agencies.

It is important that the Group, as an active issuer of senior unsecured and non-equity capital, maintains regular contact with debt investors to ensure continued appetite for the Group's credit. The Group's credit ratings are a key part of the external perception of our financial strength and creditworthiness.

 Further information can be viewed at sc.com/investors

Engagement with investors: what we did during 2023



The Board's engagement with investors



Retail shareholders

The Group Company Secretary oversees communication with our retail shareholders.

AGM

The meeting was held on 3 May 2023. We were pleased that in addition to in-person attendance, we offered shareholders the opportunity to participate electronically via a live web portal. Within this portal, shareholders were able to view a live video feed of the AGM, submit voting instructions and questions in writing or ask them through an audio line. Shareholders who attended the meeting in person were able to submit voting instructions and ask questions directly.

The AGM is a key date in the Board's calendar and the hybrid format ensured that shareholders could engage with them regarding the Company's recent performance and strategic priorities. Questions received from shareholders covered a diverse range of topics, including climate and the Group's net zero pathway; diversity; the Group's strategy; director remuneration; shareholder engagement; share price and regulatory developments.

All Board-proposed resolutions were passed, with shareholder support for each ranging from 94.70 per cent to 100 per cent. We remain very grateful for the support of our shareholders.

Detail regarding the directors' remuneration report resolution can be found in the Directors' Remuneration Report starting on page 182. Further detail on how the Group engaged with investors more generally can be found on page 57.

Voting results from the 2023 AGM can be viewed at sc.com/investors

A summary of responses to questions on key themes raised by shareholders was made available on our website after the meeting and can be found at sc.com/agm

The Board's engagement with clients and suppliers



Clients are central to everything we do and promoting productive, sustainable relationships with them is a key priority. In 2023, Board members, either collectively or individually, met clients face-to-face or virtually to keep abreast of developing client trends, experiences and needs. As part of our overseas Board programme, members of the Board also travelled within our footprint for meetings with clients and hosted client dinners throughout the year. In addition, updates on clients' insights form part of deep dives into product segment strategy at Board meetings.

Suppliers provide efficient and sustainable goods and services for our business and certain members of the Board also met with them during the year. Detail on how the Group engaged more generally with clients and suppliers can be found on pages 55, 56, 58 and 59 of the Strategic report.

The Board's engagement with regulators and governments



The Board, either collectively or individually, engaged with relevant authorities and regulators including in the UK, Hong Kong and South Korea to discuss key items and developments. Topics of discussion varied, including change management, Execution Risk, information and cybersecurity, Data Risk, Model Risk management, Climate

Risk, Credit Risk and macroeconomic developments, resolvability, and risk-free rate transition. Further detail on how the Group engaged with regulators and governments more generally can be found on page 57 of the Strategic report.

The Board's engagement with society



The Board receives regular updates from management concerning the communities and environment in which we operate.

Either collectively or individually, directors were able to visit some of the Group's markets this year. Directors participated in a volunteering day in Jakarta, where they taught four modules from our financial education programme to children aged 15–16. In Seoul, directors took part in a community engagement session where they facilitated a mock investment and solution challenge with three female start-up CEOs from our Women in Entrepreneurship programme.

In addition, external and internal speakers provided input to the Board's discussions, which covered key societal issues such as China's emergence from the COVID pandemic, the evolving geopolitical landscape in the Middle East, and the global macroeconomic environment. Further detail on how the Group engaged with society more generally can be found on page 59.



The Board's engagement and linkages with the Group's subsidiaries

The Board and its committees recognise the importance of creating, maintaining and building upon appropriate linkages with the Group's subsidiaries. In 2023, the Group Chairman and INEDs engaged with the Group's subsidiaries through a number of forums. This included a video-enabled chair and committee chair engagement session, as well as other forms of interaction.

The Group Chairman hosted a virtual subsidiary chair engagement session during 2023. The event opened with an update from Bill Winters on the third-quarter results, progress against our strategic priorities, and areas of focus for the remainder of the year and going into 2024. The subsidiary chairs asked questions, both on the Group's performance and questions specific to their markets. José Viñals then updated the subsidiary chairs on Board changes, areas of focus for the year so far at the PLC Board, and Board diversity. The Chairman finished his thoughts on the macro outlook and challenges for the Group into 2024.

Committee chair engagement

The Audit Committee held its annual videoconference during the year, followed by a Q&A session. This was hosted by the Audit Committee Chair and attended by the Group Chairman and the chairs of subsidiary audit committees. The Group Financial Controller; Group Head, Internal Audit; Regional Head, Audit, Europe and the Americas, and Africa and the Middle East; Group Head, Conduct, Financial Crime and Compliance; members of the Group's statutory auditor, EY, including the lead audit partner; the Group Company Secretary and the Committee Secretary also participated in the call. Items discussed during the call included:

- 2023 Audit Committee focus areas
- Group Finance update, which featured UK Audit and Corporate Governance reforms and likely impact on subsidiaries, IFRS 9 models, increased sustainability disclosure and an update on capitalised software
- Conduct, financial crime and compliance update
- Group Internal Audit reporting to subsidiary audit committees
- Group statutory audit update from EY.

The Board Risk Committee Chair hosted the annual videoconference with chairs of the subsidiary board risk committees, followed by a Q&A session. The Group Chairman; Group Chief Risk Officer; Global Head of Enterprise Risk Management and Deputy Chief Risk Officer Standard Chartered Bank; the Group Company Secretary and Committee Secretary also participated in the call.

Items discussed during the call included:

- 2023 Board Risk Committee focus areas
- Group Chief Risk Officer's 2023 priorities
- Update on Model and Treasury Risk.

The Remuneration Committee Chair also held a videoconference attended by the subsidiary remuneration committee chairs and the chairs of subsidiary boards that have remuneration responsibilities. The call was also attended by the Group Chairman, other members of the Group Remuneration Committee and executives from Human Resources and Reward. The call fostered knowledge sharing and best practice between the Group Remuneration Committee and the subsidiary remuneration committees and raises awareness of the priorities felt by the wider workforce in our markets. Topics that were discussed included:

- The Fair Pay Charter and recent benefits-related initiatives
- Key focus areas for the 2023 year-end pay review and our drive to embed a high-performance culture through strong differentiation
- Discussion on key focus areas for the subsidiaries
- 2024 priorities, including the development of a new recognition platform.

Other activities that took place during 2023 to further strengthen the linkages across the Group included the following:

- The Group Chairman attended a SCBHK board meeting
- The Chair of the Group Audit Committee attended an audit committee meeting of Standard Chartered Bank (Singapore) Limited (SCBSL). The audit committee chairs of SCBHK and SCBSL attended one Group Audit Committee Meeting
- The Chair of the Board Risk Committee attended a risk committee meeting of SCBHK. The risk committee chairs of SCBHK and SCBSL joined one Group Board Risk Committee meeting.

→ Further detail regarding how the Group engages with its stakeholders can be found on [pages 54 to 64](#).

The Board's engagement with employees



The Board places great importance on workforce engagement and values its interactions at all levels of the Group. Two-way dialogue through a variety of forums helps build the Board's understanding of key issues and developments around its markets, as well as providing an insight into the hands-on experiences of colleagues.

The role of the Board is distinct from management, and the directors are aware of the importance of overseeing, supporting and, where necessary, challenging management in implementing its people strategy and ensuring that the voice of colleagues is heard and reflected in decision-making.

Following a review of the existing Board workforce engagement model by the CSC, an enhanced model involving more face-to-face colleague interaction was approved and implemented during the year. This enhances the model that was put in place immediately preceding the COVID pandemic and was reliant on virtual touchpoints. As part of these changes, the Board continues to adopt an alternative workforce engagement method as set out in the UK Code.

The enhanced model is designed to improve how Board members gather and share feedback obtained from colleagues, while paying special attention to expanding participation in engagement sessions to a more diverse set of voices. In 2023, the Board met colleagues in various markets, including Hong Kong, Jakarta, Seoul and London, with the enhanced model being trialled successfully in London, where the Board conducted informal listening sessions in September, and again as part of the Board's trip to Seoul in November. Ahead of these informal listening sessions, directors were briefed on the individual market,

including local trends provided by the annual employee engagement survey (My Voice) and other relevant data points offered by local and regional management teams. Following the listening sessions, feedback was subsequently shared with the CSC and other stakeholders, where appropriate. Through these sessions directors were able to appreciate the challenges, successes and concerns shared by colleagues in each of the markets. The Board will continue to implement our enhanced model of engagement in London and in three overseas markets which the Board plans to visit in 2024.

In addition to this enhanced model, the Group has a comprehensive employee listening programme, through which the Board has an opportunity to understand diverse employee perspectives. These tools include the annual employee engagement survey, a continuous listening programme, lifecycle surveys and diagnostic research on specific areas of focus, such as flexible working and performance management. Details on all of our employee engagement can be found on page 60.

The Board is also informed about the operation of the Speaking Up programme, including on the themes of employee concerns raised through Speaking Up, employee confidence level in Speaking Up and the programme's usage volume. For more details on Speaking Up, please refer to page 131. Our Brand and Culture Dashboard has been in place since 2018 and provides a comprehensive overview of cultural change by reporting on several key metrics that allow us to monitor progress of our culture journey.

Further detail regarding employee engagement this year can be found within the Culture and Sustainability Committee report starting on page 174.

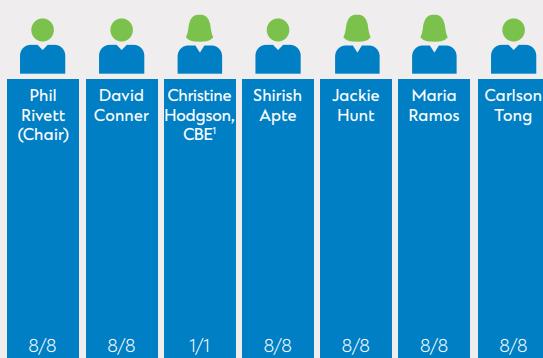


Audit Committee

"In light of the challenging external environment, the Group's investment in China Bohai Bank (Bohai), and the Group's exposures to China Commercial Real Estate (CRE) in particular, was an area of significant focus."



Committee composition



¹ Christine stepped down from the Committee on 1 May 2023.

I am pleased to present the Audit Committee report for the year ended 31 December 2023. This report sets out the areas of significant focus for the Committee and its activities over the course of the year.

Throughout the year, the Committee has carefully scrutinised and challenged credit impairments, key accounting issues, significant accounting estimates and judgements made by management to ensure that they are appropriate and clearly communicated in the Group's public disclosures. In light of the challenging external environment, the Group's investment in China Bohai Bank (Bohai), and the Group's exposures to China Commercial Real Estate (CRE) in particular, was an area of significant focus. The Committee reviewed carrying values for larger investments and management overlays.

Sovereign ratings and credit impairments have also been reviewed and discussed, including Sri Lanka, Pakistan, Nigeria and Ghana. The Committee is mindful of the work of the BRC on emerging sovereign and country risks. The Audit Committee's work during the year complemented the wider review undertaken by the BRC on sovereign and country risks.

The Committee has been focused on the Group's implementation plan addressing UK ACG reforms, including the FRC's consultation on the UK Code and legislation published, and later withdrawn, by the UK government. In readiness for those proposals, work has been done on controls, process improvement and examining work already undertaken on stress testing, going concern and viability statements. Following its consultation, the FRC decided not to take forward a number of proposals. The Committee is considering which of the proposals the Group may decide to take forward on a voluntary basis. The updated UK Code was published in January 2024 and management is reviewing the implications and timings, with reporting being provided to the Committee regularly throughout the year.

As the Board-appointed Consumer Duty Champion, I am fully engaged on the progress of Standard Chartered Bank's implementation plans, through regular briefings with the Consumer Duty Accountable Executive. The Committee also receives updates on Consumer Duty, including progress on agreed commitments and actions to ensure that Consumer Duty is fully embedded in our customer experience.

What are the main responsibilities of the Committee?

The Committee is responsible for oversight and advice to the Board on matters relating to financial, non-financial and narrative reporting. The Committee's role is to review, on behalf of the Board, the Group's internal controls, including internal financial controls. The Committee has exercised oversight of the work undertaken by the internal Conduct, Financial Crime & Compliance (CFCC) and Group Internal Audit (GIA) functions and EY. The Committee Chair reports to the Board on the Committee's key areas of focus following each meeting.

The Committee has written Terms of Reference that can be viewed at sc.com/termsofreference

Who else attended 2023 Committee meetings?

The Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Financial Officer Designate (from 2 September); Group Chief Risk Officer; Group General Counsel; Group Head, Internal Audit; Group Head of CFCC; Group Head, Central Finance; representatives from Group Finance; Group Statutory Auditor; and the Group Company Secretary, Paul Khoo, independent adviser to the Board, attended a discussion on Financial Crime Compliance-related matters.

As part of, and in addition to most scheduled Committee meetings, the Committee held private members-only meetings. The Committee also met with the Group's Statutory Auditor, EY and the Group Head, Internal Audit, without management being present. The Committee members have detailed and relevant experience and bring an independent mindset to their role.

The Board is satisfied that Phil Rivett has recent and relevant financial experience. Phil is a chartered accountant with over 40 years' experience of professional accountancy and audit focused on banks and insurance companies. He led the audits of a number of leading banks during his career as senior audit partner of PricewaterhouseCoopers. He is also chair of the audit committee for Nationwide Building Society.

Biographical details of the Committee members can be viewed on [pages 137 to 141](#)

The Committee reviewed and discussed the refresh of the Group Code of Conduct and Ethics, and recommended this to the Board for endorsement. This was a substantial refresh, designed to provide a guide for colleague behaviour in a fast-changing world with new technologies including artificial intelligence, customer expectations and the shifting geopolitical landscape. We were keen to understand the roll-out and training that would be provided to fully embed this within the Group.

The Committee is cognisant of the benefits of engaging with broader stakeholders and updating them on the Committee's priorities and activities. As Audit Committee Chair, I participated in the Group's stewardship event in November 2023, where the work of the Audit Committee was discussed. Details on the stewardship event may be found on page 158.

The Committee has exercised its authority delegated by the Board for ensuring the integrity of the Group's published financial information by discussing and challenging the judgements and disclosures made by management, and the assumptions and estimates on which they are based. The Committee has exercised judgement in deciding which of the issues it considered to be significant in the financial statements, and this report sets out the material matters that it has considered in these deliberations.

As a result of the Committee's work in 2023, assurance has been provided to the Board on the quality and appropriateness of the Group's financial reporting, and on internal audit, compliance and regulatory matters, to continue to safeguard the interests of the Group's broader stakeholders. The following pages provide insight and context into the Committee's work and activities during the year.

Phil Rivett
Chair of the Audit Committee

Activities during the year

Financial reporting	<ul style="list-style-type: none"> • Satisfied itself that the Group's accounting policies and practices are appropriate. • Reviewed the clarity and completeness of the disclosures made within the published financial statements, in particular, that they are fair, balanced and understandable. • Monitored the integrity of the Group's published financial statements and formal announcements relating to the Group's financial performance, reviewing the significant financial judgements, estimates and accounting issues. • Considered the forthcoming UK ACG Reforms and discussed how the Group will implement the new proposals. • Considered the 'Audit Committees and External Audit Minimum Standard' published by the FRC in May 2023 and is satisfied that the Committee met the relevant requirements. <p>Significant accounting judgements considered during 2023 are shown below.</p> <p>The Committee can confirm that the key judgements and significant issues reported are consistent with the disclosures of key estimation uncertainties and critical judgements as set out in Note 1 starting on page 367.</p>
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Key area	Action taken
Impairment of loans and advances	<ul style="list-style-type: none"> • Reviewed and challenged, on a quarterly basis, reports detailing the composition and credit quality of the loan book, concentrations of risk and provisioning levels. • Understood the Expected Credit Loss (ECL) model output, reviewed, considered and challenged judgemental Post Model Adjustments (PMAs) and management overlays in both the wholesale and retail portfolios on a quarterly basis, that were required to estimate ECL. • Applied careful consideration and challenge on ECL provisions relating to China CRE lending and sovereign exposures. • In the case of PMAs, understood adjustments made where model performance breached monitoring standards or validation standards. • Reviewed and challenged management's proposed reduction of management COVID overlays for CPBB, as the outlook has improved during 2023. • As well as the expectation of elevated losses in industries and locations, paid particular attention to the China CRE sector and certain sovereigns. In respect of high-risk credit grade exposures, received briefings on business plans, including remedial actions and management assessment of the recoveries and collateral available. • Received a briefing on the assessment of the output of the Group's Monte Carlo model incorporating a wider range of scenario outcomes than the previous model, with the effect of increasing non-linearity in the model output. Reviewed and challenged the judgement to release the previously held PMA for CPBB, as a result of the output of these model changes. Benchmarked the ECL non-linearity calculated using the Monte Carlo model against discrete scenarios as a stand-back assessment. • Reviewed the Group's high-level quantitative assessment of the impact of Climate Risk on the Group's ECL and considered the materiality of the impact and the judgement to disclose a potential range of impact, rather than to adjust the ECL given the immaterial impact. • Received a briefing on the performance of ECL models and the remediation plans in place to address material non-performance issues, where these had been identified. • Received a briefing on the Group's adoption of the high-quality practices relating to IFRS 9 ECL and the areas of focus recommended by the PRA in recent Dear CFO letters. • Considered the appropriateness of the staging of higher-risk loans. For Stage 3 loans, monitored the impairment coverage rates, recovery forecasts and material movements.
Carrying value of investments in associates	<ul style="list-style-type: none"> • Challenged management on the assumptions made on the decline in Bohai's Net Interest Margin (NIM), and the outlook should China GDP not improve. • Reviewed and challenged management's assessment that the Group maintained significant influence and satisfied itself that it remained appropriate to continue to equity account for the investment.
Valuation of financial instruments held at fair value	<ul style="list-style-type: none"> • Received reports and updates at each reporting period detailing the key processes undertaken to produce and validate valuations of financial instruments, including any changes in methodology from prior years and significant valuation judgements. • Received regular updates on the level of unsold positions in the syndications portfolio and the valuation of these positions and plans for sell down. • Reviewed credit valuation adjustments, debit valuation adjustments, funding valuation adjustments and own credit adjustments, and considered the explanation and rationale for any significant movements.

Activities during the year continued

Other areas of focus

Goodwill impairment	<ul style="list-style-type: none"> Reviewed management's annual assessment of goodwill impairment, covering key assumptions (including forecasts, discount rate and significant changes from the previous year), headroom availability and sensitivities to possible changes in key assumptions and related disclosures.
Recoverability of parent company's investment in subsidiaries	<ul style="list-style-type: none"> Discussed and challenged management's impairment assessment of investments in subsidiaries.
Disposals of aviation finance business and businesses in the Africa and Middle East (AME) region	<ul style="list-style-type: none"> Reviewed and challenged the accounting treatment and impact of the disposals of the aviation finance business and businesses in the AME region.
Classification of assets as held for sale	<ul style="list-style-type: none"> Reviewed management's assessment of whether certain assets or disposal groups should be reclassified as held for sale. This included reviewing the facts and circumstances for the proposed sale of the business exits in the AME region, the sale of the aviation finance business, shipping assets and remaining Principal Finance investments.
Hold to collect portfolio	<ul style="list-style-type: none"> After the collapse of several US banks during the first quarter of the year, reviewed the Group's portfolio of hold to collect debt securities on a quarterly basis to monitor the amount of any unrecognised losses and to understand the potential impact.
Restructuring costs	<ul style="list-style-type: none"> Reviewed and considered, on a quarterly basis, income statement charges and credits classified as restructuring.
Taxation	<ul style="list-style-type: none"> Reviewed and considered a paper on the key drivers of the Group's tax rate, and updates on the Group's Deferred Tax Assets, tax exposures and recent tax developments. Considered the impacts of the global minimum tax rules which will apply from 2024.
Provisions for legal and regulatory matters	<ul style="list-style-type: none"> Considered advice presented on the current status of significant legal and regulatory matters, and reviewed management's judgements on the level of provisions and the adequacy of disclosure, as set out in Note 26 on page 434.
Going concern assessment and viability statement	<ul style="list-style-type: none"> Reviewed management's process, assessment and conclusions with respect to the Group's going concern assessment and viability statement, including the forward-looking Corporate Plan cashflows, the results of various stress tests that explore the resilience of the Group to shocks to its balance sheet and business model, principal and emerging risks, liquidity and capital positions and key assumptions. Ensured that the going concern assessment and viability statement is consistent with the Group's Strategic report and other risk disclosures. <p> Further details can be found on pages 369, 218 and 229</p>
Fair, balanced and understandable	<ul style="list-style-type: none"> Considered, satisfied itself and recommended to the Board that the processes and procedures in place ensure that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and the business risks it faces.

Examples of deeper discussions into specific topics

- **EY regional partner and topical overviews:** Received a presentation from EY's local regional partners in India on the Group's global business services hubs. We also held discussions with EY's specialist partners on Climate Risk and ACG reforms, providing external perspective and peer comparison. These EY regional partner overviews and technical topics will continue in 2024 and beyond.
- **UK ACG reforms implementation approach:** Received and discussed updates on the implementation by the Group, including end-to-end controls and process improvement. Discussion focused on the adequacy of resourcing, potential impact to Committee and Board responsibilities under the new requirements and broader market developments associated with the reforms. The proposed approach for an Audit and Assurance Policy (AAP) was discussed, with the Committee providing feedback on this. Even though this was a proposal not taken forward by the FRC, the Committee continues to consider what might be done on a voluntary basis, where beneficial for the Group.
- **Aspire programme:** Discussed an update on the Group's Aspire programme (a programme launched to deliver a modern technology system and data landscape for financial management and reporting). Discussion focused on the programme's potential in driving control enhancement and cost efficiencies in resourcing.
- **Internal financial controls:** Received and discussed a paper setting out the approach taken to safeguard the production of the Group's financial books and records.
- **IFRS 9 models:** Received and discussed updates on the Group's use of IFRS 9 ECL models.
- **Finance resourcing:** Reviewed and discussed a paper providing assurance that the Accounting and Financial Reporting function is adequately and appropriately resourced; the qualifications, experience and training of colleagues is appropriate; and in the context of a stretching agenda, the level of resource is deemed to be appropriate to cover the implementation of ACG reforms, new capital rules under Basel 3.1 and the deployment of the Aspire programme.
- **Tax update:** Received and discussed a paper setting out an update on international tax reform and a review of tax exposures and deferred tax assets. EY's specialist tax partner also joined this discussion.
- **Large Exposures:** Received and discussed reports on the methodology supporting the Group's Large Exposures reporting to the regulators.
- **Financial regulatory reporting:** Received and discussed an update on the Group's financial regulatory reporting remediation programme.
- **Data management:** Received and discussed updates on progress in reducing the Group's Data Risk exposure. The H1 2023 discussion focused on managing Data Privacy risks in SC Ventures investments and Data Sovereignty Risk in high-risk jurisdictions, given numerous data storage, transfer and access obligations across the Group's footprint. The H2 2023 discussion focused on progress made in refreshing the focus of the Data Shield Programme, previously known as the Group's Data and Privacy Transformation Programme, resourcing and the roadmap and timelines to reach the desired end-state. This will continue to be an area of focus for 2024.
- **China Data Security:** Received and discussed an update on China Data Security measures.
- **Financial Crime:** Reviewed and discussed an update on Financial Crime, cognisant of the work of the BRC and Board on this matter.
- **Report of the Group Money Laundering Report Officer (MLRO):** Reviewed and discussed the annual report from the MLRO.
- **Group Code of Conduct Refresh:** Received and discussed a paper setting out the refreshed Code, which better connects to the Group's valued behaviours and introduces additional areas such as data ethics. The Committee recommended the Code to the Board for endorsement.
- **Politically Exposed Persons (PEP):** In light of external events, received and discussed a paper setting out an overview of the Group's approach to managing PEP risk.
- **FCA Consumer Duty:** Received updates on Standard Chartered Bank's implementation plans and oversight for compliance with the FCA Consumer Duty. Particular focus was placed on management information, client documentation, pricing and processes. This will continue to be an area of focus for 2024.
- **Major disputes, significant regulatory and government investigations:** Received and discussed updates on major disputes and significant regulatory government investigations facing the Group.
- **Technology costs:** Reviewed and considered updates from management and EY on work undertaken on capitalised technology costs, including software as a service (SaaS) arrangements.
- **Technology controls:** Reviewed and considered updates from EY on the results of their testing of privileged user access management controls, noting improvements made by management in this area during 2023.

Activities during the year continued

Group Statutory Auditor, EY	<ul style="list-style-type: none"> Reviewed and discussed the risks identified by EY's audit planning, as well as EY's planned audit strategy in response to those risks. Satisfied itself that EY has allocated sufficient and suitably experienced resources to address these risks and reviewed the findings from the audit work undertaken. Sought and received assurance that no undue pressure has been asserted on the level of audit fees, to ensure that audit work can be conducted effectively and independently. Conducted an annual performance and effectiveness review of EY. Input was received from Committee members, chairs of subsidiary audit committees, the Group Management Team, regional/country chief financial officers, members of the Group Finance Leadership Team and GIA senior leadership. The results of this input were discussed by the Committee. Overall, it was felt that EY is considered to be effective, objective and independent in its role as the Group's Statutory Auditor. The Committee agreed to propose to the Board that the re-appointment of EY as the Group's Statutory Auditor for a further year be recommended to shareholders at the 2024 AGM. This recommendation was made without any influence from a third party and free from any contractual obligation to do so, including for the avoidance of doubt, any contractual term described in Article 16(6) of the Audit Regulation. Reviewed and discussed EY's audit planning report and any updates, audit results reports and interim review reports. Received and discussed a paper setting out EY's control themes and observations from the 31 December 2023 year-end audit, as well as an update on these matters later in the year. Reviewed and discussed EY's approach to the private Written Auditor Report to the PRA for the year ended 31 December 2023. Updates from management were also provided. Received reports from EY and management regarding EY's FCA Client Assets (CASS) audit of Standard Chartered Bank. <p>The Committee met privately with EY at the end of certain Committee meetings, without management being present.</p> <p>Phil Rivett met regularly with the EY partners leading the Group's audit during the course of the year. The Company complies with the Statutory Audit services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor. As a UK public interest entity, the Group is required to tender the audit every 10 years and rotate the auditor every 20 years. As long as the Committee remains satisfied with EY's performance, the Group has no current intention of tendering for an alternative external auditor to commence before the end of the current required 10 year period. Any tender would be in respect of 2030 onwards and would likely occur in 2027, in order to allow sufficient time to plan for a transition.</p> <p>EY has been the Group's Statutory Auditor for four years. In accordance with the Audit Practices Board's requirements, the lead audit engagement partner will have held the role for five years following the completion of the audit for the year-ending 31 December 2025. The lead engagement partner, David Canning-Jones, has a background of auditing banks and understands the markets in which the Group operates. Following completion of the audit for the year-ending 31 December 2024, Micha Missakian, an EY senior audit partner who is also experienced in auditing global banking institutions, will assume the role of the lead audit engagement partner.</p> <p>Following the 2017 audit tender, EY was appointed as the Group's Statutory Auditor for the financial year ended 31 December 2020. EY has been re-appointed as the Group's Statutory Auditor for the financial year ended 31 December 2023 at the 2023 AGM.</p>
Non-audit services	<ul style="list-style-type: none"> In 2023, the Group spent \$14.1 million on non-audit services provided by EY (including audit-related assurance services such as quarterly and half year reviews and regulatory reporting) and \$41.2 million on the audit of the Group and its subsidiaries. <p>Further details on non-audit services provided by EY can be found in Note 38 on page 462 and the Group's approach to non-audit services on page 228</p>
Internal controls	<ul style="list-style-type: none"> Discussed reports from GIA that provide GIA's view on the system of internal controls across all risk types, business and country functions, including summary highlights of the most significant matters identified by GIA and areas of thematic interest that have arisen as part of the audits and warrant the Committee's attention. On a periodic basis, GIA reports on any overdue remediation of findings. The BRC and the CSC discussed separate reports from the Group Head, Internal Audit on GIA's appraisal of controls across key risks, subject to each committee's oversight. <p>Further details on internal controls can be found on page 222</p>
Group Internal Audit	<ul style="list-style-type: none"> Assessed the role and effectiveness of the GIA Function, and reviewed and monitored GIA's progress against the 2023 Audit Plan and the review and monitoring of audit themes, trends and significant issues. Significant changes to the Audit Plan were also discussed and approved by the Committee. Reviewed and approved GIA's 2024 Audit Plan, resourcing and budget, and is satisfied that these are appropriate. Reviewed and approved the refreshed GIA Charter. Received and discussed reports from the Global Head, Audit Quality Assurance (QA) on the QA function's view of the control environment in GIA. Scrutinised any long overdue issues raised by GIA and requested management to develop risk reduction plans for items with long closure periods to be monitored by GIA. Reviewed GIA's functional strategy, including GIA's mission, vision and priorities. The Committee is satisfied with the independence and objectivity of the GIA function. Received an update on the planned External Quality Assurance Review that will take place in 2024. Over the course of the year, Phil Rivett met regularly with the Group Head, Internal Audit and the Audit Executive Team. The Group Head, Internal Audit also met privately with the Committee.

Conduct, Financial Crime & Compliance	<p>In 2023, the Committee was updated on and discussed:</p> <ul style="list-style-type: none"> regulators' supervisory focus areas, regulatory updates and forward-looking themes, the status of the Group's core college regulatory relationships and enforcement matters topical compliance issues, for example, the Committee was updated on transaction reporting and the use of unapproved communication channels, recognising progress made to date and issues faced by the Group the importance of continuing to strengthen the effectiveness in our overall risk management the function's operating model, including an overview of the CFCC budget and organisational changes to simplify the function CFCC's resources and budget to deliver against its mandate, including the use of automation. <p>Phil Rivett met regularly throughout the year with the Group Head, CFCC.</p>
Speaking Up	<p>The Committee reviewed and discussed an annual report on the operation and effectiveness of Speaking Up, the Group's confidential whistleblowing programme. The report provided the Committee with assurance of the Group's ongoing compliance with the PRA and the FCA's Whistleblowing Rules. Once reviewed and discussed by the Committee, this report was submitted to the Board.</p> <p>In 2023, the Committee Chair received updates on Speaking Up outside of formal Committee meetings and regularly met with senior management from Conduct and Compliance.</p> <p>→ Further details on Speaking Up can be found on page 131</p>
Interaction with regulators	<p>Phil Rivett attended a trilateral meeting with EY and the PRA and also met with the PRA in his capacity as Audit Committee Chair.</p>
Linkages with subsidiary audit committees	<p>In 2023, Phil Rivett attended an audit committee meeting of SCBSL. The audit committee chairs of SCBHK and SCBSL attended one Standard Chartered PLC Audit Committee meeting. This practice will continue in 2024 to reinforce these important linkages.</p> <p>Phil Rivett hosted an annual video-conference with the chairs of subsidiary audit committees and INEDs in May 2023.</p> <p>Please refer to page 160 on linkages between the Committee and chairs of subsidiary audit committees.</p>

Progress against the 2023 Action Plan

The 2023 Action Plan set out a number of actions from the externally facilitated Committee evaluation conducted in 2022. The 2023 Action Plan was reviewed during the year and good process had been made against the actions, with all of them being completed.

Committee effectiveness review

During 2023, the Group Company Secretary facilitated an internal Board and Board committee effectiveness review.



Key observations from the 2023 internal effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and specifically highlighted the following:

- The Committee's oversight and understanding of all the key issues under its remit was rated highly, with focused agendas and productive discussions.
- While there were no identified gaps in the technical skills of Committee members, there is a need to monitor the Committee's composition to ensure that sufficient experience in banking, accounting and financial reporting remain in the Committee as Committee members step down.

- The contributions from EY and GIA were well rated. A suggestion was made for more engagement with members of the GIA function, in addition to the Group Head, Internal Audit.

2024 Action Plan

The 2024 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the solid progress made last year:

- Maintain focus on enhanced internal controls to meeting forthcoming legislative and corporate governance requirements.

- Continue to monitor the length, focus and timeliness of papers.
- Schedule training sessions in 2024 to cover topics such as ECL, internal controls and an optimum control environment.

Board Risk Committee

"In an ever-changing and complex geopolitical and macroeconomic environment, the Committee remained focused to ensure efficient and effective risk management across the Group."



Committee composition

Maria Ramos (Chair)	David Conner	Gay Huey Evans, CBE	Phil Rivett	David Tang	Carlson Tong	Shirish Apte	Robin Lawther, CBE ¹
6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6
Ad hoc	5/5	5/5	5/5	5/5	5/5	5/5	4/5

¹ Robin was unable to attend one ad hoc meeting due to a prior business commitment

I am pleased to present the Board Risk Committee's report for the year ended 31 December 2023.

In an ever-changing and complex geopolitical and macroeconomic environment, the Committee remained focused to ensure efficient and effective risk management across the Group.

Market volatility earlier in the year, resulting from the challenging external environment, prompted the Committee to focus on key macroeconomic issues. In particular, a severe liquidity stress test was performed, in light of banking sector events, and the Committee also reviewed and challenged the Group's Annual Cyclical Scenario (ACS) stress test results for submission to the Bank of England (BoE).

Credit Risk has been reviewed and discussed at most Committee meetings, given the uncertain external environment, with China CRE and global CRE being key areas of focus. Sovereign Risk remained a priority, with global trends throughout the year being closely monitored.

The Group's hedging strategies were robustly challenged, with specific deep dives on Interest Rate Risk in the Banking Book, Foreign Exchange, Treasury Portfolios and Financial Markets.

The Committee is aware of its critical role in overseeing and assessing robust ICS defence strategies. A key focus of 2023 was ICS Risk management, with representation from the three lines of defence and our Cyber Advisor to the Board, Sir Iain Lobban. In particular, we scrutinised the Group's ICS Risk Appetite and Strategic Plan. The Committee has dedicated significant time to ICS Risk this year, including scheduling an ad hoc meeting and completing ICS training. ICS Risk will remain a key priority given the evolving and dynamic landscape in which we operate.

The Committee has had oversight of Operational Risk during the year, with particular focus on the Group's data centre migration programme.

Resolvability was discussed regularly throughout the year, and we reviewed and approved the Group's Resolvability Assessment Report, ahead of submission to the PRA in October 2023. Assurance was

What are the main responsibilities of the Committee?

The Committee is responsible for exercising oversight, on behalf of the Board, of the key risks of the Group. It reviews the Group's Risk Appetite Statement and Enterprise Risk Management Framework (ERMF) and makes recommendations to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems, key controls and considering the implications of material regulatory change proposals, reviewing reports on principal risks, including Climate Risk, to the Group's business, providing oversight and challenge to the design and execution of stress testing, and ensuring effective due diligence on material acquisitions and disposals. The Committee Chair reports to the Board on the Committee's key areas of focus following each meeting.



The Committee has written Terms of Reference that can be viewed at sc.com/termsofreference

Who else attended Committee meetings in 2023?

The Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Financial Officer Designate (from 2 September); Group Chief Risk Officer (GCRO); Group Head of Enterprise Risk Management; Group General Counsel; Group Treasurer; Group Head, Conduct, Financial Crime & Compliance; Group Head, Internal Audit; the Group's Statutory Auditor; and the Group Company Secretary.

Sir Iain Lobban, independent adviser to the Board, regularly attended discussions on Information and Cyber Security Risk and technology. Paul Khoo, an independent adviser to the Board, attended discussions on Financial Crime Risk (FCR) related matters. EY attended all Committee meetings in 2023. As part of, and in addition to scheduled Committee meetings, the Committee held private members-only meetings. The Committee's membership comprises INEDs who have a deep and broad experience of banking and the risk factors affecting the Group, including geopolitical, economic, IT, Financial Crime (FC) and general business risks.



Biographical details of the Committee members can be viewed on [pages 137 to 141](#)

taken from the extensive work performed by the second and third lines of defence to review and challenge Resolvability documentation prepared by the first line.

Operational Resilience remained a key topic in 2023, with the Committee challenging the embedding of Important Business Services (IBS) and Impact Tolerance Statements (ITS) within the Group. The Committee reviewed and recommended to the Board for approval the Group's Operational Resilience Self-Assessment. Furthermore, we considered and approved material changes to the Group's IBS and ITS arising from the annual review, in accordance with authority delegated by the Board. Progress to meet the 2025 regulatory deadline continues to be carefully monitored to ensure compliance.

Financial Crime Risk has been a key feature of the Committee's work during the year. The CCIB and CPBB Risk reviews both covered FCR matters, and we received dedicated papers on client due diligence and surveillance and Russian sanctions. Towards the end of the year, we considered emerging FC threats faced by the Group and risk mitigation; and we reviewed and discussed the coverage of FCR by the Committee, Audit Committee and the Board, to ensure that the balance is appropriate. This discussion provided useful suggestions for enhancement, which will be taken forward in 2024.

In December 2023, we welcomed the board risk committee chairs from the Group's Hong Kong and Singapore banking subsidiaries as observers. I hosted a call with subsidiary board risk committee chairs from across the Group in July 2023, designed to strengthen subsidiary governance linkages and engagement.

The following pages provide insight and context into the Committee's work and activities during the year.

Maria Ramos

Chair of the Board Risk Committee

Activities during the year

Risk Appetite	<ul style="list-style-type: none"> Reviewed, challenged and approved at half year changes to the Group's Risk Appetite Statement and Board metrics. Scrutinised and recommended to the Board for approval the revised ICS Risk Appetite Statement and Board metrics. Reviewed and recommended to the Board revisions to the Group's Risk Appetite Statement and Board metrics for 2024. Challenge was provided to ensure that the Risk Appetite sets appropriate boundaries in respect of each Principal Risk Type and is affordable within the overall context of our financial resources. Specific consideration was given to redistribution of metrics between the Board and management-level, as well as appropriate Board oversight and reporting, including any breaches. Monitored actual exposures throughout the year relative to Risk Appetite limits using regular Board Risk Information reports. <p>→ Further details of the Group's Risk Appetite are set out on pages 314 to 316</p>
Enterprise Risk Management Framework (ERMF)	<ul style="list-style-type: none"> Reviewed proposed material changes to the ERMF, arising from the 2023 annual review, including a refreshed definition of the Risk Culture and recommended these changes to the Board for approval. Considered the approach and key outcomes of the 2023 annual effectiveness of the ERMF. Affirmation was received from the GCRO that the Group's risk management and internal control framework is materially effective and improvement areas were highlighted for management attention. <p>→ Further details of the ERMF are set out on pages 314 to 316</p>
Principal Risk Types	<ul style="list-style-type: none"> Received reports on the Group's Principal Risk Types at each of its scheduled meetings, through a Board Risk Information report. In addition, the Committee had deeper discussions on the topics set out on page 172. <p>→ Further details on Principal Risk Types, including the definitions of each, are set out on pages 317 to 337</p>
Key area	Action taken
Operational and Technology Risk	<ul style="list-style-type: none"> Received regular updates on the risk environment including progress of key change and technology programmes. Discussed independent reports on Cash Payments systems and Client Lifecycle Management in CCIB, particularly the progress to address the recommendations provided. Considered the Group's ISO 20022 readiness ahead of launch and the technological developments required. Received updates on the progress of key technology transformation programmes, particularly data centre resilience and updates to the Group's Cloud strategy, from all three lines of defence. Sought assurance as to appropriate risk management of the key programmes.
Model Risk	<ul style="list-style-type: none"> Reviewed and discussed the key risks and issues relating to Model Risk management. Provided review and challenge on the Group Model Risk Appetite. Considered the progress of the programme for Advanced Internal Ratings Based model delivery. Received updates on the Group Model Risk profile, Risk Appetite and the progress of Model Risk strategic initiatives. Considered the recent PRA requirements relating to Model Risk management for banks (SS1/23), the implications for the Group's model framework and expectations of the Board.

Activities during the year continued

Key area	Action taken
ICS Risk	<ul style="list-style-type: none"> Reviewed and discussed ICS Risk management, with representation from the three lines of defence and our Cyber Adviser to the Board, Sir Iain Lobban. This included oversight of key milestones and topical deep dives. Challenged management as to its progress on the ICS Transformation Programme and scrutinised the ICS Strategic Plan. Considered the ICS Risk Appetite in detail. In particular, this included ICS Risk Appetite linkages to the Group's Threat-led Scenario Risk Assessment and calibration between Board and management-level metrics and leading indicators. Recommended three refreshed ICS Risk Appetite Board-level metrics to the Board for approval. Received assurance from GIA on the ICS programme and monitored management's progress to address audit actions. Monitored progress of the Insider Threat Programme and endorsed management's holistic approach. Committee members were invited to attend meetings of the Group's Cyber Security Advisory Forum, along with the rest of the Board.
Treasury Risk	<ul style="list-style-type: none"> Received the Group Treasurer's report, at each scheduled meeting, which covers market developments, capital, liquidity, leverage and funding, recovery and resolution planning, regulatory updates and rating agency updates. Reviewed and discussed papers on Hedging strategies: Interest Rate in the Banking Book, Foreign Exchange and Treasury Portfolios deep dives. Considered and discussed the Group's capital and liquidity position and the regulatory environment in the context of regulatory submissions. Reviewed, discussed and challenged the Group's ACS stress test results for submission to the BoE, as well as the Internal Capital Adequacy Assessment Process (ICAAP) and a severe liquidity stress test in response to external market events. <p>→ For further detail on the Committee's work on stress testing see page 171</p> <p>→ The Committee's work on Resolvability is set out on page 171</p>
Credit Risk	<ul style="list-style-type: none"> Received and discussed updates on Credit Risk, with China-related impairments being key areas of focus, cognisant of the work of the Audit Committee. These discussions were further enhanced through deep dives into various countries, sovereigns, and business/client segments, details of which are set out in examples of deeper discussions on specific topics.
Traded Risk	<ul style="list-style-type: none"> Received and discussed papers on developments and changes in the risk profile of Treasury and Financial Markets over the past year. The size and volatility of the Treasury book was reviewed, as well as the quality and resilience of the Financial Markets business. Discussed management's work to de-risk the Treasury Markets portfolio and the review of the Treasury Market Risk Appetite. Requested a deep dive on changes to the Financial Markets Fair Value portfolios.
Financial Crime Risk	<ul style="list-style-type: none"> Reviewed FCR matters as part of regular CCIB and CPBB Risk reviews. Discussed a paper on the Group's approach to managing FCR, including client due diligence and surveillance, as well as a Russian sanctions update. Considered a paper setting out emerging FCR threats and the Group's risk mitigation. Reviewed and discussed the coverage of FCR by the Committee, Audit Committee and the Board, whereby enhancements for 2024 were discussed.

Activities during the year continued

Stress Testing

- Provided oversight, challenge and, where required, approval for:
 - the Group Internal Liquidity Adequacy Assessment Process (ILAAP) submission, including the scenario and stress test results
 - the Group ICAAP submissions, including the scenarios, stress test and reverse stress test results
 - the Group's ACS Stress Test results submission to the BoE
 - results of the Group Recovery Plan stress test
 - results of management's ad hoc stress tests.
- Considered the results of a severe liquidity stress test ran in early 2023, due to considerable banking sector market volatility, with the particular objective of testing the speed with which the Group could execute management actions to mitigate the outflows.
- Reviewed, discussed and challenged the outcome and key findings of the liquidity stress test, particularly management's assumptions and the quality of management information.

 Further details of stress testing are set out on [pages 314 to 316](#)

Regulatory

Resolvability

- Received regular updates from the three lines of defence which provided the Committee with oversight of the Group's progress on resolvability since its first regulatory submission in 2022, with learnings from the external market events in early 2023 particularly considered.
- Welcomed management's active dialogue with the BoE on the Group's 2023 submission.
- Approved the final Group Resolvability Assessment Report for submission to the BoE and PRA, in accordance with delegated authority from the Board.

Recovery Plan

- Reviewed and challenged the enhancements to the Group's Recovery Plan.

Trading Book Wind-Down

- Reviewed and discussed the Trading Book Wind-Down (TWD) programme.
- Attended a training session ahead of discussing and probing the expertise and resource capacity for the TWD programme.
- Approved TWD Governance roles and responsibilities for submission to the PRA.

Operational Resilience – IBS and ITS

- Reviewed and recommended to the Board for approval the Group's Operational Resilience self-assessment.
- Considered and approved material changes to the Group's IBS and ITS, arising from an annual review, in line with authority delegated by the Board.
- Challenged the embedding of the IBS and ITS in the Group's day-to-day processes.

IBOR transition

- Received updates on the IBOR transition programme tracking remediation closely ahead of the LIBOR cessation in September 2023, noting the transition of the programme into business as usual at the end of 2023.

BCBS 239 principles

- Received and discussed an update on the outcome of the BCBS 239 self-assessment as of end 2022 and the roadmap for compliance with BCBS 239.
- Received an update on the trajectory of the BCBS 239 programme at year end 2023, including the progress made and challenges faced.

Internal controls

- Discussed reports from the Group Head, Internal Audit which provided summaries of GIA's appraisals of controls across key risks, subject to the Committee's oversight, together with the key risk issues identified by GIA's work and management actions put in place to address the findings.
- Reviewed the annual Risk and Control self-assessment and challenged the key areas of elevated residual risk.

 Further details on internal controls are set out on [page 222](#)

Remuneration as a risk management tool

- Considered advice provided by the GCRO to the Remuneration Committee concerning the risk factors to be taken into account by the Remuneration Committee in determining incentives for the Group Chief Executive and other colleagues. Such advice assists the Remuneration Committee in its assessment as to whether the Group's remuneration policy, practices and procedures are consistent with and promote sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk of the Group.

 Further details concerning the Group's approach to using remuneration as a risk management tool is set out in the Directors' remuneration report on [pages 182 to 216](#)

Activities during the year continued

Group regulator communications	<ul style="list-style-type: none"> Discussed key communications from the PRA and FCA, where ICS, Resolvability and TWD Governance were the main themes.
Examples of deeper discussions into specific topics	<ul style="list-style-type: none"> CCIB Risk deep dive: Received and discussed updates on the key risk areas and recent GIA work, with a particular focus on change management and regulatory programmes. CPBB Risk review: Received and discussed papers covering the CPBB portfolio and particularly, Credit Cards and Personal Loans, Partnerships, FC and ICS risks. Funding and Liquidity review: Considered a paper outlining the Group approach to liquidity and funding risk management and enhancements made in response to bank failures in early 2023. Country Risk including Sovereign Risk: Discussed the key Country Risk actions during 2022 and a forward-looking view of the material risks for 2023 and also reviewed the Group's Country Risk Early Warning System. Credit Portfolio Management (CPM) annual review: Reviewed and discussed the risks relating to CPM activities and the progress made in balance sheet optimisation, better funds transfer pricing and more accurate capital and liquidity forecasting. Reputational and Sustainability Risk: Discussed a paper setting out the Group's approach to Environmental, Social and Governance risk and key enhancements planned, as well as the challenges relating to regulatory change and data. Climate Risk: Discussed a paper on Climate Risk integration and scenario analysis, probing into the embedding of Climate Risk in the Group's three lines of defence. Received training, along with other members of the Board, on Climate Risk in November 2023. Cognisant of the UK regulator's focus on Climate Risk, this will remain a key priority in 2024. Safety and Security Risk: Received an update on safety and security issues over the past 12 months. Credit Risk review: Reviewed progress reports including the key themes from the 2023 reviews and the review plan for 2024. Discussion focused on large exposures, resourcing and scope of Climate Risk assessments and stress testing. Chief Risk Officer Treasury report: Reviewed the second line view of Treasury Risk including risk observations and recommendations around the current balance sheet and management of capital and liquidity. SC Ventures Risk and Governance: Discussed an update on the key business risks, the governance model adopted in the past year and outcomes of, and work to address recent GIA work. Blue Sky Thinking/Horizon Scanning: Jointly held a horizon scanning session with the Audit Committee on the forward-looking geopolitical agenda, where emerging risks were discussed. Further details on the Blue Sky Thinking session on geopolitical risks are set out on page 146.

Progress against the 2023 Action Plan

The 2023 Action Plan set out a number of actions from the externally facilitated Committee evaluation conducted in 2022. The 2023 Action Plan was reviewed during the year and good process had been made against the actions, with them all being completed.

Committee effectiveness review

During 2023, the Group Company Secretary facilitated an internal Board and Board committee effectiveness review.



Key observations from the 2023 internal effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and specifically highlighted the following:

- Work had been done to make Committee papers more focused and succinct.

- The Committee, in conjunction with the Audit Committee, had placed appropriate and balanced focus on the oversight of FCR, following the retirement of the Board Financial Crime Committee in April 2022. However, this is an important topic which will remain on the agenda.
- The contributions by the GCRO and the Risk function were well rated.

2024 Action Plan

The 2024 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the solid progress made last year:

- Continue to monitor the length, focus and timeliness of papers, with consideration to be given as to how peer analysis can be included in relevant Committee papers.

- Schedule a joint BRC and Audit Committee session in Q4 2024 to cover FCR.
- Schedule training sessions in 2024 to cover topics such as PRA model requirements, ICS and future developments, FCR trends and Climate Risk.

Risk information provided to the Committee

The Committee is authorised to seek any information that it requires in connection with its purpose consistent with the requirements of BCBS 239 (a set of principles for effective risk data aggregation and risk reporting to enable enhanced risk management and decision-making) that will allow the Committee to fulfil its governance mandate relating to risks to which the Group is exposed, and alert senior management when risk reports do not meet its requirements. The Committee will receive an update on the level of compliance with the requirements of BCBS 239 (as at 31 December 2023), once the outcome of the self-assessment is available on 29 February 2024.

The Committee receives regular reports on risk management and tracks a wide range of risk metrics through a Board Risk Information report. This report provides an overview of the Group's risk profile against the Group's Risk Appetite Statement. The GCRO's report covers the macroeconomic environment, geopolitical outlook, material events and disclosures and ongoing risks. Coverage of Principal Risk Types and regulatory matters are also included in this report. Regular updates on Country Risk and geopolitical tensions have been reported on and discussed throughout the year.

Risk management disclosures

The Committee has reviewed the risk disclosures in the Annual Report and the Half Year Report, and has also reviewed the disclosures regarding the work of the Committee.

Interaction with the Group Chief Risk Officer

The Committee Chair meets individually with the GCRO regularly in between formal Committee meetings. These meetings allow open discussion of any matters relating to issues arising from the Committee's formal discussions and inform the forward-looking agenda.

Interaction with management

The Committee is mindful of the need to hold management directly accountable when issues have arisen and have been reported by the GCRO. Senior management has attended Committee meetings for deeper discussions in such instances. The Committee Chair also meets individually with senior leaders of the Risk function.

Interaction with regulators

Maria Ramos attended meetings with the PRA and the BoE over the course of 2023 and in early 2024.

Interaction between Board committees on risk-related issues

In the few instances where it does not have primary oversight for a given type of risk, the Committee interacts closely with other Board committees where the remit of these other Committees clearly covers risk-related matters. For example, the Audit Committee reviews the Group's internal financial controls and has oversight of regulatory compliance and the Culture and Sustainability Committee has oversight of culture and sustainability-related matters. The interaction assists the Committee in ensuring that it is well informed on discussions held, and the close collaboration of the Committee Chairs helps to ensure that there are no gaps and any potential for unnecessary duplication is avoided.

Risk function resourcing

The Committee has sought and received assurance that the Risk function is adequately resourced to perform its remit effectively. The Committee reviewed and discussed a paper setting out an overview of the changes to the Risk function in 2023, management's assessment of the adequacy of people resources within the function and the forward-looking view of the Risk function.

Linkages with subsidiary board risk committees

In 2023, Maria Ramos attended a risk committee meeting of SCBHK. The risk committee chairs of SCBHK and SCBSL attended one Board Risk Committee meeting. This practice will continue in 2024 to reinforce these important linkages.

Maria Ramos hosted an annual video-conference with the chairs of subsidiary board risk committees and INEDs in July 2023.

Please refer to page 160 on linkages between the Committee and chairs of subsidiary board risk committees.

Culture and Sustainability Committee

"The Group's Stands are particularly important as they represent not only for what the Group stands but also how we can deliver concrete impact over a multi-year time horizon."



Committee composition

 Linda Yueh, CBE (Chair)	 Jasmine Whitbread ¹	 Jackie Hunt	 Robin Lawther, CBE	 David Tang
4/4	1/1	4/4	4/4	4/4
Ad hoc				
1/1	N/A	1/1	1/1	1/1

¹ Jasmine stepped down from the Committee on 3 May 2023

I am delighted to present my first Culture and Sustainability Committee report, and I extend my thanks to Jasmine Whitbread for her skilful stewardship of the Committee over the past seven years. I have reviewed the operation and scope of the Committee, including how it enhances the scrutiny of the Board in key areas, how it interacts with the Board and other committees, and how it discharges its responsibilities. Building on a strong foundation, the Committee has been refocused on the development of our Sustainability, Climate and Culture initiatives and the Stands.

Sustainability is a strategic priority for the Group, helping people to thrive long term. Following the Board's approval of our refreshed Sustainability Strategy, the Committee has been overseeing the implementation of this plan, which includes delivering on our net zero commitments, scaling up Sustainable Finance, leveraging our Innovation Hubs to drive ecosystem development and future income, and further embedding sustainability across the Group. At every meeting, the Committee has been monitoring the fast-moving global sustainability landscape to ensure the Group continues to strengthen its support for clients on their transition journeys.

The Committee has overseen the rationalisation of the Group's approach to sustainability, underpinned by both long-term goals – our Sustainability Aspirations – and short-term targets and priorities – our Strategic Pillars. These objectives are explicitly linked to performance metrics, to assist the Group in narrowing its focus to deliver greater relevance and impact for our stakeholders.

Last year, Jasmine spoke about the work that was in progress to enhance our Board workforce engagement programme. I'm pleased to report that the Board has revamped its approach and it is being monitored by the Committee. Under this framework, all INEDs will participate in engagement sessions with targeted groups of colleagues as part of our programme of Board visits and in our London headquarters. These sessions will provide directors with a better sense of our colleagues' challenges, successes and concerns, and add to the information received from employee surveys and other engagements.

The Group's Stands are particularly important as they represent not only for what the Group stands but also how we can deliver concrete impact over a multi-year time horizon. During the year, the Committee

What are the main responsibilities of the Committee?

The Committee was formed by the Board to oversee the Group's culture and sustainability priorities.

The Committee has written Terms of Reference that can be viewed at sc.com/termsofreference

Who else attended Committee meetings in 2023?

The Group Chairman; Group Chief Executive; Group Head, Human Resources; Group Head Corporate Affairs, Brand & Marketing; Chief Sustainability Officer, Group General Counsel and Group Company Secretary.

Biographical details of Committee members can be found on pages 137 to 141

received a progress update on how the Stands were being 'lived' in practice and the ongoing initiatives framed around three key areas: financial inclusion through lifting participation, initiatives in supporting SMEs, and the contributions of ESG Products/ Sustainable Finance. The Committee is also overseeing a review of the metrics underpinning each of the Stands to ensure that we can measure progress and look to incorporate relevant aspects within our annual and longer-term remuneration incentives.

This year, the Committee endorsed phase 2 of Futuremakers – the Group's global initiative to tackle inequality and promote economic inclusion. The Committee applauded the achievement of phase 1 which raised USD93.3 million from 2019 to 2023 and reached more than 2.1 million young people across 43 countries to empower the next generation to learn, earn and grow. Building on the successes of phase 1, we have refined our focus to create greater impact in our communities in the next seven years (2024 to 2030). With a select group of value-adding programme partners, we will lift the economic participation of disadvantaged young women and micro businesses.

The Group's culture of excellence has been defined as 'a one Bank culture of ambition, action and accountability that puts our clients at the heart of all we do'. The Committee has been overseeing the ongoing work to deliver on this aspiration, and it is pleasing to see the effect of this with the most recent My Voice survey showing that the employee experience is improving across the Group.

Focus on diversity and inclusion (D&I) initiatives continued, and the Committee was supportive of the attention and focus on 'inclusion sentiment', measured through an index of eight indicators in the My Voice survey. The Committee has overseen the Group's progress on advancing its D&I maturity and performance culture.

The following report provides further insight into the Committee's work over the year.

Dr Linda Yueh
Chair of the Culture and Sustainability Committee

Activities during the year

Sustainability and ESG	<ul style="list-style-type: none"> Continued to review and challenge the Group's progress on the net zero pledge made at the 2021 AGM, tracking the Group's progress in the ever-evolving landscape. Oversaw the Group's Sustainability Strategy, receiving progress updates from the Group Chief Sustainability Officer. Monitored the assessment of the Group's performance by the various external ratings agencies on its approach to ESG matters, focusing on the agencies that the Group's investors prioritise. Oversaw the rationalisation of the Sustainability Aspirations into a framework of four high-level overarching Aspirations: scale sustainable finance, drive social impact through our business and communities, uplift and deliver on net zero commitments, and enhance and deepen leadership within the sustainability ecosystem. These four overarching Aspirations will remain constant with the metrics underpinning them being periodically reviewed and amended. Discussed and endorsed the revised Global Community Engagement Strategy, phase 2 of Futuremakers by Standard Chartered, following achievement of the ambition set out in phase 1.
Stands (Accelerating Zero, Lifting Participation and Resetting Globalisation)	<ul style="list-style-type: none"> Received an update on how CPBB was embedding the immediate and longer-term aspects of its work on the Stands into its business strategy. Continued to monitor the Accelerating Zero Stand through the work outlined in the Sustainability section above, including overseeing the net zero pathway and the rationalisation of the sustainability Aspirations. Reviewed and discussed the year-end assessment on the achievement of the Stands. <p>Under the revised terms of reference, a progress update on one of the Stands will be presented to each meeting and a written update will be provided on the other two. The Committee will also review and challenge the annual Stands assessment and make recommendations to the Remuneration Committee.</p>
Culture and Diversity and Inclusion (D&I)	<ul style="list-style-type: none"> Received an update on the Group's culture work which had been completed in 2023 and the areas of focus for the remainder of the year and into 2024. Monitored progress against the D&I strategy and discussed the Group's approach to inclusion against an evolving employee advocacy landscape. Received an update from Group Internal Audit on its activities and opinions with respect to culture and sustainability.
Board workforce engagement and workforce policies and practices	<p>The Committee has responsibility for overseeing the Board's workforce engagement programme and ensuring workforce policies and practices remain consistent with the Group's valued behaviours.</p> <p>During the year, the Committee has overseen the following activity:</p> <ul style="list-style-type: none"> Received the annual employee engagement survey (My Voice) and probed the results to understand what was driving the scores and challenged the team on areas for improvement. Reviewed the existing framework for Board workforce engagement and launched a new enhanced model at the end of the year. Under the new model, informal listening sessions will be included in the programme for every overseas visit, and in our London headquarters, with an expectation that all INEDs will participate in at least one session annually. These are in addition to the channels that are currently in place for the Board to understand the views of the workforce, including management reporting to the Board on culture, the My Voice survey, and other people-related topics presented to the Committee. Informal lunches hosted by the Board, with UK Talent in September and Seoul Talent in November, provided an opportunity for the Board to hear directly from employees on how the Bank's direction and strategy was lived and embedded in different parts of the Bank.



More information on listening to our employees can be found on [page 60](#)

Progress against the 2023 Action Plan

The 2023 Action Plan set out a number of actions from the externally facilitated Committee evaluation conducted in 2022. The 2023 Action Plan was reviewed during the year and good process had been made against the actions, with all of them being completed.

Committee performance review

During 2023, an internal Board and Committee performance review was facilitated by the Group Company Secretary.



Key observations from the 2023 internal effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and specifically highlighted the following:

- The review of the Committee's responsibilities had been completed during the year, including strengthening the links between the Committee and the Board and its other committees.

- There were no identified gaps in the technical skills of the Committee, but consideration is being given to continuing to enhance the Committee with expertise in technology, employee engagement and climate.
- Committee papers were rated as high quality and could be further improved by clearly stating the action required by the Committee.

2024 Action Plan

The 2024 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the solid progress made last year:

- Monitor the refocus of the Committee to ensure that the Committee's mandate is clear, that papers clearly set out their purpose, and that the links between the Committee and the Board and other Board committees continue to be strengthened.

- Monitor and reduce the overlap with the Board, other Board committees and Management, with particular focus placed on the alignment between the Committee and the Remuneration Committee in relation to the Stands.
- Arrange further training on net zero, ESG and sustainability/climate.

Governance and Nomination Committee

"This year, the Committee has been focused on the recruitment of high-quality candidates with a diversity of skills and backgrounds including technology, sustainability, consumer focus and improving gender diversity and representation."



Committee composition

	José Viñals (Chair)	Shirish Apte	Phil Rivett	Linda Yueh, CBE ¹	Maria Ramos	Jasmine Whitbread ²
Ad hoc	3/3	3/3	3/3	2/2	3/3	1/1
	2/2	2/2	2/2	1/1	2/2	1/1

¹ Linda joined the Committee on 3 May 2023

² Jasmine stepped down from the Committee on 3 May 2023

The year started with a number of changes to the Board's composition. We welcomed Linda Yueh to the Board as an INED on 1 January 2023, Christine Hodgson retired on 31 January 2023 after nine years on the Board, and Jasmine Whitbread retired after eight years, at the Annual General Meeting. Following Jasmine's retirement, Linda was appointed Chair of the Culture and Sustainability Committee and a member of the Governance and Nomination Committee. This year, we are sorry to say goodbye to Gay Huey Evans and Carlson Tong. As announced on 16 February 2024, Gay will step down from the Board with effect from 29 February 2024. Carlson will step down on 9 May 2024, ahead of the AGM. We thank Gay for her dedication and significant contribution, particularly as chair of the Board Financial Crime Risk Committee, and Carlson for his dedication and contribution as a member of the Audit and Board Risk Committees. We also thank Paul Khoo, who steps down this year as Financial Crime Advisor to the Board. Paul's wise counsel has been invaluable in our financial crime compliance journey over the past nine years.

After nine years as GCFO, Andy Halford decided to retire from the Group. The Committee spent considerable time overseeing the search for his replacement. A robust search and assessment process was undertaken, both internally, through the succession plans which were in place, and mapped externally, in conjunction with executive search firm Russell Reynolds. A number of exceptional candidates were identified, both internal and external, and Committee members met with a range of shortlisted candidates, of which Diego De Giorgi emerged as the preferred successor. The Committee was impressed by Diego's profound commercial acumen and strong business experience, including deep investor and entrepreneurial experience, which he has developed over more than three decades in the global financial services sector. Diego joined the Group in September 2023 as GCFO Designate and began a comprehensive induction into the Group. After receiving regulatory approval he was appointed to the Board as GCFO in January 2024. Andy will remain with the Group as a senior adviser until the end of August 2024.

On 16 February 2024 we announced that we are welcoming Diane Jurgens to the Board from 1 March 2024. Diane is a highly experienced and respected technologist who will bring significant technology and transformation expertise and insight to the Board having operated across a variety of sectors and the Group's key markets.

The Committee spends a great deal of its time considering INED succession planning and the wider composition of the Board, ensuring that the Board has, and will continue to have, the necessary mix of skills, knowledge, expertise and diversity, in the broadest sense, to

What are the main responsibilities of the Committee?

The Committee has responsibility for assisting and advising the Board in relation to the composition of, and appointments to, the Company's Board and its committees, and the development of a diverse pipeline for succession.

The Committee is also responsible for considering the impact of material changes to corporate governance regulation and legislation affecting the Group, and has oversight of the Group's approach to subsidiary corporate governance.

The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Committee has written Terms of Reference that can be viewed at sc.com/termsofreference

Who else attended Committee meetings in 2023?

The Group Chief Executive; Group Head, HR; and Group Company Secretary.

Biographical details of the Committee members can be viewed on [pages 137 to 141](#)

enable the Group's long-term success. This year, the Committee has been focused on the recruitment of high-quality candidates with a diversity of skills and backgrounds including technology, sustainability, consumer focus, and improving gender diversity and representation. Throughout we remain committed to the importance of maintaining gender diversity on the Board. The Committee also provided oversight of the detailed executive and senior management succession plans. While, as a result of the departure of Christine and Jasmine, we were disappointed to end the year just below both our own gender diversity target of at least 40 per cent female representation and that set out in the UK Listing Rules, following the composition changes to the Board announced on 16 February 2024, by the 2024 AGM female representation on the Board will be 42 per cent.

As part of the Committee's governance oversight role, it considered proposals from the FRC and the UK Government for ACG reforms. The new UK Code was published in January 2024. The Committee will consider the changes to the UK Code as part of its Committee agenda in 2024, ahead of the UK Code 2024 becoming applicable to the Company in 2025, and additional internal control reporting provisions becoming applicable the following year. It also received updates from the three regional CEOs who each have responsibility for the subsidiary governance processes across their regions and provide a holistic view of the governance framework and challenges faced across the Group's footprint.

The Committee reviewed the progress of our induction programme for Linda Yueh, Robin Lawther and Jackie Hunt, and found that the programme had been well received and that good progress had been made. The Committee also paid significant attention to enhancing the effectiveness of the Board and its committees. In the autumn of 2023, a Board effectiveness review was undertaken, internally facilitated by the Group Company Secretary, which concluded that the Board continues to operate effectively while also signalling several areas for improvement, details of which can be found on page 155.



Dr José Viñals

Chair of the Governance and Nomination Committee

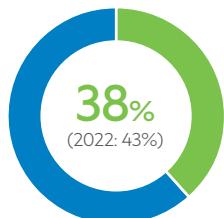
Board composition as at 31 December 2023

In compliance with the UK Listing Rule 9.8.6(10), we report on the ethnic background and gender of directors on our Board and senior management in this section.

Gender and ethnic diversity

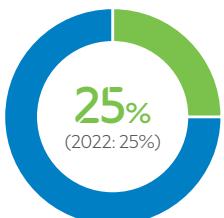
Board gender diversity

Female
5
Male
8



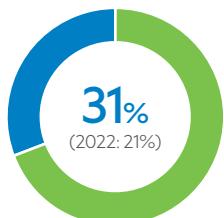
Number of senior positions (CEO, CFO, SID and Chair)

Female
1
Male
3



Board ethnic diversity

White
9
Ethnic minority background
4



Experience

International experience



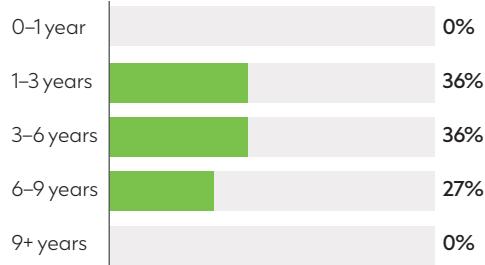
Representation from our markets



Banking, risk, finance and accounting experience among INEDs and Chair



INED tenure (including Chair)



Gender diversity – Board members, senior positions and executive management

	Number of Board members	Percentage of the Board ¹ (%)	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management ¹ (%)
Men	8	61.5	3	7	50.0
Women	5	38.5	1	7	50.0
Not specified/prefer not to say	0	0	0	0	0

Ethnic diversity – Board members, senior positions and executive management

	Number of Board members	Percentage of the Board ¹ (%)	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management ¹ (%)
White British or other White (including minority-White groups)	9	69.2	4	5	35.7
Mixed/multiple ethnic groups	0	0	0	0	0
Asian/ Asian British	4	30.8	0	6	42.9
Black/African/Caribbean/Black British	0	0	0	1	7.1
Other ethnic group, including Arab	0	0	0	0	0
Not specified/prefer not to say	0	0	0	2	14.3

1 The figures are presented to 1 decimal place

Activities during the year

Board and senior talent succession planning	<ul style="list-style-type: none"> Engaged Russell Reynolds¹, a signatory to the voluntary code of conduct for executive search firms, to review the market for future INED candidates with capabilities in technology, consumer experience, sustainability and market representation. Discussed the composition of the Board and considered the orderly succession of current INEDs and the skills, knowledge, experience, diversity (in the widest sense) and attributes required of future INEDs, both immediately and in the medium to longer term. In considering the Board's succession, the Committee takes into account the length of tenure of the INEDs, and the importance of regularly refreshing the Board membership. Systematically reviewed a number of INED long and short lists throughout the year to identify potential candidates with a diverse range of skills, experience, knowledge and perspectives. Worked with Russell Reynolds to conduct an external talent mapping and search process for the Group Chief Financial Officer role. Oversaw a thorough assessment and interview process for both external and internal candidates for the role. The process resulted in the Committee recommending to the Board the appointment of Diego De Giorgi. Maintained oversight of the progress made by Shirish Apte, Robin Lawther, Jackie Hunt and Linda Yueh, against their tailored Board and committee induction programmes. Provided oversight of the detailed executive and senior management (level below Management Team) succession plans, alongside other critical roles, including the oversight of a process of external market mapping of key management roles. Reviewed succession plans for the committee chair roles, identifying appropriate individuals with the necessary skills and attributes to provide emergency cover as required, as well as on a longer-term basis, including acknowledging and addressing where gaps exist. As part of this process, the Committee recommended to the Board the appointment of Linda Yueh as Chair of the CSC.
Board and committees' effectiveness review	<ul style="list-style-type: none"> Provided oversight of the Board and committees' evaluation, and monitored progress against the 2023 Action Plan, which addressed the key observations from the 2022 effectiveness review. Discussed the observations and recommendations which flowed from the 2023 internally facilitated Board and committees' review and recommended to the Board the 2024 Action Plan. <p>→ Details of this year's Board and committees' evaluation, including the process which we followed, observations from the review and the resulting 2024 Action Plan can be found on pages 155 and 156</p>
Board Diversity Policy	<ul style="list-style-type: none"> Reviewed progress made in 2023 against the agreed commitments set out in the Board Diversity Policy. Conducted a review of the Board Diversity Policy to ensure that it continued to drive diversity in its broadest sense, while continuing to take account of best practice, specifically in the area of gender, social and ethnic backgrounds, knowledge, personal attributes, skills and experience. No changes were made to the Policy in 2023. Considered the Company's current and projected compliance against the targets set out in the UK Listing Rules and Disclosure Guidance and Transparency Rules (DTRs) in relation to diversity and inclusion on company boards. <p>→ Further details of progress the Board has made against the key objectives set out in the Board Diversity Policy are set out on page 180</p>
Independent advisers	<ul style="list-style-type: none"> Recommended to the Board the extension, for a further 12 months, of Sir Iain Lobban's appointment as independent adviser to the Board and its committees on cyber security and cyber threats.
Outside interest	<ul style="list-style-type: none"> Conducted an annual review of the directors' existing and previously authorised potential and actual situational conflicts of interest and considered whether any circumstances would necessitate the authorisation being revoked or amended. Also noted directors' other directorships and business interests taken during the year in the context of time commitment, overboarding and the PRA limits on directorships as well as other regulatory requirements in this area.
Assessment of the non-executive directors' independence	<ul style="list-style-type: none"> Considered the independence of each of the non-executive directors, taking into account any circumstances likely to impair, or which could impair, their independence. Noted the thorough process undertaken to assess individual director performance and effectiveness, taking these reviews into account along with tenure and succession plans in making its recommendation to appoint the INEDs for a further year.
Subsidiary governance	<ul style="list-style-type: none"> Received updates from the three regional CEOs on the Group's approach to subsidiary governance. Received assurance of effective oversight and compliance with the Group's Subsidiary Governance Policy and discussed material regulatory trends, initiatives and considerations likely to impact the current or future governance of the Group's banking subsidiaries; the key actions arising from banking subsidiary board effectiveness reviews; and linkages between banking subsidiaries and the Group.
Corporate governance	<ul style="list-style-type: none"> Considered the FRC's proposed reforms to the 2018 UK Corporate Governance Code, the outcome of the FRC's consultation and potential implications on the Group's governance, including on risk management, internal controls and reporting obligations.
Terms of Reference	<ul style="list-style-type: none"> Conducted a review of the Committee's Terms of Reference during the year, taking into account the responsibilities, obligations and best practice principles it has in the UK and Hong Kong.

¹ Russell Reynolds also provides senior resourcing to the Group. The Company is not aware of any connections between Russell Reynolds and the Company's directors.

Implementation of the Board Diversity Policy

The Committee conducted its annual review of the Board Diversity Policy (the Policy) in 2023. No changes were made to the Policy.

Although our Board Diversity Policy does not contain specifications or targets for committee membership, the Policy provides for a diverse Board with a wide range of skills and perspectives which its members bring to our Board committees.

Progress against the Board Diversity Policy objectives, and targets set out in the UK Listing Rules 9.8.6(9)

As the composition of the Board continues to change, the balance of women directors on the Board this year fell slightly compared with last year, with female representation on the Board ending the year at 38 per cent following the departures of Christine Hodgson and Jasmine Whitbread (as at 31 December 2022 it was at 43 per cent). This falls short of both the requirements set out in the Policy and in the Listing Rules. The Board is absolutely committed to ensuring female representation on the Board is at least in line with the target of 40 per cent set out in the Listing Rules and the Policy. Following the composition changes to the Board, announced on 16 February 2024, by the 2024 AGM female representation on the Board will be 42 per cent.

As of 31 December 2023, the senior positions on the Board, as defined by the Listing Rules, are held by one female director and three male directors, in line with the minimum requirement set out in the Listing Rules. More details are set out on page 178.

As of 31 December 2023, directors from an ethnic minority background represented 31 per cent of the Board, above the 30 per cent target set out in our Policy. Of the thirteen directors on our Board, four directors are from an ethnic minority background, above the minimum requirement set out in the Listing Rules. More details are set out on page 178.

Aligned to the Policy's broad ambition, this year we continue to report on the progress made against the seven objectives set out in the table below.

Board Diversity Policy objectives	Progress
Increasing the representation of women on the Board with an aim to have a minimum of 40 per cent female representation	Increasing gender representation on the Board remains an important focus of the Board's succession planning process, ensuring that female candidates are fairly represented on long and short lists. The composition of the Board continued to change during the year, with the retirement of two INEDs, Christine Hodgson and Jasmine Whitbread from the Board on 31 January 2023 and 3 May 2023 respectively. Linda Yueh was appointed an INED to the Board on 1 January 2023 and we announced the appointment of Diego De Giorgi as Chief Financial Officer Designate to succeed Andy Halford, with effect from 3 January 2024. Female representation on the Board is currently 38 per cent, below both the Board's target and that set out in the Listing Rules. Following the composition changes to the Board, announced on 16 February 2024, by the 2024 AGM female representation on the Board will be 42 per cent.
Adopting an ethnicity aspiration of a minimum of 30 per cent from an ethnic minority background	Following the changes to the composition of the Board during the year, representation from ethnic minority background has increased from 21 per cent in 2022 to 31 per cent at the end of 2023. We remain committed to our ethnicity aspiration and to ensuring a broad representation of our directors from across our markets.
Ensuring that our Board reflects the diverse markets in which we operate	What sets Standard Chartered apart is our diversity of people, cultures and networks. The Board has representation from across the regions in which we operate, including the UK, EU, North America, North and South-East Asia and Africa. Many of the INEDs have additional experience of having worked and lived in many of the Group's markets. As part of the Committee's succession planning in 2023, it has considered a significant number of potential future INED candidates who are representative of some of our key regions and markets.
Ensuring that the Board is comprised of a good balance of skills, experience, knowledge, perspective and varied backgrounds	Throughout the year the Committee has focused on identifying the collective experience, skills and attributes required both immediately and in the medium to longer term. The Committee has systematically reviewed candidate longlists and shortlists to identify potentially suitable INED candidates. Areas of particular focus in 2023 included: <ul style="list-style-type: none"> • Expertise from the Technology sector • Global Consumer experience (non-FS) • Former CEO experience • Representation from Group's markets.
Ensuring that we consider the Group's aspirations in relation to disability, sexual orientation, gender identity and gender expression	We remain committed to all aspects of diversity as we undertake any Board succession process.
Only engaging search firms who are signed up to the Voluntary Code of Conduct for Executive Search firms	We continue to only engage search firms signed up to the Voluntary Code of Conduct. We worked with Russell Reynolds to assist us in identifying and building a pipeline of high-quality potential INED candidates for a number of assignments. Russell Reynolds is signed up to the Voluntary Code and is committed in supporting our ambitions to widen all aspects of diversity on the Board.
Reporting annually on the diversity of the executive pipeline as well as the diversity of the Board, including progress being made on reaching the Board's gender and ethnicity aspirations	The Committee takes an active role in reviewing the succession planning for the Executive, Management Team and senior management one level below the Management Team. We continue to improve our reporting of Board and senior talent succession planning as well as reporting on the importance of a diverse Board as a means of capturing differing perspectives and enhancing discussion. Progress enhancing diversity along with the Board's gender and ethnicity aspirations will continue to be developed.

Details of the Board's diverse composition are set out on pages 137 to 141 of this report, and that of the Management Team can be found on pages 142 to 144. Our approach to collecting Board diversity data is set out on page 503.

Details of the Group's wider diversity and inclusion strategy, including gender balance across the Group and targets for ethnic representation, can be found on pages 60 to 63 of this report.

A copy of the full Board Diversity Policy can be viewed at sc.com/boarddiversitypolicy and further details on the Group's approach to Diversity and Inclusion can be viewed at sc.com/diversity-and-inclusion

Progress against the 2023 Action Plan

The 2023 Action Plan set out a number of actions from the externally facilitated Committee evaluation conducted in 2022. The 2023 Action Plan was reviewed during the year and good process had been made against the actions.

Committee effectiveness review

During 2023, the Group Company Secretary facilitated an internal Board and Board committee effectiveness review.



Key observations from the 2023 internal effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and specifically highlighted the following:

- Work had been done to improve the pace of the identification and assessment of candidates.

- The Committee's focus and diligence in identifying skills and experience required on the Board, and oversight of CEO, CFO and INED succession was rated highly.
- The INED induction programmes, including the phased nature of their delivery, were well rated.

2024 Action Plan

The 2024 Action Plan for the Committee reflects suggestions from the evaluation and continues to build on the solid progress made last year:

- Continue to focus on Board succession planning, with particular focus placed on increasing diversity and adding further deep banking expertise, global markets representation and sustainability expertise to the Board.

- Consider increasing the time allotted for meetings to ensure sufficient deliberation.
- Follow up on the suggestions for training to be provided in 2024, including on diversity and inclusion.

Directors' remuneration report

"Rewarding strong performance and delivering on our targets."



Key sections

- Page 186** Remuneration at a glance
- Page 188** Summary of the directors' remuneration policy
- Page 190** Remuneration alignment
- Page 192** Committee at a glance
- Page 194** Group-wide remuneration
- Page 195** Directors' remuneration in 2023
- Page 205** 2024 policy implementation for directors
- Page 208** Additional remuneration disclosures

Summary of 2023 remuneration decisions

- Group performance in 2023 was strong across both financial and non-financial metrics. Remuneration decisions have been made to reflect this performance and the delivery of our targets.
- Discretionary incentives are USD1,574m, down 1 per cent on 2022, reflecting Group performance and affordability.
- Annual incentive awards for executive directors, Bill Winters, Group Chief Executive (CEO) and Andy Halford, Group Chief Financial Officer (GCFO), were assessed at 66 per cent and 65 per cent of the maximum, and are 2.5 per cent and 2.6 per cent lower than 2022 awards respectively.
- Global average salary increases of 2.2 per cent for 2024, focused on junior employees and those in high inflation markets. No salary increases for executive directors in line with this approach.
- Projected performance outcome of 66 per cent for the 2021-23 long-term incentive plan (LTIP) awards.
- Reward for all Group employees, including the executive directors, continues to be aligned to the Group's strategic priorities, through the annual and long-term incentive scorecards.

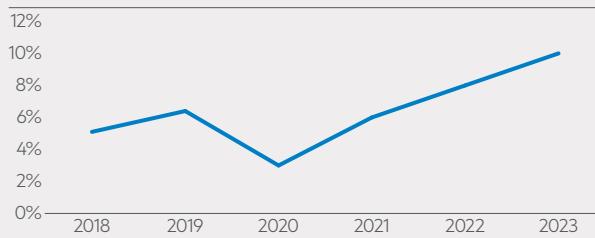
I am pleased to present our directors' remuneration report for the year ended 31 December 2023. This report provides an overview of the Remuneration Committee's work on remuneration for the executive directors and the wider workforce. The directors' remuneration policy has operated as intended, incentivising performance linked to the Group's strategy and aligning with shareholder interests.

The Group continues to make significant progress and has delivered strong performance in 2023, achieving our ambition of a double-digit return on tangible equity (RoTE) for the full year. The decisions taken by the Committee were based on careful consideration of a broad range of factors including the economic environment in our markets, performance across the Group, and the need for appropriate and fair reward for our workforce.

Our performance in 2023

Underlying profit before tax is up 27 per cent at ccy on 2022, reflecting significant progress in our high-growth markets despite an uncertain picture for the global economy. RoTE has continued to grow above pre-pandemic levels and is up 240 basis points to 10.1 per cent.

RoTE performance



The Group remains well capitalised with Common Equity Tier 1 (CET1) ratio at 14.1 per cent.

The formulaic outcome for Group performance, based on the balanced scorecard, was 80 per cent. Of this, 38 per cent (out of a possible 50 per cent) related to financial performance including income up 13 per cent and the increase in RoTE. The remaining 42 per cent related to the achievement of non-financial goals, including strong client satisfaction performance, improved growth across target markets and achievements against our sustainability targets.

→ See [pages 196 and 197](#) for more information

Financial KPIs

Profit before taxation

\$5,678m

↑ 27%

Common Equity Tier 1 ratio

14.1%

↑ 10bps

Return on tangible equity

10.1%

↑ 240bps (underlying basis)

Total shareholder return

9.4%

2022: 41.4%

Group-wide remuneration

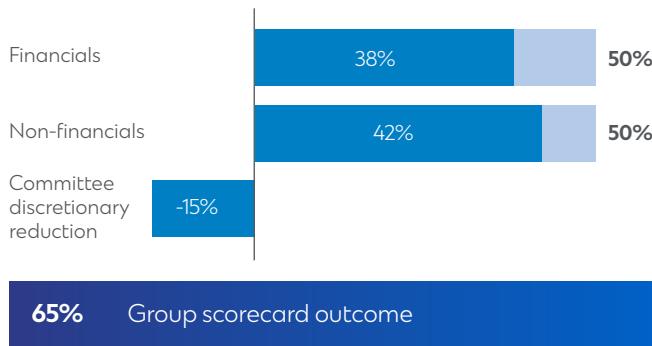
2023 discretionary annual incentives

The Group scorecard formulaic assessment of 80 per cent is the starting point for determining discretionary incentives.

To arrive at a distributable pool, the Committee considers additional factors not captured by the scorecard, such as the external environment, market competitiveness and overall affordability. The Committee also considers risk, control and conduct matters, including ongoing investigations and matters raised by regulators.

Following its review of these factors, the Committee determined that a reduction of 15 percentage points from the initial scorecard outcome was appropriate. In making this decision, while noting that 2023 performance was very positive, the Committee was conscious to maintain an appropriate balance between rewarding our employees and delivering appropriate value to shareholders.

Calculating the Group scorecard outcome for discretionary incentives



→ See pages 196 and 197 for further details

Discretionary incentive pool

Incentive pool (\$m)	% change (reported)	% change (same store basis)
1,574	(1%)	(2%)

2024 salaries

We have increased salaries in 2024 by 2.2 per cent on average globally. This is lower than last year, reflecting falling inflation in a number of our locations. We have focused the increases on junior employees, and on markets that continue to experience high rates of inflation.

Additionally, we have provided targeted support through off-cycle salary increases to colleagues facing economic hardships in countries such as Angola, Argentina, Egypt, Ghana, Nigeria, Pakistan, Sierra Leone, Turkey and Zimbabwe.

Executive director remuneration in 2023

Annual incentives for executive directors

Annual incentives for Bill and Andy are based predominantly on the Group scorecard with an additional element for personal performance, as below.



For 2023, the Committee approved the following annual incentive outcomes, including individual performance assessments, for Bill and Andy. The Committee is satisfied that these are appropriate given 2023 Group performance and the significant personal contributions from Bill and Andy.

	2023 annual incentive (£)	% of maximum	Year-on-year change (%)
Bill Winters	1,461,874	66%	(2.5%)
Andy Halford	920,348	65%	(2.6%)

→ See pages 196 to 199 for further details

2021-23 LTIP awards vesting in March 2024

The 2021-23 LTIP awards are due to start vesting in March 2024 with a projected performance outcome of 66 per cent, based on RoTE performance of 10.1 per cent (maximum outcome), relative total shareholder return (TSR) ranking between median and upper quartile and above target performance against sustainability and other strategic measures. As usual, the final relative TSR outcome will be assessed three years from the date of award, in March 2024. The values delivered by this projected outcome are based on the three-month average share price to 31 December 2023 and are included in the single total figures of remuneration for Bill and Andy.

	Award share price (£)	Valuation share price (£)	2021-23 LTIP projected outcome (£)
Bill Winters	4.90	6.72	3,340,237
Andy Halford	4.90	6.72	2,135,206

The Committee considered the grant price against that of the previous year's award, and against the average share price in the period leading up to the grant date. Based on the review, the Committee determined that the price difference was not significant and, therefore, there was no windfall gain and no adjustment to the award was required.

→ See pages 200 and 201 for further details

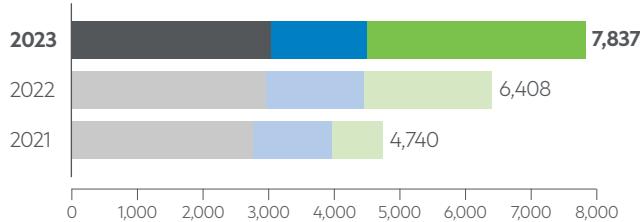
Single total figure of remuneration for 2023

The 2023 annual incentive and projected 2021-23 LTIP performance outcome results in a 2023 single figure for Bill of GBP7,836,987 and for Andy of GBP4,921,095. This represents year-on-year increases of 22 and 23 per cent respectively, largely due to the projected performance outcome of the 2021-23 LTIP award.

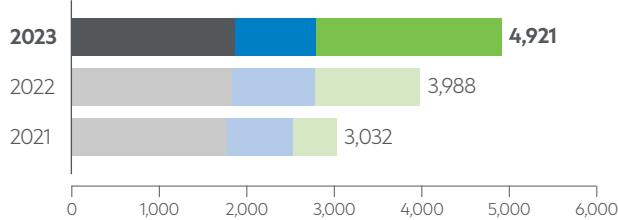
2023 single total figure of remuneration (£000)

■ Salary, pension, benefits
■ Annual incentive ■ LTIP

Bill Winters



Andy Halford



A significant portion of both Bill's and Andy's total remuneration is share-based with delivery and release over an eight-year period. The deferral, retention and recovery provisions of their pay continue to reinforce alignment with shareholder interests and the Group's long-term performance. Both Bill and Andy continue to exceed their shareholding requirements.

→ See page 195 for further details

Directors' remuneration report

continued

Executive directors' remuneration in 2024

Change in GCFO

On 31 August 2023 we announced that Andy Halford had decided to retire as GCFO and as an executive director. He has been succeeded by Diego De Giorgi who joined on 1 September 2023. Diego was appointed as GCFO and joined the Board as an executive director on 3 January 2024, after receiving regulatory approval.

Andy

Andy remained as GCFO and an executive director until 2 January 2024, helping to ensure a smooth transition. After stepping down as GCFO, he is continuing as a Senior Adviser, working on strategic projects for the Group. He will continue to receive his salary and benefits until he retires on 31 August 2024.

Andy will be considered an eligible leaver and, in accordance with the directors' remuneration policy, was eligible for a 2023 annual incentive award, determined by the Committee based on Group and individual performance during 2023.

As an eligible leaver, Andy will retain all existing LTIP awards subject to the achievement of performance measures. He will receive the full value of his 2021-23 LTIP award given the performance period will complete during his employment. His other awards will be pro-rated for the period until he retires. All outstanding awards will vest and release as scheduled and remain subject to malus and clawback arrangements. Andy is not eligible for any further LTIP awards and will not receive an award in March 2024.

Andy will be eligible to be considered for a pro-rated 2024 annual incentive award for time served as a Senior Advisor, based on contribution.

Diego

Diego's remuneration arrangements have been set in accordance with the directors' remuneration policy.

	Value (£)	Delivery method
Salary	1,650,000	67% cash 33% delivered in shares – released in equal amounts over five years
Pension	110,000	10% of the cash element of salary

Diego also receives core benefits in line with the approach for all UK employees with additional role-specific benefits appropriate to his responsibilities.

Diego was eligible for a 2023 annual incentive which has been pro-rated to reflect the period for which he was employed during the year. He is also eligible to receive an LTIP award that will be granted in 2024.

Diego did not receive a buyout award.

In line with the approved directors' remuneration policy, the Committee considers annual salary increases for executive directors taking account of any increase in scope or responsibility, market competitiveness, and any salary increases across the Group. Taking these factors into account, and in line with the approach of focusing increases on junior employees, fixed pay for Bill and Diego will not be increased in 2024 with their salaries being GBP2,517,000 and GBP1,650,000 respectively.

2024-26 LTIP awards to be granted in March 2024

Having considered 2023 performance, the Committee has approved the following LTIP awards for the period of 2024-26.

	2024-26 LTIP award (£)	% of salary
Bill Winters	3,322,440	132%
Diego De Giorgi	2,178,000	132%

The LTIP awards are performance-linked and outcomes will depend upon achieving specified targets by the end of the three-year performance period.

Following the assessment of performance, resulting shares will vest pro-rata from years three to seven, with an additional retention period of 12 months after vesting.

Performance will be assessed on:

RoTE	Relative TSR	ESG	Other strategic
30%	30%	25%	15%
Financial			Non-financial

→ See pages 202 and 203 for further details

Working closely with the Culture and Sustainability Committee we have considered the categorisation of performance measures and reorganised the non-financial strategic measures that relate to environmental, social and governance (ESG) issues. These are now combined with the existing sustainability measures, with a weighting of 25 per cent for this category. The overall scorecard continues to be split 60 per cent financial and 40 per cent non-financial.

Discussions with shareholders were held in December 2023 and January 2024 on the development of these performance measures and targets and the input received was incorporated into the final decisions by the Committee.

► Removal of the bonus cap ◀

On 24 October 2023, the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) confirmed the removal of the bonus cap in the UK, effective immediately.

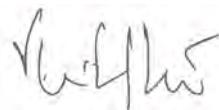
We aim to pay our colleagues competitively for performance aligned to the strategic aims of the Group, through structures that are consistent with and promote sound and effective risk management. This should support the Group in generating sustained and sustainable returns in the interests of shareholders and other stakeholders. The removal of the cap does not change this.

We are considering our pay structures and how they might evolve now that the cap has been removed. For our executive directors, remuneration will continue to be set in line with relevant regulations and guidance and our approved directors' remuneration policy which includes maximums in respect of variable pay. These maximums do not change as a result of the cap being removed and the current structure will continue until a new policy is proposed and approved by shareholders, scheduled to be at the 2025 Annual General Meeting (AGM).

In January 2024 the Financial Reporting Council (FRC) published a revised UK Corporate Governance Code which will apply from 1 January 2025. Following a consultation on potential changes during 2023, many of the proposed changes were not included in the revised Code. We will reflect the updates that have been made in our 2025 report.

In the rest of this report we present the disclosures required by regulations, as well as additional information to explain how remuneration for our executives aligns with our strategy, shareholder interests and wider workforce pay. In making remuneration decisions for 2023 and beyond, we have also been mindful of the experience of our wider stakeholder group.

I would like to thank my fellow Committee members for the work they have put into the Committee, and our shareholders for their ongoing support and engagement.



Shirish Apte

Chair of the Remuneration Committee

(All disclosures in the directors' remuneration report are unaudited unless otherwise stated. Disclosures marked as audited should be considered audited in the context of the financial statements as a whole.)

How to use this report

Within the directors' remuneration report we have used colour coding to denote different elements of remuneration, as follows:

■ Salary, pension, benefits (fixed remuneration)

■ Annual incentive

■ LTIP

We have also used the following icons for ease of navigation through this section and to show alignment between remuneration and the strategic objectives of the Group.

→ See [pages 20 to 26](#) for further details



Investors



Risk management



Ways of Working



Clients



Employees



Innovation



Sustainability



Lifting Participation



Resetting Globalisation



Accelerating Zero



People and culture

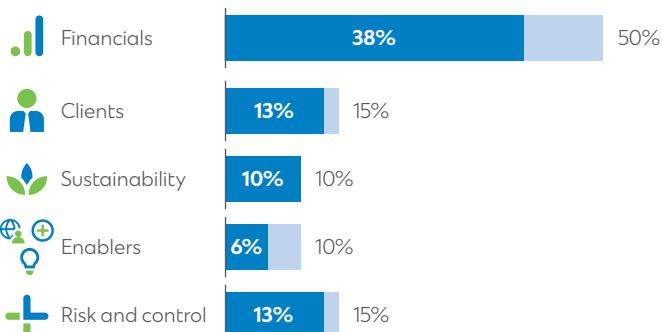
Remuneration at a glance

How does remuneration link to Group strategy?

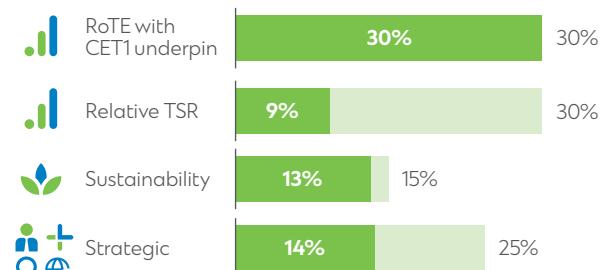
	As measured by	2023 Annual incentive	2021-23 LTIP
Financial KPIs <small>Further details can be found on pages 196 and 202</small>	<ul style="list-style-type: none"> Income Costs Return on tangible equity Common Equity Tier 1 ratio Relative total shareholder return 	Financial results	✓ ✓ ✓ ✓ ✓
Strategic priorities <small>Further details can be found on page 25</small>	<ul style="list-style-type: none"> Network business Affluent client business Mass Retail business Sustainability 	Achievement against objectives	✓ ✓ ✓ ✓
Critical enablers <small>Further details can be found on page 24</small>	<ul style="list-style-type: none"> People and culture Ways of Working Innovation 		✓ ✓ ✓

How did we determine variable remuneration outcomes in 2023?

2023 Group scorecard



2021-23 LTIP



Following the detailed performance assessment of measures and proof points, the Committee considered the projected performance outcome to be consistent with Group performance and no adjustment has been made.

2023 Group scorecard outcome

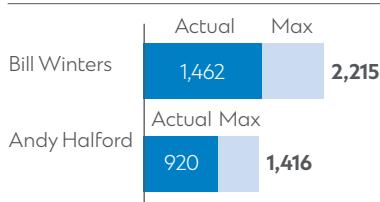
65%

2021-23 LTIP projected outcome

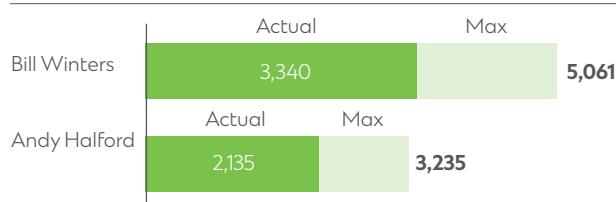
66%

How do executive directors' remuneration outcomes compare with the maximum opportunity?

2023 annual incentive (£000)

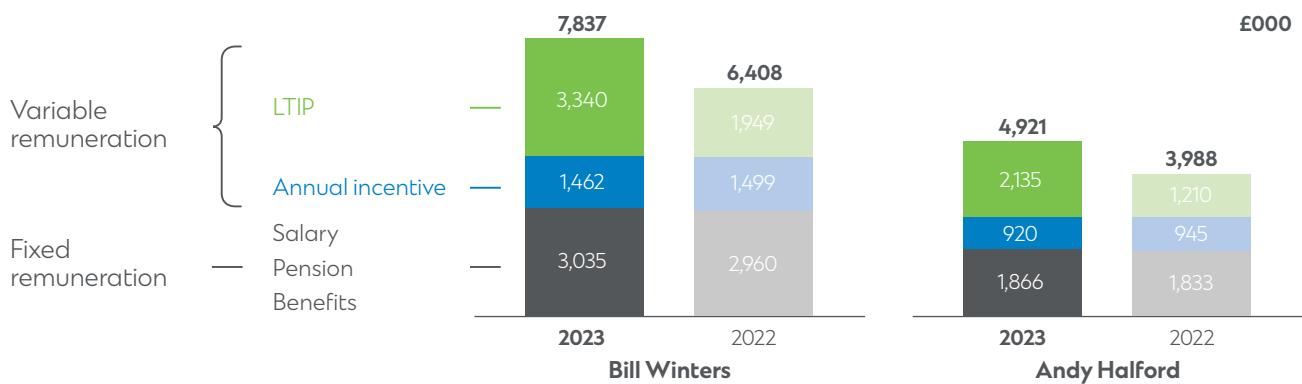


2021-23 LTIP projected outcome (£000)¹



¹ The values of the projected outcome and maximum opportunity are calculated using a three-month average share price to 31 December 2023

How did we pay our executive directors in 2023 (single total figure of remuneration)?



How is executive director remuneration delivered over time?¹

	Awarded for 2023 £000	Delivery method	Structure and timing of payment														
			Cash			Shares											
Salary	CEO: £2,496	CEO: 50% cash	Cash	Shares Released in equal amounts between 2024 and 2028													
		CEO: 50% shares															
Pension	CEO: £251	100% cash	Cash														
Annual incentive²	CEO: £1,462	50% cash	Cash	Shares													
		50% shares															
LTIP²	CEO: £3,322	100% shares		Performance measured over 3 years	Shares Delivered in equal amounts between 2027 and 2031 (subject to 12 month retention post release)												
				2023	2024	2025	2026	2027	2028	2029	2030	2031					

1 Information is provided for the CEO only due to the change in GCFO at the end of the year

2 Annual incentive and LTIP shares are subject to clawback for up to 10 years from grant

68% of Bill's maximum remuneration opportunity is delivered in shares creating strong alignment of interests between executives and shareholders to generate long-term value.

Summary of the directors' remuneration policy

The forward-looking remuneration policy for executive directors and independent non-executive directors (INEDs) was approved at the AGM held on 4 May 2022 and applies for three years from that date. A summary of the executive director policy, including the key remuneration elements, is set out below for information.

 The full policy, including recruitment and leaver provisions, can be found on pages 159 to 164 of the 2021 Annual Report and on our website at sc.com

Our approach to remuneration is consistent for all employees and is designed to create alignment with our Fair Pay Charter, which applies globally. However, our pay structures may vary according to location (to comply with local requirements) and, therefore, the table below explains the alignment between the executive directors and our UK workforce, being the most relevant market.

Fixed remuneration	Policy	Alignment with UK employees
Salary Set to reflect the role, and the skills and experience of the individual.	<ul style="list-style-type: none"> Delivered part in cash and part in shares. To maintain alignment with shareholders, the share element is subject to a holding period of five years, with 20 per cent being released annually. 	<ul style="list-style-type: none"> The process of setting and annually reviewing salaries against market information is the same for all employees. For all other UK employees, salary is paid 100 per cent in cash in line with market practice.
Pension To facilitate long-term retirement savings.	<ul style="list-style-type: none"> For directors who joined before 4 May 2022, an annual pension allowance or contribution of 10 per cent of salary is payable. For directors who joined after 4 May 2022, 10 per cent of the cash element of salary only will be payable. 	<ul style="list-style-type: none"> Pension is set at 10 per cent of salary for both the executive directors and other UK employees, aligned with the provisions of the UK Corporate Governance Code.
Benefits A competitive benefits package to support executives to carry out their duties effectively.	<ul style="list-style-type: none"> A range of benefits is provided including holiday and sick pay, a benefits cash allowance, private medical insurance, life insurance, financial advice and tax return preparation. A car and driver or other car-related service is available to the CEO, which is a role-based provision due to security requirements. Executive directors receive a lower cash benefits allowance than other UK employees as a percentage of their salary. 	<ul style="list-style-type: none"> Core benefits are aligned with all employees. Some additional, role-specific benefits are received by the current executive directors. Employees are eligible for tax return preparation in the year of an international relocation.
Variable remuneration	Policy	Alignment with UK employees
Annual incentive Remuneration based on measurable performance criteria linked to the Group's strategy and assessed over a period of one year.	<ul style="list-style-type: none"> Annual incentive awards are delivered as a combination of cash and shares subject to holding requirements, and deferred shares. The maximum value of an annual incentive award cannot exceed 88 per cent of salary and can be any amount from zero to the maximum. Awards are determined by the Committee, based on the assessment of the Group scorecard which contains financial (at least 50 per cent of the scorecard) and strategic measures, as well as the personal performance of the individual. 	<ul style="list-style-type: none"> The annual incentive plan is operated for all employees, paid in cash up to certain limits with the balance deferred over at least three years in shares and/or cash. The same Group scorecard is used in assessing incentives for executive directors and other UK employees.
LTIP LTIP awards are granted to senior executives who have the ability to influence the long-term performance of the Group. Awards are performance dependent based on measurable, long-term criteria.	<ul style="list-style-type: none"> LTIP awards are granted annually, based on performance in the relevant year. The maximum value of an LTIP award cannot exceed 132 per cent of salary and can be any amount from zero to the maximum. Following the grant of awards, performance is measured over three years with no vesting before the third anniversary of the grant. LTIP awards are delivered in shares and subject to holding requirements. 	<ul style="list-style-type: none"> Members of the Management Team are also eligible for LTIP awards, granted annually and assessed on the same performance measures and targets, with awards typically at a lower level. LTIP awards may also be granted to other employees in the Group which may be subject to the same or different performance conditions.

Other remuneration	Policy	Alignment with UK employees
Sharesave Provides an opportunity for all employees to invest voluntarily in the Group.	<ul style="list-style-type: none"> Participants are able to open a savings contract to fund the exercise of an option over shares. The option price is set at a discount of up to 20 per cent of the share price at the date of the invitation to participate. Savings per month of between £5 and the maximum set by the Group, which is currently £250. 	<ul style="list-style-type: none"> All employees are eligible to participate in Sharesave, which enables employees to share in the success of the Group at a discounted share price.
Shareholding requirements Provides alignment with the interests of shareholders during employment.	<ul style="list-style-type: none"> The CEO and the GCFO are required to hold 250 per cent and 200 per cent of salary in shares, respectively. Post-employment shareholding requirement in place for two years following cessation of employment. The amount to be held is as described above or, if lower, the actual shareholding on departure. 	<ul style="list-style-type: none"> Formal shareholding and post-employment shareholding requirements are operated for the executive directors only. However, material risk takers are also required to hold shares in-line with regulatory deferral and retention requirements.

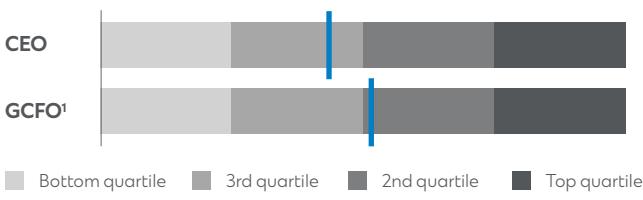
Appropriateness of executive directors' remuneration

We maintain a consistent remuneration approach for all employees, in line with our Fair Pay Charter. Remuneration for executive directors is reviewed annually against internal and external measures to ensure appropriate levels, aligned with the approach for other employees.

Executive director policy at target opportunity compared with industry peers

We compete for talent in a global marketplace, with many of our key competitors based outside the UK. We review executive director fixed and variable remuneration opportunity against a peer group of international banks to ensure that it remains appropriately competitive. This peer group reflects both our global footprint and where we compete for talent. Market data used in benchmarking is based on the latest published report and accounts. In addition, we consider executive director remuneration against FTSE30 companies, with data sourced from an external provider.

Bank peer group



FTSE 30



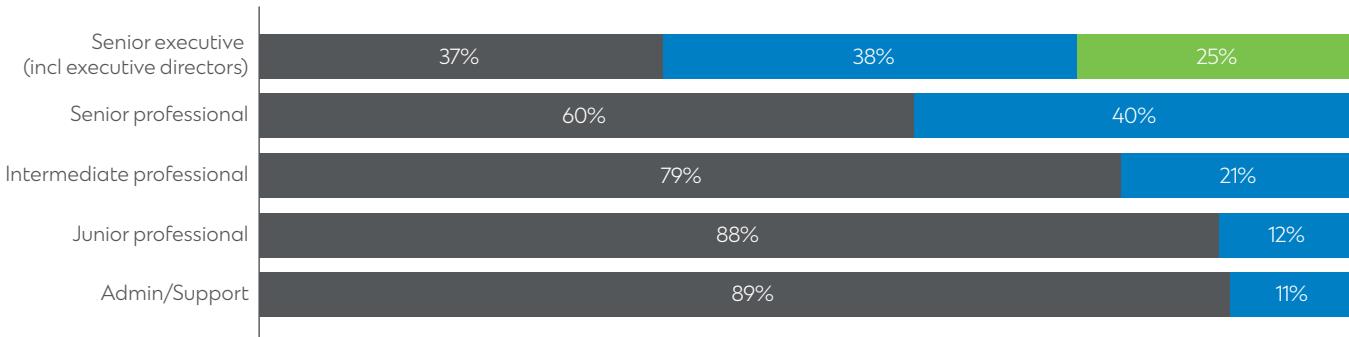
The current bank peer group comprises: ANZ, Bank of America, Bank of Nova Scotia, Barclays, BBVA, BNP Paribas, CIBC, Citigroup, DBS, Deutsche Bank, FirstRand, HSBC, ICICI, JPMorgan Chase & Co, Lloyds Banking Group, National Australia Bank, NatWest, OCBC, Santander, Société Générale, UBS, United Overseas Bank

¹ GCFO total compensation is based on Diego De Giorgi's target opportunity

Executive director remuneration compared with wider workforce

The balance between fixed and variable remuneration is geared to provide a greater proportion of fixed remuneration for more junior employees to give more financial security. In comparison, for more senior employees, including the executive directors, the variable remuneration opportunity is larger reflecting their ability to influence the Group's performance and in turn, their remuneration outcome.

■ Salary ■ Annual incentive ■ LTIP



→ See pages 196 to 198 for how Bill's remuneration links to Group performance, individual performance, and risk, control and conduct-related matters

Remuneration alignment

Alignment with...



Our culture

Our performance and reward framework supports us in embedding a high performance culture and aligns with our principle that colleagues should share in the success of the Group. For example:

- All remuneration decisions are grounded in our Fair Pay Charter.
→ See [page 194](#) for further details on our Fair Pay Charter
- The wider workforce and our executive directors participate in continuous performance management and feedback, to ensure that performance is discussed and assessed throughout the year.
- Employee performance is assessed based on what is achieved and how it is achieved in line with our valued behaviours. Our remuneration structure and policies ensure that behaviours consistent with these values are appropriately recognised and rewarded.
- Our LTIP further supports this with an assessment to ensure appropriate levels of conduct have been demonstrated to meet our conduct gateway requirement.



Our strategy

Remuneration decisions made across the Group, including for our executive directors, align with our strategic priorities and our Stands, including our commitment to sustainable social and economic development:

- Performance measures in our Group and LTIP scorecards are designed to drive achievement of the financial and strategic goals that will deliver long-term sustainable value for our stakeholders.
- Sustainability and our Stands are key considerations for setting and measuring financial and strategic targets.
- If scorecard outcomes are not consistent with progress against our strategic commitments the Committee has the discretion to make adjustments.

→ See [page 186](#) for further details on how our incentive plans are aligned to our strategy



Our approach to risk and control

The determination of our remuneration policy and outcomes align with the Group's risk and control framework. In particular:

- Our scorecards include risk and control measures, and the Committee has the discretion to adjust incentive outcomes for risk and control matters that are not reflected in the scorecards.
 - The Committee can apply a discretionary risk adjustment in respect of the Group scorecard outcome and has a track record of applying discretion appropriately.
 - Long-term sustainable performance is supported through the ability to make adjustments to variable remuneration for risk, control and conduct behaviours, the deferral of variable remuneration, and the ability to apply malus and clawback where appropriate.
- See [page 215](#) for further details
- Incentives for employees engaged in Audit, Risk and Compliance functions are set independent of the businesses they oversee.

► Managing risk and control ◀

The Group has a robust formal process for reviewing risk and control matters and reflecting these in remuneration outcomes at both an individual and Group level. All material risk events (MREs) are reviewed by a dedicated group of senior colleagues in Control Functions to ensure lessons are learned and appropriate actions are taken for accountable individuals. If necessary, a deep dive will be commissioned to understand risk, control and conduct issues in a particular location or business area. The most severe MREs are escalated for oversight by the Remuneration Committee. At year end, a summary of risk and control matters will be reviewed and discussed to determine any impact to Group incentives. The outcomes of the 2023 reviews are one component in the adjustment to the 2023 scorecard outcome as detailed on pages 196 and 197. Details of our approach to risk adjustment, including our malus and clawback provisions, are provided on page 215.

How does our directors' remuneration policy address other key features set out in the UK Corporate Governance Code?

Proportionality

- In line with our commitment to pay for performance, a significant proportion of executive director pay is delivered through incentives based on performance metrics aligned with our strategy. The Committee sets robust and stretching targets to ensure there is a clear link between Group performance and executive director awards.
- Executive directors' interests are further aligned with shareholders' long-term interests through the deferred release of salary, annual incentive and LTIP awards over a period ranging from one to eight years. Incentive awards are also subject to clawback provisions for up to 10 years from grant.
- Shareholding requirements are in place for executive directors, requiring them to build and maintain a significant shareholding in Company shares while in employment and for a period of two years post-employment. Bill and Andy currently exceed their respective shareholding requirements.

Predictability

- The range of possible rewards to individual executive directors is set out in the scenario charts on page 205 where we also demonstrate the impact of a 50 per cent share price appreciation over the three-year performance period of the LTIP.
- In addition to maximum award levels specified in our remuneration policy, the value of incentive awards will vary depending on achievement against specified performance targets and the share price at the time of delivery for the significant part of reward which is delivered in shares.

Simplicity and clarity

- Simplicity is a key driver for the structure of our executive pay, subject to adherence to regulatory requirements arising from operating as a UK regulated bank.
- Our remuneration structure comprises straightforward and well-understood components. The purpose, structure, alignment with strategy and consistency with arrangements for the wider workforce are clearly set out in the remuneration policy.

→ See pages 188 and 189 for further details

- We set and report our performance-related measures, targets and outcomes in a clear, transparent and balanced way.

How is our executive director remuneration aligned to stakeholder experience?



Committee at a glance

Committee composition

	Who else attended Committee meetings in 2023?					
	The Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group Head, HR; Global Head, Performance, Reward and Benefits; Group Head, Conduct, Financial Crime and Compliance; Group Company Secretary; Chair of the Audit Committee; Group Head, Internal Audit.					
Shirish Apte (Chair)	 See pages 137 to 141 for biographical details of the Committee members					
5/5	1. Jasmine stepped down from the Committee on 3 May 2023					
	2. Linda joined the Committee on 1 January 2023					
David Conner						
5/5						
						
Robin Lawther, CBE						
5/5						
						
Maria Ramos						
5/5						
						
Jasmine Whitbread ¹						
2/2						
						
Linda Yueh, CBE ²						
5/5						

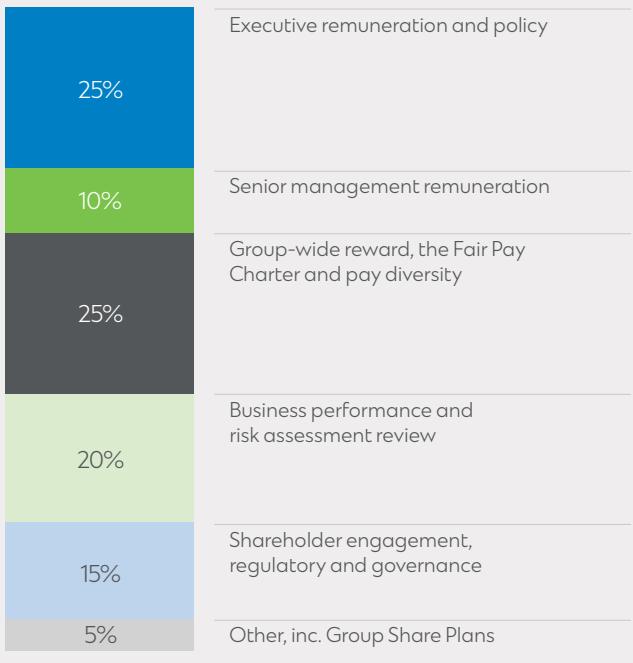
What are the main responsibilities of the Committee?

The Committee is responsible for setting the principles, parameters and governance framework for the Group's remuneration policy and overseeing its implementation. This includes:

- Determining the framework and policies for the remuneration of the Group Chairman, the executive directors and other senior management considering our Fair Pay Charter, wider workforce remuneration and alignment with culture and conduct.
- Overseeing the alignment of reward, culture, the strategic priorities and our Stands.
- Approving Group discretionary remuneration, including adjustment for risk, control and conduct for current and future risks.
- Overseeing the Fair Pay Charter.

 The Committee has written terms of reference that can be viewed at sc.com/termsofreference

How did the Committee spend their time during their 2023 meetings?



Committee focus for 2023

During the year, the Committee determined the retirement arrangements and remuneration arrangements for the outgoing and incoming GCFO respectively, working to ensure appropriate arrangements were put in place to facilitate a smooth and effective transition to the new GCFO.

 [Read more on page 184](#)



How did our shareholders vote?

	For	Against	Withheld
Advisory vote on the 2022 remuneration report at 2023 AGM ¹	521,070,732 94.7%	29,151,006 5.3%	14,890,207
Binding vote to approve the 2022 directors' remuneration policy at 2022 AGM	404,531,068 68.8%	183,344,607 31.2%	24,340,637

¹If withheld votes are considered as part of the overall voting outcome distribution, 92.2 per cent of votes would have been 'For' the resolution

The Committee Chair continues to engage with shareholders to seek views and feedback on key decisions the Committee takes each year. In 2024, shareholders will be consulted on the development of the new directors' remuneration policy scheduled to be put to shareholders for approval at the 2025 AGM.

What advice does the Committee receive?

PwC was re-appointed as the Committee's remuneration adviser in 2021. The Committee conducts a detailed review of potential advisers every three or four years.

PwC is a signatory to the voluntary remuneration consulting Code of Conduct. It provides other services to the Group including assurance, advisory, consultancy and tax advice. The Committee is satisfied the advice received was objective and independent and that no potential or actual conflict arose. The total fees paid to PwC (partly a fixed fee and partly on a time and materials basis) was GBP148,175, which included advice to the Committee relating to executive directors' remuneration and regulatory matters.

The Group CFO and Chief Risk Officer regularly update the Committee on finance and risk matters. The Committee manages conflicts of interest when receiving views from senior individuals on remuneration proposals and no individual is involved in deciding their own pay.

How effective was the Committee in 2023?

The feedback from the internally conducted 2023 Committee effectiveness review was positive. The key points raised and the action plan for 2024 are summarised below.

- The Committee performed well against an extensive agenda. The Chair works effectively, prioritising key issues and allowing for the appropriate level of challenge and engagement.
- The Committee has a good composition of technical skills including understanding the work of other committees, with other Board members being drawn upon where needed.
- Positive commentary was given on the support received from internal specialists (e.g. human resources, finance, risk) and PwC.

► 2024 action plan ◀

The 2024 action plan for the Committee reflects the recommendations from the effectiveness review and continues to build on the progress made last year:

- Establish the Group's position on the removal of the bonus cap.
- Develop the new 2025 directors' remuneration policy.
- Follow up on Committee suggested training to be provided in 2024.



How does the Committee understand the views of our workforce?

87%

of colleagues responded to the Group's engagement survey, My Voice, which seeks to understand colleague sentiment in respect of performance management, the process of giving and receiving feedback and reward.

The Committee recognises the importance of seeking feedback from colleagues on remuneration matters to inform decision-making. The Culture and Sustainability Committee (CSC) is responsible for the Group's workforce engagement programme and provides colleague feedback to the Remuneration Committee to inform remuneration decision-making.

The Board engages with and listens to the views of employees. In 2023, the Board hosted informal events with employees which provided an opportunity for the Board to understand how the Bank's strategy and culture are being lived and embedded across the Group.

See our Culture and Sustainability Committee report on [pages 174 to 176](#) and our Stakeholder section on [pages 54 to 64](#) for further information on our workforce engagement framework

Group-wide remuneration

Our Fair Pay Charter

The Fair Pay Charter is the compass for our performance and reward strategy and outlines how we aim to ensure fairness in our approach to reward. It supports our focus on being a great place to work and the achievement of our strategic goals.

Together with broader human resources initiatives supporting diversity and inclusion, organisational and individual development, and the recognition of high performance, we are building a culture of excellence where, through innovation and continuous improvement, every one of our colleagues can fulfil their potential.

 Full details of the Charter can be found in our Diversity, Equality and Inclusion Impact Report here: sc.com/diversityfairpayreport

Revising our Fair Pay Charter

Since the introduction of the Charter in 2017, our Group priorities and the external environment have shifted.

We have made significant progress in areas such as living wage and have laid a foundation for a more consistent and transparent approach to remuneration, supporting equal pay and greater flexibility.

Building on this progress, our focus has now shifted to better aligning our proposition to our values and evolving employee needs, while supporting the culture of excellence needed to drive long-term success and maintaining the progress made to date.

The revised Charter serves to reiterate our commitment to fair and equitable reward and hold ourselves accountable. It reflects our latest priorities, focusing on four priority areas, each critical to driving the Bank forward:

- **Equal pay** – we commit to offering equal pay for equal work by market and do not tolerate unlawful discrimination.
- **Purpose-led** – we provide a holistic set of reward and benefits that align with our valued behaviours and Stands.
- **Competitive opportunities** – we aim to pay colleagues competitively.
- **Performance driven** – we are committed to motivating, recognising and rewarding sustainable high performance.

Other key 2023 highlights

myPerformance

We have continued to embed our new approach to performance management which is designed to motivate outperformance and deliver a culture of excellence. With this new approach, we are creating a more transparent, real-time feedback culture underpinned by continuous feedback, coaching, and open two-way performance and development conversations with people leaders. Data gathered through sentiment surveys and metrics on goal setting, as well as feedback and year-end review decisions have shown positive signs on achieving our aim to embed the behaviours of a high performance culture across the Bank. For example, more than 70 per cent of employees feel that myPerformance has had a positive impact on their ability to perform at their best.

We will continue to work on areas such as further encouraging upward feedback, upskilling people leaders and ensuring the new approach is well understood Bank wide.

Group-wide variable remuneration

To support our objective of embedding a high performance culture in the organisation, during 2023 the Committee reviewed the effectiveness of our existing Target Total Variable Compensation plan which c. 75 per cent of our colleagues participate in.

For the 2023 performance year, to strengthen the link between performance and pay, we allocated a greater proportion of our incentive pool for individual differentiation. Further changes will be communicated and implemented for the 2024 performance year.

► New recognition platform

Appreciate

As part of our drive to reinforce a high performance culture, in 2024 we have launched a new recognition platform, Appreciate, enabling colleagues to recognise one another's outstanding achievements, further promoting the habit of recognising and celebrating excellence.

Directors' remuneration in 2023 (audited)

This section, which is subject to an advisory vote at the 2024 AGM, outlines the 2023 executive director remuneration delivered under the 2022 shareholder-approved remuneration policy and the 2023 fees for the Group Chairman and INEDs.

The following table sets out the 2023 single total figure of remuneration for the CEO and GCFO showing a year-on-year increase of 22 and 23 per cent respectively, largely due to the projected performance outcome of the 2021-23 LTIP awards. Diego De Giorgi was appointed to the role of GCFO on 3 January 2024 and details of his remuneration are included in the 2024 policy implementation for directors section on page 205.

Single total figure of remuneration £000	Bill Winters		Andy Halford	
£000	7,837	6,408	4,921	3,988
Salary	3,340	1,949	2,135	1,210
Pension	1,462	1,499	920	945
Benefits	3,035	2,960	1,866	1,833
Total fixed remuneration	3,035	2,960	1,866	1,833
Annual incentive award	1,462	1,499	920	945
LTIP outcome	2,435	1,540	1,557	956
Value based on performance	905	409	578	254
Value based on share price growth				
Total variable remuneration	4,802	3,448	3,055	2,155
Single total figure of remuneration	7,837	6,408	4,921	3,988

Notes to the single total figure of remuneration table

Benefits	<ul style="list-style-type: none"> Bill receives a contribution towards his annual tax preparation due to the complexity of his tax affairs, partly due to Group business travel requirements. Bill has the use of a vehicle and driver. This is a role-based provision given the executive role and the associated security and privacy requirements. Figures relate to UK tax years 2022/23 and 2021/22.
Annual incentive award	<ul style="list-style-type: none"> Received in respect of 2023.
Outcome of LTIP award	<ul style="list-style-type: none"> Projected outcome values of the 2021-23 LTIP awards vesting, awarded in 2021. The values of the 2020-22 LTIP vesting awards for 2022 have increased compared with the projected values disclosed in last year's report and have been restated. At that time, the projected performance outcome was 22 per cent. When the relative TSR performance was assessed in March 2023, the actual outcome was 36.8 per cent with a share price of £6.577, resulting in the increased outcome value.

No payments, including no pension contributions, were made to, or in respect of, past directors in the year in excess of the minimum threshold of GBP50,000, set for this purpose.

→ See pages 188 and 189 for a summary of the directors' remuneration policy

Annual incentive awards for the executive directors (audited)

Annual incentive awards for executive directors are based on the assessment of the Group scorecard and personal performance, in line with the remuneration policy. The Group scorecard is used for all eligible employees, including the executive directors, to maintain alignment and a shared sense of purpose.

For Bill and Andy, the Committee considered Group and individual performance, as well as risk, control, and conduct-related matters with input from Risk and other control functions. The Committee considered that both directors exhibited appropriate levels of conduct and had met the gateway requirement to be eligible for an incentive.

The annual incentive scorecard outcomes for Bill and Andy are summarised below:

Executive director scorecard outcomes

Measure	Weighting	Bill Winters outcome	Andy Halford outcome
Financial	50%	38%	38%
Strategic	40%	34%	34%
Personal performance	10%	9%	8%
Total	100%	81%	80%
Committee adjustment (see page 183 for further detail)		(15%)	(15%)
Final scorecard for determining annual incentives		66%	65%
Maximum annual incentive opportunity (£000)		2,215	1,416
Annual incentive outcome (£000)		1,462	920

The Committee has the ability to make an adjustment to reflect progress against our Stands. In 2023, good progress has been made against all Stands and no adjustment is required.

Set out below are the assessments of performance in 2023 for the Group and for Bill and Andy.

Assessment of the 2023 scorecard – financial measures

Measure	Weighting	Threshold (0%)	Target	Maximum (100%)	Achievement	Outcome
Income ¹	10%	16,142m	16,814m	17,487m	17,378m	9%
Costs	10%	11,246m	10,813m	10,380m	11,025m	3%
RoTE ² with a CET1 ³ underpin of the higher of 13% or the minimum regulatory requirement	30%	8.5%	9.3%	10.2%	10.1%	26%

1 Total income and operating profit are on an underlying basis. Certain items are presented as restructuring and other items that are excluded from the underlying results of the Group. These are income, costs and impairment and resulting operating profit relating to identifiable business units, products or portfolios from the relevant dates that they have been approved for restructuring, disposal, wind-down or redundancy. This includes realised and unrealised gains and losses from management's decisions to dispose of assets, as well as residual income, direct costs and impairment of related legacy assets of those identifiable business units, products or portfolios. See Note 2 on page 370

2 Underlying RoTE represents the ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines but, for remuneration purposes, this would be subject to review by the Committee

3 The CET1 underpin was set at the higher of 13 per cent or the minimum regulatory level at 31 December 2023. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period

Assessment of the 2023 scorecard – strategic measures

Clients (Network, Affluent, Mass)	
	Target <ul style="list-style-type: none"> • Improve client satisfaction and client experience ratings. • Deliver growth in qualified clients across Affluent, Private Banking and Wealth Management activity. • Deliver network income growth in Corporate, Commercial & Institutional Banking (CCIB). • Grow value of Digital Ventures. • Mass market Retail growth through new to bank personal customers.
Weighting – 12%	Outcome – 10%
Sustainability	
	Target <ul style="list-style-type: none"> • Progress against the Group's Sustainable Finance income targets and its aim to achieve net zero by 2050. • Improve community engagement through employee volunteering participation.
Weighting – 8%	Outcome – 8%
Enablers (Ways of Working and people)	
	Target <ul style="list-style-type: none"> • Grow proportion of digitally initiated transactions and digital sales adoption. • Improve end-to-end speed to deliver change (from idea formation to commercialisation). • Improve organisational effectiveness. • Improve employee engagement, diversity and inclusion.
Weighting – 8%	Outcome – 5%
Risk and controls	
	Target <ul style="list-style-type: none"> • Non-financial risk reduction. • Self-identification of audit issues.
Weighting – 12%	Outcome – 11%
Our Stands: Accelerating Zero; Lifting Participation; Resetting Globalisation	
	A holistic assessment of the embedding of our Stands showed good progress has been made across the Group with all areas on track. No adjustment was made to the scorecard outcome.
No adjustment	

Assessment of the 2023 scorecard – personal performance

The Committee considers areas of responsibility together with progress against key objectives for the year and personal contribution to the Group scorecard outcome. This element focuses on measures that reflect real personal impact, such as transformation of processes and improving the culture within the Bank. Key achievements against Bill's and Andy's personal objectives are summarised in the tables on the next pages.

Bill Winters

2023 has been a strong year for Bill in which he continued to lead the Group with passion and focus. Our positive financial and strategic results have been significantly influenced by his leadership and focus on delivery. In particular, Bill has had an extensive influence on our sustainability achievements, where we have exceeded many of our targets and continued to enhance, update and implement our sustainability strategy (see more details on pages 66 to 79). Our achievement of RoTE of 10.1 per cent has followed a cultural embedding of the need to deliver sustainable improvement of the metric into the Group's psyche, making it an understandable and focused target for all.

Innovation	
Goal	Assessment
 <ul style="list-style-type: none"> Continue personal push for innovation and simplification across the Group 	<ul style="list-style-type: none"> The Bank is now recognised as a very strong innovator, driving improvements in its existing businesses and developing its Venture portfolio. Bill has increased his personal visibility during the year, actively promoting themes of innovation including digitalisation, digital assets and AI. He was a keynote / panel speaker at the Hong Kong, Singapore and Dubai FinTech Festivals and Point Zero, and is a key contributor to many climate organisations including the Net Zero Banking Alliance and Glasgow Financial Alliance for Net Zero (GFANZ). As a core member of the World Bank's Private Sector Investment Lab, Bill is providing his expertise to help the Lab identify new approaches and recommendations that support the World Bank's capital mobilisation in support of emerging markets. Bill has continued his push for further efficiency and simplification, establishing our Operating Excellence programme to improve our ability to get things done. This has resulted in substantial reductions in turnaround time in key onboarding processes with improved customer satisfaction and material cost saves. Bill has personally embraced the transformation of our Technology, Transformation and Operations business which is generating substantial reduction in operating risk and cost savings. Through Tech Simplification, \$66.5 million has been secured in 2023 in sustainable saves, with further saves forecast for future years. Bill is a leading advocate for our Ventures business, for which 300 new venture ideas have been reviewed, 10 ventures are currently in incubation, 5 are in acceleration, 5 have been commercially launched during 2023 and two have been profitably exited.
Financial performance	
 <ul style="list-style-type: none"> Grow other sources of income in our footprint 	<ul style="list-style-type: none"> Bill continues to actively drive for further growth to support sustainable and sustained performance, through both innovation and expansion in traditional business areas, and has personally engaged in our growth objectives across key markets. In CCIB, our risk-weighted assets optimisation target between 2022-2024 has been achieved ahead of target, creating capacity for growth opportunities. Strong progress has been made in establishing the Group as a partner of choice bridging banking and technology/non-banking sectors, with over 20 fully active partnerships in place leading to asset and profitable income growth. Bill participated in the B20 and co-Chaired the UK-India Financial Partnership, and took part in a number of client engagement events during the year. 43 Sustainable Finance products are now on offer (32 in 2022) and we have seen momentum in the transition finance team with a number of key firsts and incremental deals. He has supported the expansion of Ventures into new markets and the launch of our Digital Assets Joint Venture with SBI Holdings in the UAE following that in Japan.
Risk and controls	
 <ul style="list-style-type: none"> Further improve the Group's risk and control framework, accelerating progress and embedding a robust preventative risk culture 	<ul style="list-style-type: none"> Bill remains focused on improving the Group's risk culture and frameworks through personal participation in relevant forums and a strong tone from the top. He has overseen good progress on improving our risk culture, with recognition from our regulators that dedicated work is promoting a healthier risk culture. Bill played a crucial role in the successful delivery of an improved Cyber Risk and control framework. We have extended our capabilities in New Economy risk origination and management, keeping pace with business growth. We have managed through various episodes of sovereign risk stresses in our markets with good results.
People and culture	
 <ul style="list-style-type: none"> Continue drive for a high performance culture, including the development of internal talent and effective succession planning 	<ul style="list-style-type: none"> Bill has instilled a high performance culture underpinned by teamwork and innovation. He has been vocal in supporting the changes we have made to embed a culture of high-quality feedback, including role-modelling with his own team. Through our employee survey, we have seen our employee net promoter score (eNPS) (a way of measuring whether employees would recommend working for the Bank) record its biggest ever increase against a prior year outcome that was our highest ever result. In addition, all dimensions of our employee value proposition recorded a year-on-year increase in the survey, most to a 5-year 'high-water mark'. He has continued the development of Management Team members, with strong hires into the team and overseeing the effective and smooth succession of GCFO from Andy to Diego. The Management Team is now more than 50% female. Bill has continued to focus on internal talent, with the development of internal successors for key roles.
Weighting – 10%	Outcome – 9%

Andy Halford

Having served over nine years as our Group Chief Financial Officer, Andy stepped down from the Board on 2 January 2024. Throughout his tenure and during 2023, Andy provided strong financial leadership to the Bank and served as an effective partner to Bill, the Management Team and the Board. Andy leaves the Board on track to deliver our external financial targets and the Group strategy. In particular, strong progress has been made in the year across our regulatory projects including substantial improvements in resolution planning. Andy actively supported the on-boarding and induction of the incoming GCFO and ensured a smooth transition period.

Ways of Working



Goal	Assessment
<ul style="list-style-type: none">Drive collaboration within the Finance function across segments and markets	<ul style="list-style-type: none">Andy has played a significant role in driving collaboration across the Finance function working closely with business stakeholders to deliver the Group's corporate plan with positive endorsement received from the Board.He played a key role in driving the articulation of the strategic priorities for the Group which have been translated into a set of actionable strategic plans through collaborating with colleagues across segments and markets.Andy has continued to drive improvements in the Finance control environment through investments in the Group's regulatory reporting infrastructure.
<ul style="list-style-type: none">Continue to improve financial reporting procedures	<ul style="list-style-type: none">He has been instrumental in driving the upgrade of the financial systems used across the Group through a multi-year programme which is targeting to substantially complete at the end of 2024.He has continued to maintain open and transparent relationships with regulators and kept them abreast of our progress on regulatory topics including Group resolvability and regulatory reporting remediation.Andy partnered with the Chief Sustainability Office to redesign the content to be included in the annual report and uplifted the controls with regards to Sustainability including key KPIs.

Financial performance



<ul style="list-style-type: none">Deliver the focus on achieving target RoTE and other strategic objectives	<ul style="list-style-type: none">Andy has continued to actively manage the Group's cost base to ensure positive jaws.He has played a significant role in raising awareness of RoTE as a central financial metric across the Bank.He was key to driving maximum value from the Group's exit from a number of markets in the Africa and Middle East region and the sale of our Aviation Finance business.Andy played an active role in driving our efforts to diversify the footprint of our shareholders to focus on Asia, through targeted investor events in Asia.He has been an active Board member contributing on key initiatives outside his core areas of finance expertise, including process simplification and enhancing governance and oversight of Group investments.Andy has led a multi-year upgrade and rationalisation of the Bank's property portfolio, enhancing client and employees' experience and delivering on the Bank's net zero commitments.
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Weighting – 10%

Outcome – 8%

LTIP awards

The LTIP values included in the single total figure of remuneration for 2023 are based on the awards that will be subject to final performance testing in March 2024. These awards were granted in 2021 with a face value of 120 per cent of fixed pay, to incentivise the achievement of the Group's priorities over the three-year period 2021 to 2023. The awards are share-based and are subject to the performance targets set out below which were set when the awards were granted and have not been adjusted since. A conduct gateway requirement must be met before any awards vest.

The Committee concluded that Bill and Andy exhibited appropriate conduct during the performance period and, therefore, the conduct gateway was met.

	Award share price (£)	Valuation share price (£)	2021-23 LTIP projected outcome (£)
Bill Winters	4.90	6.72	3,340,237
Andy Halford	4.90	6.72	2,135,206

→ See page 195 for the value attributable to share price growth in the single total figure of remuneration

RoTE performance of 10.1 per cent was achieved, resulting in a 30 per cent outcome and relative TSR is projected to be ranked between median and upper quartile resulting in a projected outcome of 9 per cent. The Committee considered performance against the sustainability and strategic proof points set out in the table below and determined that an outcome of 27 per cent was appropriate. Based on these assessments, the total projected performance outcome is 66 per cent. The final relative TSR performance will be assessed in March 2024 and any change to the overall outcome will be reported in the 2024 directors' remuneration report.

The awards will vest pro rata over 2024 to 2028 and the shares will be subject to a 12-month retention period post-vesting. Malus and clawback provisions apply.

Projected outcome

Measure	Weighting	Minimum performance (25% outcome)	Maximum performance (100% outcome)	Assessment of achievement	Outcome status	Projected outcome
 RoTE ¹ in 2023 plus CET1 ² underpin of the higher of 13% or the minimum regulatory requirement	30%	6%	10%	RoTE 10.1% and CET1 14.1%	Confirmed	30%
 Relative TSR performance against the peer group	30%	Median	Upper quartile	Currently estimated between median and upper quartile	Projected ³	9%
 Sustainability	15%	Targets set for sustainability measures linked to the business strategy		Improved performance against our strategic priorities	Confirmed	13%
 Strategic measures	25%	Targets set for strategic measures linked to the business strategy		Improved performance against our strategic priorities	Confirmed	14%
Total 2021-23 LTIP awards projected outcomes						66%

1 Underlying RoTE represents the ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines but, for remuneration purposes, this would be subject to review by the Committee

2 The CET1 underpin was set at the higher of 13 per cent or the minimum regulatory level at 31 December 2023. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period

3 TSR performance will be assessed three years from the date of award, in March 2024, making the projected outcome subject to change

Assessment of non-financial measures

Sustainable finance	
Proof point	Assessment
 <ul style="list-style-type: none"> Develop and implement a framework to align our financial services with net zero emissions by 2050, and deliver 2023 targets consistent with that plan. Provide \$35 billion (cumulative) worth of project financing services, M&A advisory, debt structuring, transaction banking and lending services for renewable energy that align to our verified Green and Sustainable Product Framework. Only provide financial services to clients who are less than 80% dependent on earnings from thermal coal (based on % EBITDA at group level). 	<ul style="list-style-type: none"> Delivered all milestones against publicly stated net zero roadmap including setting an Oil & Gas absolute emissions target. Provided financing in excess of \$40 billion. Targets achieved and are on track to meet the longer-term 10-year commitment of \$300 billion. Exited 54 entities that derived >80% of income from thermal coal and those that remain have exit plans agreed/in progress based on contractual obligations.

Responsible company



Proof point

- Reduction in property emissions of 10% annually.
- Reduction of flight emissions of 25%.
- Offset 95% of all residual emissions from our operations.

Assessment

- Achieved.
- Achieved with a 36% reduction in flight emissions against our 2019 baseline.
- Successfully completed our carbon credit purchases against our residual operating emissions since 2021.

Clients



Proof point

- Improve client satisfaction rating evidenced in surveys and internal benchmarks.
- Deliver growth in qualified clients across Private, Priority & Premium Banking, and Wealth Management.
- Deliver network income growth in CCIB.
- Add more than 2 million new customers via digital partnerships, platforms and technologies.

Assessment

- Significantly improved performance in all three years, with consumer client satisfaction metric of 56.6%, increased from 29.5% in 2020.
- Improved growth in qualified clients across our Affluent business, with strong performance achieved in 2023.
- Exceeded targets in 2023 (\$6.9 billion) following strong performance in 2022 and improving on performance in 2021 (from \$4.4 billion in 2020).
- Added 1.8 million new customers by the end of 2023 following weaker performance in 2022 and 2021.

Enablers



Proof point

- Drive culture of innovation to generate new revenues.
- Adopt new ways of working that result in quicker decision-making and delivery.
- Increase senior female representation to 33%.
- Increase our culture of inclusion score from 81% to 84% (internal index).

Assessment

- 36% of Group revenue coming from innovation, digital and transformation revenue streams
- Speed of decision-making and delivery have improved in each of the three years including 'speed to value', which measures time from ideation until customer go-live.
- Increase in the number of females in senior roles by 3 ppt over the three years to 32.5%.
- Increased by 1.5 ppt over the three years to 83.2%.

Risk and controls



Proof point

- Maintain effective risk and control governance.
- Successfully deliver milestones within the Cyber Risk management plan.

Assessment

- Improved performance of risk reduction across the Bank and good progress in embedding a healthier risk culture.
- Continued reduction of Cyber Risk including the delivery of information and Cyber security strategic plan with all objectives achieved.

Windfall gains

When making LTIP awards the Committee reviews the proposed size of the award and considers the change in share price in the period leading up to the award compared with the share price when awards were made in the previous year. A significant fall in share price will increase the overall number of shares being awarded, and the Committee considers this, being mindful of the potential for a 'windfall gain'.

For awards made in 2021 the Committee reviewed the change in share price compared with the previous year and, being comfortable that the change was not significant, at -5.7 per cent, determined not to adjust the size of the awards.

The Committee further reviews any increase in share price at the end of the performance period, when awards are due to vest, and considers potential outcomes to determine if any adjustment should be made where an increase in share price is not reflective of a corresponding improvement in underlying financial performance. To date no adjustments have been made.

Directors' remuneration in 2023: LTIP awards

continued

LTIP awards for the executive directors to be granted in 2024

Based on Group and individual performance during 2023 awards for the performance year will be granted in March 2024 at the maximum amount under the 2022 directors' remuneration policy. Performance measures are aligned to our strategic priorities. In line with his retirement arrangements, Andy Halford is not eligible for this LTIP award.

	Award as % of salary	Award value on grant (£)	Award value on vesting (£)
Bill Winters	132%	3,322,440	To be determined based on the level of performance achieved at the end of the three-year period against the performance measures and the future share price.
Diego De Giorgi	132%	2,178,000	

The RoTE target range for the awards is increased to 10 to 13 per cent, versus 10 to 12.5 per cent for the 2023-25 awards, reflecting the progress in RoTE achieved in 2023 and our increased ambition of 12.5 per cent by 2026.

Peer group for the relative TSR measure in the 2024-26 LTIP

The peer group of companies selected for the relative TSR performance calculation are those with generally comparable business activities, size or geographic spread to Standard Chartered or with which we compete for investor funds and talent. The group is reviewed annually, prior to new LTIP awards being made and following the 2023 review the group for the 2024-26 LTIP awards has been updated. Bank of China, ICBC and State Bank of India are no longer considered to be comparable peers as they are state-owned banks which have significantly different purpose, strategies and performance profiles. In addition, Credit Suisse has been removed as it ceased public trading during 2023.

TSR is measured in sterling for each company and the data is averaged over a month at the start and end of the three-year measurement period which starts from the date of grant.

Banco Santander	DBS Group	Oversea Chinese Banking Corporation
Bank of America	Deutsche Bank	Société Générale
Bank of East Asia	HSBC	Standard Bank
Barclays	ICICI	UBS
BNP Paribas	JPMorgan Chase	United Overseas Bank
Citigroup	KB Financial Group	

Financial measures for 2024-26 LTIP awards

Measure	Weighting	Minimum performance (25%)	Between minimum and maximum performance	Maximum performance (100%)
 RoTE ¹ in 2026 with a CET1 ² of the higher of 13% or the minimum regulatory requirement	30%	10%	Straight-line assessment between minimum and maximum	13%
 Relative TSR performance against peer group	30%	Median	Straight-line assessment between peer companies positioned immediately above and below the Group	Upper quartile

1 Underlying RoTE represents the ratio of the current year's underlying operating profit attributable to ordinary shareholders to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines and certain other adjustments but, for remuneration purposes, such adjustments are subject to review by the Committee

2 The CET1 underpin will be set at the higher of 13 per cent or the minimum regulatory level as of 31 December 2026. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period, for example in relation to Basel IV

Non-financial measures for 2024-26 LTIP awards

Environmental, social and governance



- Accelerating Zero: Progress towards our 2030 Sustainable Finance mobilisation target in each of the three performance years.
- Actively contributing to the development of the sustainability ecosystem through global partnerships, initiatives and cross-sector collaborations.
- Lifting participation: Year-on-year growth in financing activity with female and/or small and medium enterprise (SME) clients and other underserved populations.
- Resetting Globalisation: Maintaining our presence and supporting international/cross border trade in key developing markets that we serve.
- Improve eNPS target.
- Increase senior female representation and increase our 'culture of inclusion' (internal index).

Weighting – 25%

Other strategic measures



Clients

- Improve client satisfaction rating.
- Deliver growth across our markets including in cross-border income in CCIB, in Affluent wealth client activity and in Ventures.



Productivity

- Improve Operating Profit less credit impairment per FTE.
- Percentage of transformation programmes on track.



Risk and controls

- Improve effectiveness of risk and control governance.

Weighting – 15%

Remuneration regulations for UK banks prohibit the award of dividend equivalent shares on vesting. The number of shares awarded in respect of the LTIP will take into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall market value of the award is maintained.

These awards will vest in five annual tranches beginning after the third anniversary of the grant (i.e. March 2027 to March 2031) subject to meeting the performance measures set out at the end of 2026. All vested shares are subject to a 12-month retention period.

Total variable remuneration awarded to directors in respect of 2023 (audited)

	Bill Winters		Andy Halford	
	2023	2022	2023	2022
Annual incentive (£000)	1,462	1,499	920	945
Annual incentive as a percentage of salary	58%	62%	57%	61%
LTIP award (value of shares subject to performance conditions) (£000)¹	3,322	3,213	N/A	2,054
LTIP award as a percentage of salary	132%	132%	N/A	132%
Total variable remuneration (£000)	4,784	4,712	920	2,999
Total variable remuneration as a percentage of salary	190%	194%	57%	193%

1 LTIP awards for the 2023 performance year will be granted to executive directors in March 2024 and are based on 2023 salary

Directors' remuneration in 2023

continued

Service contracts for executive directors

Copies of the executive directors' service contracts are available for inspection at the Group's registered office. These contracts have rolling 12-month notice periods and the dates of the executive directors' current service contracts are shown below. The contracts were updated effective 1 January 2020 to reflect the changes made following the implementation of the 2019 remuneration policy and the change to pension contributions.

Executive directors are permitted to hold non-executive directorship positions in other organisations. Where such appointments are agreed with the Board, the executive directors may retain any fees payable for their services. Bill and Andy served as non-executive directors elsewhere and received fees for the period covered by this report as set out below. Andy joined the Board of UK Government Investments Limited on 17 October 2023.

	Date of Standard Chartered employment contract	Details of any non-executive directorship	Fees retained for any non-executive directorship (local currency)
Bill Winters	1 January 2020	Novartis International AG	CHF360,000
Andy Halford	1 January 2020	Board of UK Government Investments Limited	GBP5,208
Diego De Giorgi	1 September 2023	-	-

Single figure of remuneration for the Chairman and INEDs (audited)

The Chairman and INEDs were paid in monthly instalments during the year. The INEDs are required to hold shares with a nominal value of \$1,000. The table below shows the fees and benefits received by the Chairman and INEDs in 2023 and 2022. The INEDs' 2023 benefit figures are in respect of the 2022/23 tax year and the 2022 benefit figures are in respect of the 2021/22 tax year to provide consistency with the reporting of similar benefits in previous years and with those received by executive directors.

	Fees £000		Benefits £000 ¹		Total £000		Shares beneficially held as at 31 December ²
	2023	2022	2023	2022	2023	2022	
Group Chairman							
José Viñals	1,293	1,250	69	45	1,362	1,295	45,000
Current INEDs							
Shirish Apte	287	128	0	0	287	128	2,000
David Conner ³	250	233	1	1	251	234	10,000
Christine Hodgson, CBE ⁴	17	289	0	0	17	289	-
Gay Huey Evans, CBE	150	155	0	1	150	156	2,615
Jackie Hunt	185	43	3	0	188	43	2,000
Robin Lawther, CBE	225	93	0	0	225	93	2,000
Maria Ramos	332	239	0	0	332	239	2,000
Phil Rivett	247	234	0	0	247	234	2,128
David Tang	185	170	1	1	186	171	2,000
Carlson Tong	190	183	0	0	190	183	2,000
Jasmine Whitbread ⁵	82	210	0	0	82	210	-
Linda Yueh, CBE ⁶	219	-	0	-	219	-	2,000

1 The costs of benefits (and any associated tax costs) are paid by the Group

2 The beneficial interests of Chairman and INEDs, and connected persons in the shares of the Company are set out above. These directors do not have any non-beneficial interests in the Company's shares. None of these directors used shares as collateral for any loans. No director had either: (i) an interest in the Company's preference shares or loan stocks of any subsidiary or associated undertaking of the Group; or (ii) any corporate interests in the Company's ordinary shares. All figures are as of 31 December 2023 or on the retirement of a director unless otherwise stated

3 David Conner's fee includes his role on the Combined US Operations Risk Committee

4 Christine Hodgson stepped down from the Board on 31 January 2023 and we are no longer tracking her shareholding. Her reported fee for 2023 of £17,000 is in respect of the period of 1 January 2023 to 31 January 2023

5 Jasmine Whitbread stepped down from the Board on 3 May 2023 and we are no longer tracking her shareholding. Her reported fee for 2023 of £82,000 is in respect of the period of 1 January 2023 to 3 May 2023

6 Linda Yueh was appointed to the Board on 1 January 2023

INEDs' letters of appointment

The INEDs have letters of appointment, which are available for inspection at the Group's registered office. INEDs are appointed for a period of one year, unless terminated by either party with three months' notice.

→ Details of the INEDs' appointments are set out on pages 137 to 141

2024 policy implementation for directors

Remuneration for the executive directors in 2024 will be in line with our directors' remuneration policy, approved at the AGM in May 2022. Key elements include salary, pension, benefits, an annual incentive and an LTIP award.

 Our policy is summarised on [pages 188 and 189](#) of this report and set out in full on [pages 159 to 164](#) of the 2021 Annual Report and on our website at [sc.com](#)

The Committee annually reviews the executive directors' salaries, considering changes to the scope or responsibility of the role, market alignment and Group-wide increases. Fixed pay for Bill and Diego will not be increased in 2024.

	Bill Winters			Diego De Giorgi		
	2024	2023	% change	2024	2023	% change
£000						
Salary	2,517	2,517	0	1,650	–	–
of which cash	1,258	1,258	0	1,100	–	–
of which shares	1,259	1,259	0	550	–	–
Pension	252	252	0	110	–	–
Total fixed pay	2,769	2,769	0	1,760	–	–
Proportion of total fixed pay paid in cash	55%	55%	–	69%	–	–
Proportion of total fixed pay paid in shares	45%	45%	–	31%	–	–

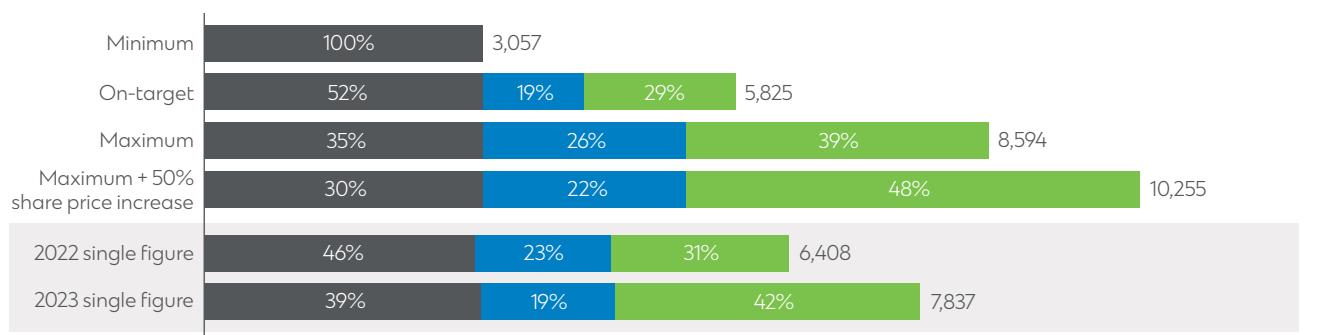
Illustration of application of 2024 remuneration policy

The charts below illustrate potential directors' remuneration outcomes based on our policy (i.e. March 2024 awards based on 2023 performance and fixed remuneration with effect from 1 April 2024). These illustrate four performance scenarios and the percentages in each bar show the remuneration provided by each pay element. 2022 and 2023 single figures of remuneration for Bill are also shown.

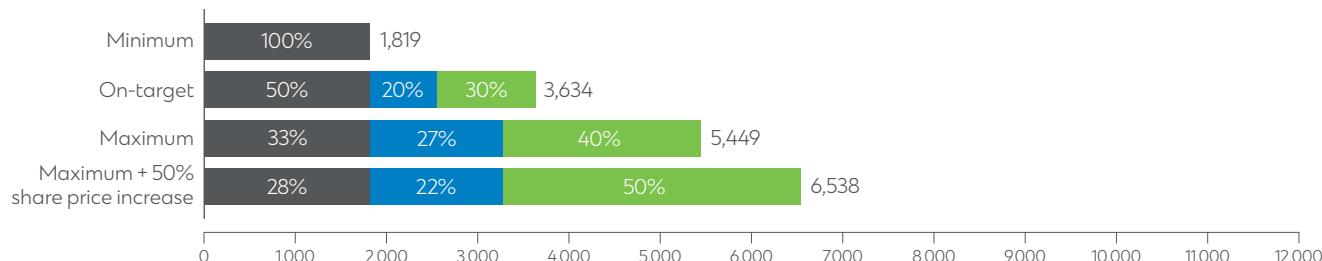
Executive director remuneration (£000)

 Fixed remuneration  Annual incentive  LTIP

Bill Winters



Diego De Giorgi



Fixed remuneration

Consists of salary and pension (as at 1 April 2024) and benefits (received in 2023, annualised for GCFO)

	£000	Salary	Benefits	Pension	Total
Bill Winters	2,517	288	252	3,057	
Diego De Giorgi	1,650	59	110	1,819	

Annual incentive	Minimum	On-target	Maximum		
	£000	% of target	% of salary	% of target	% of salary
No annual incentive is awarded		50%	44%	100%	88%
No LTIP award vests		50%	66%	100%	132%

2024 policy implementation for directors

continued

2024 annual incentive scorecard

Our annual incentive scorecard reflects our strategic priorities. Targets are set annually by the Committee based on the Group's annual financial plans and strategic priorities. Targets and performance achieved will be disclosed retrospectively in the 2024 Annual Report due to commercial sensitivity.

Financial measures make up 50 per cent of the scorecard. The Committee assesses strategic and personal measures using a quantitative and qualitative framework.

2024 scorecard – financial measures

Measure	Weighting	Target
Income ¹	9%	
CCIB Sustainable Finance Income	3%	
Costs	8%	• Targets to be disclosed retrospectively
RoTE ² with a CET1 ³ underpin of the higher of 13% or the minimum regulatory requirement	30%	

1 The Group's reported performance is adjusted for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing underlying performance period by period

2 Underlying RoTE represents the ratio of the current year's underlying operating profit attributable to ordinary shareholders to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines and certain other adjustments but, for remuneration purposes, such adjustments are subject to review by the Committee

3 The CET1 underpin will be set at the higher of 13 per cent or the minimum regulatory level as at 31 December 2024. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period

2024 scorecard – strategic measures

Clients (Network, Affluent, Mass)	Target	Weighting – 12%
	<ul style="list-style-type: none"> Improve client satisfaction and client experience ratings. Deliver cross border income growth in CCIB. Deliver network growth in qualified clients across Affluent activity. Grow value of Ventures. Mass market Retail growth through new to bank personal customers. 	
Sustainability	Target	Weighting – 4%
	<ul style="list-style-type: none"> Meeting key milestones through building infrastructure relating to client, transaction and central data for delivering on our net zero ambition. Reducing our financed emissions for key sectors in line with our risk appetite and based on interim 2030 sectoral targets. Reducing Scope 1 and 2 emissions in line with our operational net zero target by 2025. 	
Productivity and transformation	Target	Weighting – 8%
	<ul style="list-style-type: none"> Grow proportion of digitally initiated transactions and digital sales adoption. Transformational Change: % of transformation change programmes on track. Productivity: Increase Operating Profit less Credit Impairment per FTE. 	
People and culture	Target	Weighting – 4%
	<ul style="list-style-type: none"> Improve employee engagement as evidenced in our annual My Voice survey. Improve senior female representation to support reaching 35% by 2025. Improve our 'culture of inclusion' score (internal index). 	

Risk and controls



Target

- Non-financial risk reduction.
- Self-identification of audit issues.

Weighting – 12%

2024 scorecard – personal performance measures

Bill – performance goals



Target

- Further progress towards an efficient and more profitable Bank while maintaining focus on risk and control.
- Further promote our culture of innovation and maximise synergies between the main bank and our various Ventures.
- Continue to build a high performance environment and embed the culture of excellence.

Weighting – 10%

Diego – performance goals



Target

- Financial performance: contribute to the delivery of Group financial performance and operating leverage.
- Finance function performance: partner with and support business in the execution of the Group's strategy.
- Transformation and simplification: lead implementation of strategic change initiatives across the Group.
- Process and controls: continue to progress on major multi-year programs and address regulatory requirements.

Weighting – 10%

INED fees

The Board regularly reviews the fee levels, considering market data and the duties, time commitment and contribution expected for the PLC Board and, where appropriate, subsidiary boards. Considering the increasing demands made of our INEDs the Board determined an increase in INED basic fees of GBP5,000 to GBP115,000 to be appropriate. The revised fees are effective from 1 January 2024.

The Chairman and the INEDs are eligible for benefits in line with the directors' remuneration policy. Neither the Chairman or INEDs receive any performance-related remuneration.

Our policy is summarised on [pages 188 and 189](#) of this report and set out in full on [pages 159 to 164](#) of the 2021 Annual Report and on our website at [sc.com](#)

Role	Annual fee
Group Chairman ¹	£1,293,000
Senior Independent Director	£45,000
Independent Non-Executive Director	£115,000

Committee	Member fee	Chair fee
Audit, Board Risk, Remuneration	£40,000	£80,000
Culture and Sustainability	£35,000	£70,000
Governance and Nomination	£17,000	Nil

1 The Group Chairman receives a stand-alone fee which is inclusive of all services (including Board and Committee responsibilities)

2 The Group does not currently utilise the role of Deputy Chairman and does not plan to do so

Additional remuneration disclosures

The following disclosures provide further information and context on executive director and wider workforce remuneration as required by the Directors' Remuneration Report Regulations and The Stock Exchange of Hong Kong Limited.

The relationship between the remuneration of the Group CEO and all UK employees

Ratio of the total remuneration of the CEO to that of the UK lower quartile, median and upper quartile employees

Year	Method	CEO	UK employee - £000			Pay ratio		
		£000	P25	P50	P75	P25	P50	P75
2023	A	7,837	110	162	247	71:1	48:1	32:1
2022	A	6,408	95	145	228	67:1	44:1	28:1
2021	A	4,740	92	139	215	52:1	34:1	22:1
2020	A	3,926	84	128	199	46:1	31:1	20:1
2019	A	5,360	83	128	212	65:1	42:1	25:1
2018	A	6,287	78	124	208	80:1	51:1	30:1
2017	A	4,683	76	121	203	61:1	39:1	23:1

The ratio will depend materially on yearly LTIP outcomes for the CEO, and accordingly may fluctuate. Therefore, the Committee also discloses salary and salary plus annual incentive ratios, as most UK employees do not typically receive LTIP awards.

Additional ratios of pay based on salary and salary plus annual incentive

Salary	CEO	UK employee - £000			Pay ratio		
	£000	P25	P50	P75	P25	P50	P75
2023	2,496	78	103	149	32:1	24:1	17:1
2022	2,418	72	87	138	34:1	28:1	18:1
2021	2,370	68	100	136	35:1	24:1	17:1
2020	2,370	63	93	116	38:1	25:1	20:1
2019	2,353	65	90	128	36:1	26:1	18:1
2018	2,300	59	86	142	39:1	27:1	16:1
2017	2,300	55	81	124	42:1	28:1	19:1
Salary plus annual incentive	CEO	UK employee - £000			Pay ratio		
	£000	P25	P50	P75	P25	P50	P75
2023	3,958	96	138	220	41:1	29:1	18:1
2022	3,917	84	123	202	47:1	32:1	19:1
2021	3,559	79	122	186	45:1	29:1	19:1
2020	2,756	74	104	175	37:1	26:1	16:1
2019	3,604	73	109	187	49:1	33:1	19:1
2018	3,691	72	105	183	52:1	35:1	20:1
2017	3,978	69	103	182	58:1	39:1	22:1

CEO pay ratio methodology

- Pay ratios are calculated using Option A methodology, aligned with investor guidance.
- Employee pay data is based on full-time equivalent UK employees as of 31 December for the relevant year, excluding leavers, joiners, and transfers in/out of the UK during the year for like-for-like comparison. Total remuneration is calculated in line with the single figure methodology and insured benefits data is based on notional premiums. No other adjustments or assumptions have been made.
- CEO pay is the single figure of remuneration for 2023 and restated for 2022 to reflect the final LTIP performance outcome assessed in March 2023. The 2023 ratio will be restated in the 2024 report to reflect the final LTIP performance outcome for eligible employees and the CEO.
- The Committee considered the data for three individuals identified at the quartiles for 2023 and believes it fairly reflects UK employee pay. They were full-time employees and received remuneration in line with policy, without exceptional pay.
- Our LTIP links remuneration to the achievement of long-term strategy and reinforces alignment with shareholder interests. Participation is typically senior employees who directly influence the award's performance targets. The identified quartile employees are not LTIP participants.

Group performance versus the CEO's remuneration

The graph below shows the Group's TSR performance on a cumulative basis over the past 10 years alongside that of the FTSE 100 and peer banks. The graph also shows CEO remuneration based on the single figure over the 10 years ended 31 December 2023 for comparison. The FTSE 100 provides a broad comparison group against which shareholders may measure their relative returns.



The table below shows the single figure of total remuneration for the CEO since 2014 and the variable remuneration delivered as a percentage of maximum opportunity.

Salary	PS	PS	BW								
	2014	2015	2015	2016	2017	2018	2019	2020	2021	2022	2023
Single figure of total remuneration £000	3,093	1,290	8,399	3,392	4,683	6,287	5,360	3,926	4,740	6,408	7,837
Annual incentive as percentage of maximum opportunity	0%	0%	0%	45%	76%	63%	55%	18.5%	57%	70%	66%
Vesting of LTIP awards as a percentage of maximum¹	10%	0%	-	-	-	27%	38%	26%	23%	36.8%	66%

- 1 TSR performance will be assessed three years from the date of award, in March 2024, making the projected 2023 LTIP outcome of 66 per cent subject to change
- Bill's single figure of total remuneration in 2015 includes his buyout award of £6.5 million to compensate for the forfeiture of share interests on joining from his previous employment.
 - The 2022 single figure for Bill has been restated based on the actual performance outcome and share price when the 2020-22 LTIP awards started vesting in March 2023.

Additional remuneration disclosures

continued

Annual percentage change in remuneration of directors and UK employees

In line with our Fair Pay Charter, we monitor CEO and wider workforce remuneration changes annually. Additionally, complying with the Shareholder Rights Directive, we compare PLC Board directors with an average FTE UK employee. As individuals are employed by subsidiary companies rather than Standard Chartered PLC we voluntarily disclose comparison against UK employees as we feel this is a suitable comparison.

	Salary % change				Taxable benefits % change				Annual incentive % change			
	2023	2022	2021	2020	2023	2022	2021	2020	2023	2022	2021	2020
CEO Bill Winters	3.2	2.0	0.0	0.7	(3.0)	79.8	(26.5)	(2.9)	(2.5)	26.1	208.1	(69.2)
GCFO Andy Halford	3.2	2.0	0.7	3.7	(17.0)	23.9	(5.6)	30.2	(2.6)	24.3	208.9	(68.2)
Workforce average FTE UK employee	10.4	3.3	3.1	3.8	2.2	(7.0)	(2.0)	2.9	0.8	14.3	38.2	(22.1)
Group Chairman												
José Viñals ¹	3.4	0.0	0.0	0.0	53.2	170.2	(61.5)	(11.7)	—	—	—	—
Shirish Apte	—	—	—	—	—	—	—	—	—	—	—	—
David Conner	7.5	(8.8)	(6.7)	(0.6)	0.0	0.0	5.9	(57.5)	—	—	—	—
Christine Hodgson, CBE ²	—	(11.0)	0.0	0.0	—	0.0	(100.0)	28.2	—	—	—	—
Gay Huey Evans, CBE	(3.2)	(22.5)	0.0	0.0	(100.0)	100.0	(100.0)	233.9	—	—	—	—
Jackie Hunt	—	—	—	—	—	—	—	—	—	—	—	—
Robin Lawther, CBE	—	—	—	—	—	—	—	—	—	—	—	—
Maria Ramos ³	38.8	25.9	—	—	0.0	0.0	—	—	—	—	—	—
Phil Rivett	5.7	3.9	—	—	0.0	0.0	—	—	—	—	—	—
David Tang	8.8	0.0	18.3	—	0.0	0.0	(82.3)	—	—	—	—	—
Carlson Tong	4.1	(11.0)	0.0	—	0.0	0.0	(100.0)	—	—	—	—	—
Jasmine Whitbread ²	—	0.0	0.0	0.0	—	0.0	(100.0)	(49.2)	—	—	—	—
Linda Yueh	—	—	—	—	—	—	—	—	—	—	—	—

1 The increase in 2023 taxable benefits for José Viñals is primarily due to the continuing increase in business travel to pre-pandemic levels

2 In 2023, Christine Hodgson and Jasmine Whitbread stepped down from the Board on 31 January and 3 May respectively. Linda Yueh was appointed to the Board on 1 January

3 The increase in fees for Maria Ramos is due to changes in Board and Committee responsibilities in 2022

 See pages 195 and 204 for the CEO, GCFO, Group Chairman and INEDs data the changes relates to

Annual percentage change in remuneration of directors and UK employees methodology

- Employee pay data is based on FTE UK employees as of 31 December for the relevant year, excluding leavers, joiners, and transfers in/out of the UK during the year for like-for-like comparison. Salary percentage change reflects increases decided at the end of 2022 and implemented in 2023.
- Average FTE UK employee percentage change is calculated on a mean basis to allow for a more consistent year-on-year comparison.
- Due to the low value taxable benefits received by INEDs, small value changes may lead to annual percentage change fluctuations.

Scheme interests awarded, exercised and lapsed during the year

Employees, including executive directors, are not permitted to engage in any personal investment strategies with regards to their Company shares, including hedging against the share price of Company shares. The main features of the outstanding shares and awards are summarised below:

Award	Performance measures	Performance outcome (100%)	Accrues notional dividends? ¹	Delivery
2016-18 LTIP		27%	Yes	• Tranche 1: 50% • Tranches 2-5: 12.5%
2017-19 LTIP	33% RoE ² 33% TSR 33% Strategic	38%	Yes	• 5 equal tranches
2018-20 LTIP		26%	No	• 5 equal tranches
2019-21 LTIP	33% RoTE 33% TSR 33% Strategic	23%	No	• 5 equal tranches
2020-22 LTIP		36.8%	No	• 5 equal tranches
2021-23 LTIP	30% RoTE 30% TSR 15% Sustainability	66%	No	• 5 equal tranches
2022-24 LTIP	30% RoTE 30% TSR 15% Sustainability 25% Strategic	To be assessed at the end of 2024	No	• 5 equal tranches
2023-25 LTIP		To be assessed at the end of 2025	No	• 5 equal tranches

1 2016-18 and 2017-19 LTIP awards may receive dividend equivalent shares based on dividends declared between grant and vest. From 1 January 2017 remuneration regulations for European banks prohibited the award of dividend equivalent shares. Therefore, the number of shares awarded in respect of the LTIP awards granted after this date took into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall value of the award was maintained

2 Return on equity

Change in interests during the period 1 January to 31 December 2023 (audited)

Bill Winters¹

	Date of grant	Share award price (£)	As at 1January	Awarded ²	Dividends awarded ³	Vested/exercised ⁴	Lapsed	As at 31 December	Performance period end	Vesting date
2016-18 LTIP	4 May 2016	5.560	33,507	–	3,292	36,799	–	–	11 Mar 2019	4 May 2023
2017-19 LTIP	13 Mar 2017	7.450	45,049	–	4,421	49,470	–	–	13 Mar 2020	13 Mar 2023
			45,049	–	–	–	–	45,049		13 Mar 2024
2018-20 LTIP	9 Mar 2018	7.782	28,178	–	–	28,178	–	–	9 Mar 2021	9 Mar 2023
			28,178	–	–	–	–	28,178		9 Mar 2024
			28,179	–	–	–	–	28,179		9 Mar 2025
2019-21 LTIP	11 Mar 2019	6.105	30,604	–	–	30,604	–	–	11 Mar 2022	11 Mar 2023
			30,604	–	–	–	–	30,604		11 Mar 2024
			30,604	–	–	–	–	30,604		11 Mar 2025
			30,605	–	–	–	–	30,605		11 Mar 2026
2020-22 LTIP	9 Mar 2020	5.196	161,095	–	–	59,282	101,813	–	9 Mar 2023	9 Mar 2023
			161,095	–	–	–	101,813	59,282		9 Mar 2024
			161,095	–	–	–	101,813	59,282		9 Mar 2025
			161,095	–	–	–	101,813	59,282		9 Mar 2026
			161,095	–	–	–	101,813	59,282		9 Mar 2027
2021-23 LTIP	15 Mar 2021	4.901	150,621	–	–	–	–	150,621	15 Mar 2024	15 Mar 2024
			150,621	–	–	–	–	150,621		15 Mar 2025
			150,621	–	–	–	–	150,621		15 Mar 2026
			150,621	–	–	–	–	150,621		15 Mar 2027
			150,621	–	–	–	–	150,621		15 Mar 2028
2022-24 LTIP	14 Mar 2022	4.876	151,386	–	–	–	–	151,386	14 Mar 2025	14 Mar 2025
			151,386	–	–	–	–	151,386		14 Mar 2026
			151,386	–	–	–	–	151,386		14 Mar 2027
			151,386	–	–	–	–	151,386		14 Mar 2028
			151,388	–	–	–	–	151,388		14 Mar 2029
2023-25 LTIP	13 Mar 2023	7.398	–	101,209	–	–	–	101,209	13 Mar 2026	13 Mar 2026
			–	101,209	–	–	–	101,209		13 Mar 2027
			–	101,209	–	–	–	101,209		13 Mar 2028
			–	101,209	–	–	–	101,209		13 Mar 2029
			–	101,209	–	–	–	101,209		13 Mar 2030

Additional remuneration disclosures

continued

Andy Halford¹

	Date of grant	Share award price (£)	As at 1 January	Awarded ²	Dividends awarded ³	Vested/exercised ⁴	Lapsed	As at 31 December	Performance period end	Vesting date
2016-18 LTIP	4 May 2016	5.560	20,009	–	1,966	21,975	–	–	11 Mar 2019	4 May 2023
2017-19 LTIP	13 Mar 2017	7.450	27,888	–	2,740	30,628	–	–	13 Mar 2020	13 Mar 2023
			27,890	–	–	–	–	27,890		13 Mar 2024
2018-20 LTIP	9 Mar 2018	7.782	17,448	–	–	17,448	–	–	9 Mar 2021	9 Mar 2023
			17,448	–	–	–	–	17,448		9 Mar 2024
			17,448	–	–	–	–	17,448		9 Mar 2025
2019-21 LTIP	11 Mar 2019	6.105	19,571	–	–	19,571	–	–	11 Mar 2022	11 Mar 2023
			19,571	–	–	–	–	19,571		11 Mar 2024
			19,571	–	–	–	–	19,571		11 Mar 2025
			19,572	–	–	–	–	19,572		11 Mar 2026
2020-22 LTIP	9 Mar 2020	5.196	99,976	–	–	36,791	63,185	–	9 Mar 2023	9 Mar 2023
			99,976	–	–	–	63,185	36,791		9 Mar 2024
			99,976	–	–	–	63,185	36,791		9 Mar 2025
			99,976	–	–	–	63,185	36,791		9 Mar 2026
			99,977	–	–	–	63,186	36,791		9 Mar 2027
2021-23 LTIP	15 Mar 2021	4.901	96,283	–	–	–	–	96,283	15 Mar 2024	15 Mar 2024
			96,283	–	–	–	–	96,283		15 Mar 2025
			96,283	–	–	–	–	96,283		15 Mar 2026
			96,283	–	–	–	–	96,283		15 Mar 2027
			96,283	–	–	–	–	96,283		15 Mar 2028
2022-24 LTIP	14 Mar 2022	4.876	96,772	–	–	–	–	96,772	14 Mar 2025	14 Mar 2025
			96,772	–	–	–	–	96,772		14 Mar 2026
			96,772	–	–	–	–	96,772		14 Mar 2027
			96,772	–	–	–	–	96,772		14 Mar 2028
			96,773	–	–	–	–	96,773		14 Mar 2029
2023-25 LTIP	13 Mar 2023	7.398	–	64,700	–	–	–	64,700	13 Mar 2026	13 Mar 2026
			–	64,700	–	–	–	64,700		13 Mar 2027
			–	64,700	–	–	–	64,700		13 Mar 2028
			–	64,700	–	–	–	64,700		13 Mar 2029
			–	64,702	–	–	–	64,702		13 Mar 2030
2022 Sharesave ^{5,6}		4.230	2,127	–	–	–	–	2,127	–	1 Feb 2026

1 The unvested LTIP awards held by Bill and Andy are conditional rights. They do not have to pay towards these awards. Under these awards, shares are delivered on vesting or as soon as practicable thereafter

2 For the 2023-25 LTIP awards granted to Bill and Andy on 13 March 2023, the values granted were: Bill: £3.2 million; Andy £21 million. The number of shares awarded in respect of the LTIP took into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall value of the award was maintained. Performance measures apply to 2023-25 LTIP awards. The closing price on the day before grant was £7.398

3 Dividend equivalent shares may be awarded on vesting for awards granted prior to 1 January 2018. On 31 March 2020, Standard Chartered announced that in response to the request from the PRA and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, the Board decided to withdraw the recommendation to pay a final dividend for 2019. Dividend equivalent shares allocated to the 2016-18 and 2017-19 LTIP awards vesting in 2023 did not include any shares relating to the cancelled dividend

4 Shares (before tax) were delivered to Bill and Andy from the vesting element of LTIP awards. The closing share price on the day before the shares were delivered was as follows:

- 4 May 2023: Shares in respect of the 2016-18 LTIP. Previous day closing share price: £6.114
- 13 March 2023: Shares in respect of the 2017-19 LTIP and 2019-21 LTIP. Previous day closing share price: £7.398
- 9 March 2023: Shares in respect of the 2018-20 LTIP. Previous day closing share price: £7.874
- 15 March 2023: Shares in respect of the 2020-22 LTIP. Previous day closing share price: £6.968

5 Andy chose to participate in the 2022 Sharesave invitation. This unvested option was granted on 28 November 2022 under the 2013 Plan – to exercise this option, Andy has to pay an exercise price of £4.23 per share, which has been discounted by 20 per cent

6 The vesting date relates to the end of the savings contract and the start of the six month exercise window

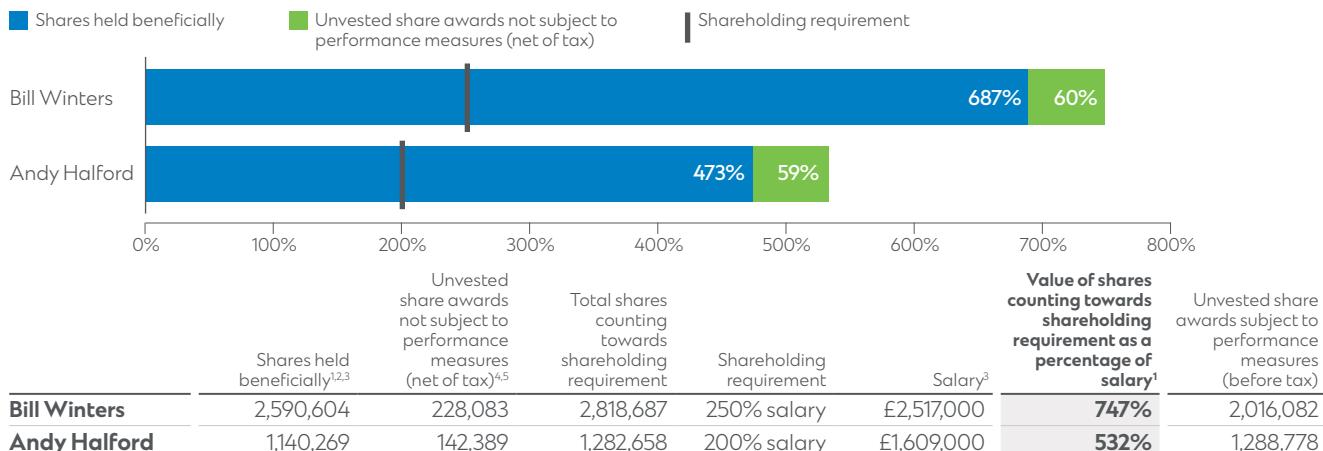
As at 31 December 2023, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

→ See page 450 for details of share plan dilution limits

Executive directors' shareholdings and share interests including share awards (audited)

Shares that count towards the executive director shareholding requirements are beneficially owned shares, including shares subject to a retention period, and unvested share awards for which performance conditions have been satisfied (on a net of tax basis). As of 31 December 2023, both Bill and Andy significantly exceeded their shareholding requirement.

Shares purchased voluntarily from their own funds are equivalent to 82 and 60 per cent of salary for Bill and Andy, respectively. No shares were purchased voluntarily in 2023. The following chart and table summarise the executive directors' shareholdings and share interests.



1 All figures are as of 31 December 2023 unless stated otherwise. The closing share price on 29 December 2023 was £6.67. No director had either: (i) an interest in Standard Chartered PLC's preference shares or loan stocks of any subsidiary or associated undertaking of the Group; or (ii) any corporate interests in Standard Chartered PLC's ordinary shares

2 The beneficial interests of directors and connected persons in the ordinary shares of the Company are set out above. The executive directors do not have any non-beneficial interest in the Company's shares. Neither of the executive directors used ordinary shares as collateral for any loans

3 The salary and shares held beneficially include shares awarded to deliver the executive directors' salary shares

4 36.8 per cent of the 2020-22 LTIP award is no longer subject to performance measures due to achievement against 2020-22 TSR and strategic measures

5 As Bill and Andy are both UK taxpayers zero per cent tax is assumed to apply to Sharesave (as Sharesave is a UK tax qualified share plan) and 47 per cent tax is assumed to apply to other unvested share awards (marginal combined PAYE rate of income tax at 45 per cent and employee National Insurance contributions at 2 per cent) – rates may change

Historical LTIP awards

The current position on projected vesting for unvested LTIP awards from the 2021 and 2022 performance years based on current performance as at 31 December 2023 is set out in the tables below.

Current position on the 2022-24 LTIP award: projected partial vesting

Measure	Weighting	Minimum (25%)	Maximum (100%)	2022-24 LTIP assessment as of 31 December 2023
RoTE ¹ in 2024 with a CET ² underpin of the higher of 13% or the minimum regulatory requirement	30%	7%	11%	RoTE between threshold and maximum: indicative partial vesting
Relative TSR performance against peer group	30%	Median	Upper quartile	TSR positioned between median and upper quartile: indicative partial vesting
Sustainability	15%	Targets set for sustainability measures linked to the business strategy		Tracking above target performance: indicative partial vesting
Other strategic measures	25%	Targets set for strategic measures linked to the business strategy		Tracking above target performance: indicative partial vesting

1 Underlying RoTE represents the ratio of the current year's underlying operating profit attributable to ordinary shareholders to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines and certain other adjustments but, for remuneration purposes, such adjustments are subject to review by the Committee

2 The CET¹ underpin will be set at the higher of 13 per cent or the minimum regulatory level as at 31 December 2024. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period

Additional remuneration disclosures

continued

Current position on the 2023-25 LTIP award: projected partial vesting

Measure	Weighting	Minimum (25%)	Maximum (100%)	2023-25 LTIP assessment as of 31 December 2023
 RoTE ¹ in 2025 with a CET1 ² underpin of the higher of 13% or the minimum regulatory requirement	30%	10%	12.5%	RoTE between threshold and maximum: indicative partial vesting
 Relative TSR performance against peer group	30%	Median	Upper quartile	TSR positioned below the median: indicative 0% vesting
 Sustainability	15%	Targets set for sustainability measures linked to the business strategy		Tracking above target performance: indicative partial vesting
 Other strategic measures	25%	Targets set for strategic measures linked to the business strategy		Tracking above target performance: indicative partial vesting

1 Underlying RoTE represents the ratio of the current year's underlying operating profit attributable to ordinary shareholders to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying RoTE normally excludes regulatory fines and certain other adjustments but, for remuneration purposes, such adjustments are subject to review by the Committee

2 The CET1 underpin will be set at the higher of 13 per cent or the minimum regulatory level as at 31 December 2025. In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period

The Committee assesses the value of LTIP awards on vesting and has the flexibility to adjust if the formulaic outcome is not considered to be an appropriate reflection of the performance achieved and to avoid windfall gains.

The approach used to determine Group-wide total discretionary incentives in 2023 is explained on pages 182 and 183 of this report. The following tables show the income statement charge for these incentives.

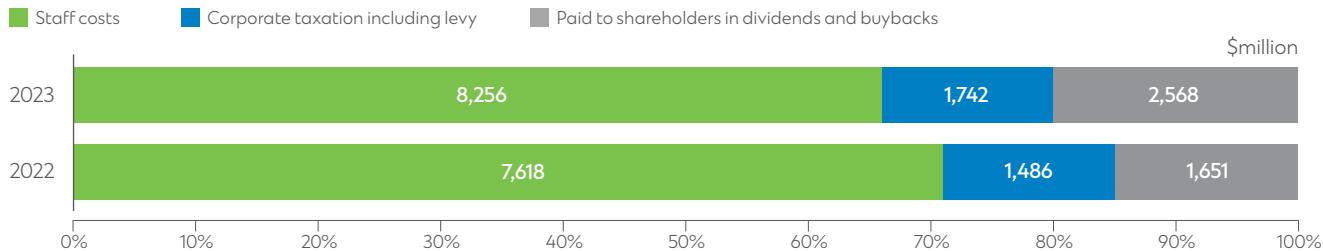
Income statement charge for Group discretionary incentives

		2023 \$million	2022 \$million
Total discretionary incentives		1,574	1,589
Less: discretionary incentives that will be charged in future years		(242)	(242)
Plus: current year charge for discretionary incentives from prior years		188	150
Total		1,520	1,497

Year in which income statement is expected to reflect discretionary incentives	2022 \$million	2023 \$million	Expected	
			2024 \$million	2025 and beyond \$million
Discretionary incentives awarded for 2021 and earlier	150	82	37	27
Discretionary incentives awarded for 2022	77	106	60	60
Discretionary incentives awarded for 2023	–	81	116	126
Total	227	269	213	213

Allocation of the Group's earnings between stakeholders

When considering Group variable remuneration, the Committee takes account of shareholders' concerns about relative expenditure on pay and determines the allocation of earnings to expenditure on remuneration carefully, and has approached this allocation in a disciplined way. The amount of corporate tax, including the bank levy, is included in the chart because it is a significant payment and illustrates the Group's contribution through the tax system.



Approach to risk adjustment

Risk adjustment	What and how?	When?
Collective adjustments	<ul style="list-style-type: none"> At a collective level, the Group annual scorecard and LTIP performance criteria include risk and control measures. In addition, the Committee carries out a detailed review of all risk, control and conduct matters including ongoing investigations and any matters raised by regulators, and may use its discretion to adjust scorecard outcomes or remuneration to reflect matters not adequately captured by the scorecards. 	<ul style="list-style-type: none"> Material restatement of the Group's financials. Significant failure in risk management. Discovery of endemic problems in financial reporting. Financial losses, due to a material breach of regulatory guidelines. The exercise of regulatory or government action to recapitalise the Group following material financial losses.
Individual adjustments	<ul style="list-style-type: none"> Individual risk adjustments to variable remuneration are considered based on the materiality of the issue. At an individual level, risk adjustments can be applied through the reduction or forfeiture of the value of current year variable remuneration or the application of malus or clawback to unpaid or paid variable remuneration as appropriate, at the Committee's discretion. 	<ul style="list-style-type: none"> Deemed to have: (i) caused in full or in part a material loss for the Group as a result of reckless, negligent or wilful actions, or (ii) exhibited inappropriate behaviours, or (iii) applied a lack of appropriate supervision and due diligence. The individual failed to meet appropriate standards of fitness and propriety.

Our Pillar 3 remuneration disclosures can be viewed in our 2023 Pillar 3 Report at [sc.com](#)

Remuneration of the five highest paid individuals and the remuneration of senior management

In line with the requirements of The Stock Exchange of Hong Kong Limited, the following table sets out, on an aggregate basis, the annual remuneration of: (i) the five highest paid employees; and (ii) senior management for the year ended 31 December 2023.

Components of remuneration	Five highest paid ¹ \$'000	Senior management ² \$'000
Salary, cash allowances and benefits in kind	19,537	28,286
Pension contributions	358	1,428
Variable remuneration awards paid or receivable	31,376	42,928
Payments made on appointment	–	1,070
Remuneration for loss of office (contractual or other)	–	–
Other	–	–
Total	51,271	73,712
Total HKD equivalent	401,528	577,275

1 The five highest paid individuals include Bill Winters

2 Senior management comprises the executive directors and the members of the Group Management Team at any point during 2023

Share award movements for the five highest paid individuals for the year to 31 December 2023¹

	LTIP ²	Deferred shares ²	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2023	4,483,528	3,097,427	4,246	4.23
Granted ^{3,4,5}	997,172	1,303,485	88	—
Lapsed	729,613	—	—	—
Vested/Exercised	253,569	738,051	—	—
Outstanding at 31 December 2023	4,497,518	3,662,861	4,334	4.26
Exercisable as at 31 December 2023	—	—	—	—
Range of exercise prices (£)	—	—	—	4.23 – 5.88

1 The five highest paid individuals include Bill Winters

2 Granted under the 2021 Plan and 2011 Plan. Employees do not contribute to the cost of these awards

3 993,801 (LTIP) granted on 13 March 2023, 2,821 (LTIP) granted as a notional dividend on 1 March 2023, 550 (LTIP) granted as a notional dividend on 1 September 2023, 1,302,503 (Deferred shares) granted on 13 March 2023, 690 (Deferred shares) granted as a notional dividend on 1 March 2023, 292 (Deferred shares) granted as a notional dividend on 1 September 2023. 88 (Sharesave) granted on 18 Sep 2023

4 LTIP and Deferred shares were granted at a share price of £7.398, the closing price on the last trading day preceding the grant date. The vesting period for these awards ranges from 1 to 7 years

5 For Sharesave granted in 2023 the exercise price is £5.88 per share, a 20% discount from the average of the closing prices over the five days to the invitation date of 21 August 2023. The closing share price on 18 August 2023 was £7.214

→ See page 211 for details of awards and options for Bill Winters

See page 451 for a view of share awards and options for all employees

See page 447 for details on the accounting standard adopted for share awards is IFRS2

The table below shows the emoluments of: (i) the five highest paid employees; and (ii) senior management for the year ended 31 December 2023.

Remuneration band HKD	Remuneration band USD equivalent	Number of employees	
		Five highest paid	Senior management ¹
20,000,001 – 20,500,000	2,553,789 – 2,617,634	—	1
22,000,001 – 22,500,000	2,809,168 – 2,873,013	—	1
23,500,001 – 24,000,000	3,000,702 – 3,064,547	—	1
24,000,001 – 24,500,000	3,064,547 – 3,128,392	—	1
26,500,001 – 27,000,000	3,383,771 – 3,447,615	—	1
27,000,001 – 27,500,000	3,447,616 – 3,511,460	—	1
32,000,001 – 32,500,000	4,086,063 – 4,149,907	—	1
32,500,001 – 33,000,000	4,149,908 – 4,213,752	—	1
34,500,001 – 35,000,000	4,405,286 – 4,469,131	—	1
41,000,001 – 41,500,000	5,235,268 – 5,299,113	—	1
44,500,001 – 45,000,000	5,682,181 – 5,746,026	—	1
52,000,001 – 52,500,000	6,639,852 – 6,703,697	1	—
75,500,001 – 76,000,000	9,640,554 – 9,704,399	1	1
78,000,001 – 78,500,000	9,959,778 – 10,023,623	1	1
84,500,001 – 85,000,000	10,789,759 – 10,853,604	1	1
110,500,001 – 111,000,000	14,109,685 – 14,173,530	1	—
Total		5	14

1 Senior management comprises the executive directors and the members of the Group Management Team at any point during 2023

Shirish Apte

Chair of the Remuneration Committee

23 February 2024

Other disclosures

The Directors' report for the year ended 31 December 2023 comprises pages 134 to 229 of this report (together with the sections of the Annual Report incorporated by reference). The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, and as noted in this Directors' report, to include certain matters in its Strategic report that would otherwise be disclosed in this Directors' report. Both the Strategic report and the Directors' report have been drawn up and presented in accordance with English company law, and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law. Other information to be disclosed in the Directors' report is given in this section. In addition to the requirements set out in the Disclosure Guidance and Transparency Rules relating to the Annual Report, information required by UK Listing Rule 9.8.4 to be included in the Annual Report, where applicable, is set out in the table below and cross-referenced.

Information to be included in the Annual Report (UK Listing Rules 9.8.4)

Relevant Listing Rule	Pages
LR 9.8.4 (1) (2) (4-11) (14) (A) (B)	N/A
LR 9.8.4 (12-13)	439

Principal activities

We are a leading international banking group, with over 170 years of history. Our unique geographical footprint in Asia, Africa and the Middle East helps connect the world's most dynamic markets. Our purpose is to drive commerce and prosperity through our unique diversity. The Group's roots in trade finance and commercial banking have been at the core of its success throughout its history, but the Group is now more broadly based across Consumer, Private and Business Banking and Ventures. The Group operates in the UK and overseas through a number of subsidiaries, branches and offices.

 Further details on our business, including key performance indicators, can be found within the **Strategic report** on pages 2 to 89

Fair, balanced and understandable

On behalf of the Board, the Audit Committee has reviewed the Annual Report and the process by which the Group believes that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, strategy and business model of the Group. Following its review, the Audit Committee has advised the Board that such a statement can be made in the Annual Report.

UK Corporate Governance Code compliance

The table below contains examples of where the Company has applied the principles of the UK Corporate Governance Code in this Annual Report.

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

	Principles	Pages/reference
Board leadership and company purpose	A – Promoting long-term sustainable success and value	2 to 89, and 137 to 141
	B – Purpose, value, strategy and alignment with culture	2 and 3, 24 and 25, 130 and 225
	C – Performance measures, controls and risk management	14 and 15, and 314 to 319
	D – Shareholder and other stakeholder engagement	54 to 64, and 157 to 161
	E – Workforce policies and practices	60 to 64
Division of responsibilities	F – Chair role and responsibilities	151 to 153, and 155 to 156
	G – Board roles and responsibilities	151
	H – Non-executive directors' role and capacity	151
	I – Board effectiveness and efficiency	155 to 156
Composition, succession and evaluation	J – Board appointments and succession plans	179
	K – Board skills, experience, knowledge and tenure	137 to 141
	L – Board evaluation of composition, diversity and effectiveness	153, 155 and 156
Audit, risk and internal control	M – Independence and effectiveness of internal and external audit functions, integrity of financial and narrative statements	166
	N – Fair, balanced and understandable assessment of the Company's position and prospects	164
	O – Risk management and internal controls	314 to 319
Remuneration	P – Remuneration policies and practices	182 to 216
	Q – Procedure for developing remuneration policy	Remuneration Committee Terms of Reference
	R – Independent judgement and discretion when authorising remuneration outcomes	Remuneration Committee Terms of Reference

 The Remuneration Committee has written Terms of Reference that can be viewed at sc.com/termsofreference

Events after the balance sheet date

For details on post balance sheet events, see Note 35 to the financial statements.

Code for Financial Reporting Disclosure

The Group's 2023 financial statements have been prepared in accordance with the principles of the UK Finance Disclosure Code for Financial Reporting Disclosure.

Viability and going concern

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

The directors' viability statement in respect to the Group can be found in the Strategic report on pages 88 and 89, while the directors' going concern considerations for the Group can be found on page 369.

Sufficiency of public float

As at the date of this report, the Company has maintained the prescribed public float under the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the Hong Kong Listing Rules), based on the information publicly available to the Company and within the knowledge of the directors.

Research and development

During the year, the Group invested \$2.01 billion (2022: \$1.98 billion) in research and development, of which \$0.99 billion (2022: \$0.94 billion) was recognised as an expense. The research and development investment primarily related to the planning, analysis, design, development, testing, integration, deployment and initial support of technology systems.

Political donations

The Group has a policy in place which prohibits donations being made that would: (i) improperly influence legislation or regulation, (ii) promote political views or ideologies, and (iii) fund political causes. In alignment to this, no political donations were made in the year ended 31 December 2023.

Directors and their interests

The membership of the Board, together with the Directors' biographical details, are given on pages 137 to 141. Details of the directors' beneficial and non-beneficial interests in the ordinary shares of the Company as at 31 December 2023 are shown in the Directors' remuneration report on pages 204 and 213. As at 16 February 2024, there had been no changes to those interests in relation to directors remaining in office at that date. The Group operates a number of share-based arrangements for its directors and employees.

 Details of these arrangements are included in the Directors' remuneration report and in Note 29 to the financial statements

The Company has received from each of the INEDs an annual confirmation of independence pursuant to Rule 3.13 of the Hong Kong Listing Rules and still considers all of the non-executive directors to be independent.

At no time during the year did any director hold a material interest in any contracts of significance with the Company or any of its subsidiary undertakings.

In accordance with the Companies Act 2006, we have established a process requiring directors to disclose proposed outside business interests before any are entered into. This enables prior assessment of any conflict or potential conflict of interest and any impact on time commitment. On behalf of the Board, the GNC reviews existing conflicts of interest annually to consider if they continue to be conflicts of interest, and also to revisit the terms upon which they were authorised. The Board is satisfied that our processes in this respect continue to operate effectively.

Subject to company law, the Articles of Association and the authority granted to directors in general meeting, the directors may exercise all the powers of the Company and may delegate authorities to committees. The Articles of Association contain provisions relating to the appointment, re-election and removal of directors. Newly appointed directors retire at the AGM following appointment and are eligible for election. All directors are nominated for annual re-election by shareholders subject to continued satisfactory performance based upon their annual assessment.

Non-executive directors are appointed for an initial period of one year and subject to (re)election by shareholders at AGMs, in line with the UK Corporate Governance Code 2018.

The Company has granted indemnities to all of its directors on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2023 and remain in force at the date of this report.

Qualifying pension scheme indemnities

Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2023 for the benefit of the UK's pension fund corporate trustee (Standard Chartered Trustees (UK) Limited), and remain in force at the date of this report.

Significant agreements

The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company. The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and plans may cause awards granted to employees under such schemes and plans to vest on a takeover, subject to any regulatory or tax considerations that may prevent this.

Future developments in the business of the Group

An indication of likely future developments in the business of the Group is provided in the Strategic report.

Results and dividends

2023: paid interim dividend of 6 cents per ordinary share

(2022: paid interim dividend of 4 cents per ordinary share)

2023: proposed final dividend of 21 cents per ordinary share

(2022: paid final dividend of 14 cents per ordinary share)

2023: total dividend of 27 cents per ordinary share

(2022: total dividend, 18 cents per ordinary share)

Share capital

The issued ordinary share capital of the Company was reduced by a total of 229,693,294 over the course of 2023.

This was due to the cancellation of ordinary shares as part of the Company's two share buy-back programmes. No ordinary shares were issued during the year. The Company has one class of ordinary shares, which carries no rights to fixed income. On a show of hands, each member present has the right to one vote at our general meetings. On a poll, each member is entitled to one vote for every \$2 nominal value of share capital held.

The issued nominal value of the ordinary shares represents 84.3 per cent of the total issued nominal value of all share capital. The remaining 15.7 per cent comprises preference shares, which have preferential rights to income and capital but which, in general, do not confer a right to attend and vote at our general meetings.

 Further details of the Group's share capital can be found in Note 28 to the financial statements

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. There are no specific restrictions on voting rights and the directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Articles of Association

The Articles of Association may be amended by special resolution of the shareholders. They were last amended at the 2023 AGM. The amendments primarily related to compliance with regulatory requirements in Hong Kong, but we also took the opportunity to amend them to reflect developments in market practice.

 A copy of the Company's Articles of Association can be found on our website here sc.com/investors

Authority to purchase own shares

At the AGM held on 3 May 2023, our shareholders renewed the Company's authority to make market purchases of up to 284,703,272 ordinary shares, equivalent to approximately 10 per cent of issued ordinary shares as at 20 March 2023, and up to all of the issued preference share capital.

The authority to make market purchases up to 10 per cent of issued ordinary share capital was used during the year through two buy-back programmes announced in February and August 2023. These were utilised to reduce the number of ordinary shares in issue and as part of the Group's approach to dividend growth and capital returns. The first share buy-back programme commenced on 20 February 2023 and ended on 29 September 2023. The second share buy-back programme commenced on 1 August 2023 and ended on 6 November 2023. A total of 229,693,294 ordinary shares with a nominal value of \$0.50 were re-purchased for an approximate aggregate consideration paid of \$2 billion.

A monthly breakdown of the shares purchased during the period including the lowest and highest price paid per share is set out in Note 28 to the financial statements. All ordinary shares which were bought back were cancelled.

In accordance with the terms of a waiver granted by The Stock Exchange of Hong Kong Limited (HKSE) as subsequently modified, the Company will comply with the applicable law and regulation in the UK in relation to holding of any shares in treasury and with the conditions of granting the waiver by the HKSE. No treasury shares were held during the year.

 Further details can be found in Note 28 to the financial statements

Authority to issue shares

The Company is granted authority to issue shares by the shareholders at its AGM. The size of the authorities granted depends on the purposes for which shares are to be issued and is within applicable legal and regulatory requirements.

Shareholder rights

Under the Companies Act 2006, shareholders holding 5 per cent or more of the paid-up share capital of the Company carrying the right of voting at general meetings of the Company are able to require the directors to hold a general meeting. A request may be in hard copy or electronic form and must be authenticated by the shareholders making it. Where such a request has been duly lodged with the Company, the directors are obliged to call a general meeting within 21 days of becoming subject to the request and must set a date for the meeting not more than 28 days from the date of the issue of the notice convening the meeting.

Under the Companies Act 2006, shareholders holding 5 per cent or more of the total voting rights at an AGM of the Company, or 100 shareholders entitled to vote at the AGM with an average of at least £100 paid-up share capital per shareholder, are entitled to require the Company to circulate a resolution intended to be moved at the Company's next AGM. Such a request must be made not later than six weeks before the AGM to which the request relates or, if later, the time notice is given of the AGM. The request may be in hard copy or electronic form, must identify the resolution of which notice is to be given and must be authenticated by the shareholders making it.

- + Shareholders are also able to put forward proposals to shareholder meetings and enquiries to the Board and/or the Senior Independent Director by using the 'contact us' information on the Company's website sc.com or by emailing the Group Corporate Secretariat at group-corporate.secretariat@sc.com

Notifiable interests

Notifiable interests	Interest in ordinary shares (based on voting rights disclosed)	Percentage of capital disclosed	Nature of holding as per disclosure
Temasek Holdings (Private) Limited	474,751,383	16.00	Indirect
BlackRock Inc.	183,640,172	5.55	Indirect (5.01%) Securities Lending (0.39%) Contracts for Difference (0.14%)
Dodge & Cox	150,620,884	5.08	Indirect

Related party transactions

Details of transactions with directors and officers and other related parties are set out in Note 36 to the financial statements.

Major interests in shares and voting rights

As at 31 December 2023, Temasek Holdings (Private) Limited (Temasek) is the only shareholder that has an interest of more than 10 per cent in the Company's issued ordinary share capital carrying a right to vote at any general meeting.

Information provided to the Company pursuant to the FCA's DTRs is published on a Regulatory Information Service and on the Company's website.

As at 16 February 2024, the Company has been notified of the following information, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital. The information provided in the table below was correct at the date of notification; however, the date received may not have been within 2023. It should be noted that these holdings are likely to have changed since the Company was notified.

However, notification of any change is not required until the next notifiable threshold is crossed.

Connected/continuing connected transactions

By virtue of its shareholding of over 10 per cent in the Company, Temasek and its associates are related parties and connected persons of the Company for the purposes of the UK Listing Rules and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx") ("the HK Listing Rules") respectively (together "the Rules").

The Rules are intended to ensure that there is no favourable treatment to Temasek or its associates to the detriment of other shareholders in the Company. Unless transactions between the Group and Temasek or its associates are specifically exempt under the Rules or are subject to a specific waiver, they may require a combination of announcements, reporting and independent shareholders' approval.

On 12 November 2021, the HKEx extended a waiver (the "Waiver") it previously granted to the Company for the revenue banking transactions with Temasek which do not fall under the passive investor exemption ("the Passive Investor Exemption") under Rules 14A.99 and 14A.100 of the HK Listing Rules. Under the Waiver, the HKEx agreed to waive the announcement requirement, the requirements to enter into written agreements and to set annual caps, and the annual report disclosure (including annual review) requirements under Chapter 14A of the HK Listing Rules for the three-year period ending 31 December 2024 on the conditions that:

- a) The Company will disclose details of the Waiver (including nature of the revenue banking transactions with Temasek and reasons for the Waiver) in subsequent annual reports; and
- b) The Company will continue to monitor the revenue banking transactions with Temasek during the three years ending 31 December 2024 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded.

The main reasons for seeking the Waiver were:

- The nature and terms of revenue banking transactions may vary and evolve over time; having fixed-term written agreements would not be suitable to accommodate the various banking needs of the Company's customers (including Temasek) and would be impractical and unduly burdensome.
- It would be impracticable to estimate and determine an annual cap on the revenue banking transactions with Temasek as the volume and aggregate value of each transaction are uncertain and unknown to the Company as a banking group due to multiple factors including market driven factors.
- The revenues generated from revenue banking transactions were insignificant. Without a waiver from the HKEx or an applicable exemption, these transactions would be subject to various percentage ratio tests which cater for different types of connected transactions and as such may produce anomalous results.

As a result of the Passive Investor Exemption and the Waiver, the vast majority of the Company's transactions with Temasek and its associates fall outside of the connected transactions regime. However, non-revenue transactions with Temasek or any of its associates continue to be subject to monitoring for connected transaction issues.

The Company confirms that:

- The revenue banking transactions entered into with Temasek and its associates in 2023 were below the 5 per cent threshold for the revenue ratio test under the HK Listing Rules; and
- It will continue to monitor revenue banking transactions with Temasek during the three years ending 31 December 2024 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded.

The Company therefore satisfied the conditions of the Waiver.

Fixed assets

Details of additions to fixed assets are presented in Note 18 to the financial statements.

Loan capital

Details of the loan capital of the Company and its subsidiaries are set out in Notes 22 and 27 to the financial statements.

Debt issue and equity-linked agreements

During the financial year ended 31 December 2023, the Company made no issuance of debentures. Further details of the equity-linked agreements the Group entered into can be found in Note 28 to financial statements.

Risk management¹

The Board is responsible for maintaining and reviewing the effectiveness of the risk management system. An ongoing process for identifying, evaluating and managing the significant risks that we face is in place. The Board is satisfied that this process constitutes a robust assessment of all of the principal risks, topical and emerging risks and integrated risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

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

Key areas of risk on financial instruments for the directors included the impairment of loans and advances and valuation of financial instruments held at fair value. This risk assessment and management is explained further in the Audit Committee Key areas and Action taken on pages 163 and 164.

→ The Risk review and Capital review on [pages 44 to 51, and 314 to 337](#) sets out the principal risks, topical and emerging risks and integrated risks, our approach to risk management, including our risk management principles, an overview of our Enterprise Risk Management Framework and the risk management and governance practices for each principal risk type. The Board-approved Risk Appetite Statement can be found on [pages 47, and 314 to 337](#)

In accordance with Article 435(1)(e) of the Disclosure (CRR) Part of the PRA Rulebook, the Board Risk Committee, on behalf of the Board, has considered the adequacy of the risk management arrangements of the Group and has sought and received assurance that the risk management systems in place are adequate with regard to the Group's profile and strategy.

Internal control²

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system. Its effectiveness is reviewed regularly by the Board, its committees, the Management Team and Group Internal Audit.

For the year ended 31 December 2023, the Board Risk Committee has reviewed the effectiveness of the Group's system of internal control and discussed a report on the 2024 annual risk and control self-assessment. Group Internal Audit represents the third line of defence and provides independent assurance of the effectiveness of management's control of business activities (the first line) and of the control processes maintained by the Risk Framework Owners and Policy Owners (the second line). The audit programme includes obtaining an understanding of the processes and systems under audit review, evaluating the design of controls, and testing the operating effectiveness and outcomes of key controls. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology. The Board considers the internal control systems of the Company to be effective and adequate.

² The Group's Risk Management Framework and System of Internal Control applies only to wholly controlled subsidiaries of the Group, and not to Associates, Joint Ventures or Structured Entities of the Group.

Group Internal Audit reports regularly to the Audit Committee, the Group Chairman and the Group Chief Executive; and the Group Head, Internal Audit reports directly to the Chair of the Audit Committee and administratively to the Group Chief Executive. The findings of all adverse audits are reported to the Audit Committee, the Group Chairman and the Group Chief Executive where immediate corrective action is required.

The Board Risk Committee is responsible for exercising oversight, on behalf of the Board, of the key risks of the Group. It reviews the Group's Risk Appetite Statement and Enterprise Risk Management Framework and makes recommendations to the Board. The Audit Committee is responsible for oversight and advice to the Board on matters relating to financial, non-financial and narrative reporting. The Committee's role is to review, on behalf of the Board, the Group's internal controls including internal financial controls. The Audit Committee receives and discusses a paper on the internal controls for financial books and records.

 The risk management approach starting on [page 314](#) describes the Group's risk management oversight committee structure.

Our business is conducted within a developed control framework, underpinned by policy statements and standards. There are written policies and standards designed to ensure the identification and management of risk, including Credit Risk, Traded Risk, Treasury Risk, Operational and Technology Risk, Information and Cyber Security Risk, Compliance Risk, Financial Crime Risk, Model Risk and Reputational and Sustainability Risk. This framework incorporates the Group's internal controls on financial reporting. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines.

Delegated authorities are documented and communicated. Executive risk committees regularly review the Group's risk profile. The performance of the Group's businesses is reported regularly to senior management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Group financial information is prepared in accordance with UK-adopted International Accounting Standards and International Financial Reporting Standards as adopted by the European Union, and financial reporting is subject to the Group's control framework for reconciliation processes.

Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions. In respect of handling inside information, we have applied controls to help ensure only those explicitly required receive inside information as well as controls regarding the onward dissemination of inside information. Controls are also in place to approve and review dealings in the Company's shares. Such systems and controls are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Employee policies and engagement

We work hard to ensure that our employees are kept informed about matters affecting or of interest to them, and more importantly that they have opportunities to provide feedback and engage in a dialogue.

We strive to listen and act on feedback from colleagues to ensure internal communications are timely, informative, meaningful, and in support of the Group's strategy and transformation. In November 2023, we launched our new employee communications platform – Pulse. Pulse will become our primary internal communications channel that will allow colleagues to receive key dynamic updates that are personalised by role and location, sign up for events, provide feedback, and navigate to other internal platforms. In addition to targeted digital communications, we also deploy audio and video calls, virtual and face-to-face townhalls, and other staff engagement and recognition events. To continue to improve the way we communicate and ensure our employee communications remain relevant, we also periodically analyse and measure the impact of our communications through a range of survey and feedback tools.

Our senior leaders and people leaders play a critical role in engaging our teams across the network, ensuring that they are kept up to date on key business developments related to our performance and strategy. We offer additional support to our people leaders with specific calls and communications packs to help them provide context and guidance to their team members to better understand their role in executing and delivering the Group's strategy.

Across the organisation, regular team meetings with people leaders, one-to-one conversations and various management meetings provide an important platform for colleagues to discuss and clarify key issues. Regular performance conversations provide the opportunity to discuss how individuals, the team and the business area have contributed to our overall performance and how any recognition and reward relate to this. The Group's senior leadership also regularly shares global, business, function, region and market updates on performance, strategy, structural changes, HR programmes, community involvement and other campaigns. The Board also engages with and listens to the views of the workforce through several sources, including through interactive engagement sessions. More information can be found on page 161 in the Directors' report.

Employees past, present and future can follow our progress through the Group's LinkedIn network and Facebook page, as well as other social network channels including Instagram, which collectively have over 2.7 million followers.

The diverse range of internal and external communication tools and channels we have put in place aim to ensure that all colleagues receive timely and relevant information to support their effectiveness.

The wellbeing of our employees is central to our thinking about benefits and support, so that they can thrive at work and in their personal lives. Our Group minimum standards provide employees with a range of flexible working options, in relation to both location and working patterns. In terms of leave, employees are provided with at least 30 days' leave (through annual leave and public holidays), and new parents are provided a minimum of 20 calendar weeks' fully paid leave irrespective of gender, relationship status or how a child comes to permanently join a family. These are above the International Labour Organisation's (ILO) minimum standards.

We seek to build productive and enduring partnerships with various employee representative bodies (including unions and work councils). In our recognition and interactions, we are heavily influenced by the 1948 United Nations Universal Declaration of Human Rights (UDHR), and several ILO conventions including the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) and the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87). 12.6 per cent of employees, across 20 markets, have collective representation through unions or employee representative bodies. The working conditions and terms of employment of other employees are based on our Group and country policies, and in accordance with individual employment contracts issued by the Group.

The Group Grievance Standard provides a formal framework for dealing with concerns that employees have in relation to their employment or another colleague, which affect them directly, and cannot be resolved through informal mechanisms, such as counselling, coaching or mediation. This can include concerns related to bullying, harassment, discrimination and victimisation, as well as concerns regarding conditions of employment (for example, working practices or the working environment).

Employees can raise grievances to their People Leader or a Human Resources (HR) Representative. The global process for addressing grievances involves an HR representative and a member of the business reviewing the grievance, conducting fact finding into the grievance and providing a written outcome to the aggrieved employee. Where employees raise concerns regarding alleged wrongdoing which does not pertain to those employees themselves, or in circumstances where the alleged wrongdoing does pertain to the employees themselves but they do not wish to raise a grievance, such concerns are investigated in accordance with the Group Investigations Standard.

If a grievance or investigation is upheld, the next steps might include remedying a policy or process, or initiating a disciplinary review of the conduct of the colleague who is the subject of the concern. The Group Grievance Standard and accompanying process is reviewed on a periodic basis in consultation with stakeholders across HR, Legal, Compliance and Shared Investigative Services. Grievance trends are reviewed on a quarterly basis and action is taken to address any concerning trends.

There is a distinct Group Speaking Up Policy and Standard which covers instances where an employee wishes to 'blow the whistle' on actual, planned or potential wrongdoing by another employee or the Group.

The Group is committed to creating a fair, consistent and transparent approach to making decisions in a disciplinary context. This commitment is codified in our Fair Accountability Principles, which underpin our Group Disciplinary Standard. Dismissals due to misconduct issues and/or performance (where required by law to follow a disciplinary process) are governed by the Group Disciplinary Standard. Where local law or regulation requires a different process with regards to dismissals and other disciplinary outcomes, we have country variances in place.

Our Group Diversity and Inclusion Standard has been developed to ensure a respectful workplace, with fair and equal treatment, diversity and inclusion, and the provision of opportunities for employees to participate fully and reach their full potential in an appropriate working environment. The Group aims to provide equality of opportunity for all, protect the dignity of employees and promote respect at work. All individuals are entitled to be treated with dignity and respect, and to be free from harassment, bullying, discrimination and victimisation. This helps to support productive working conditions, decreased staff attrition, positive employee morale and engagement, maintains employee wellbeing, and reduces people-related risk. All colleagues are responsible for fostering an inclusive culture where individuality and differing skills, capabilities and experience are understood, respected and valued. All colleagues, consultants, contractors, volunteers, interns, casual workers and agency workers are required to comply with the Standard, including conducting themselves in a manner that demonstrates appropriate, non-discriminatory behaviours.

We do not accept unlawful discrimination in our recruitment or employment practices on any grounds including but not limited to: sex, race, colour, nationality, ethnicity, national or indigenous origin, disability, age, marital or civil partner status, pregnancy or maternity, sexual orientation, gender identity, expression or reassignment, HIV or AIDS status, parental status, military and veterans status, flexibility of working arrangements, religion or belief. We are committed to provide equal opportunities and fair treatment in recruitment, appraisals, pay and conditions, training, development, succession planning, promotion, grievance/disciplinary procedures and employment termination practices, that are inclusive and accessible; and that do not directly or indirectly discriminate. Recruitment, employment, training, development and promotion decisions are based on the skills, knowledge and behaviour required to perform the role to the Group's standards. Implied in all employment terms is the commitment to equal pay for equal work. We also endeavour to make reasonable workplace adjustments (including during the hiring process) to ensure all individuals feel supported and are able to participate fully and reach their potential. If employees become disabled, we will aim to support them with appropriate training and workplace adjustments where possible and to support their continued employment.

Health, Safety and Wellbeing

Our Health, Safety and Wellbeing (HSW) vision is to support employee productivity through a healthy and resilient workforce, and our mission is for employees to deliver every day in a safe, secure and resilient way. Our corporate HSW programme covers both mental and physical health and wellbeing. The Group complies with both external regulatory requirements and internal policy and standards for HSW in all markets. It is Group policy to ensure that the more stringent of the two requirements is always met, ensuring our HSW practices meet or exceed the regulatory minimum. Compliance rates are reported at least biannually to each country's Management Team.

We follow the International Labour Organisation (ILO) code of practice on recording and notification of occupational accidents and diseases, and guidance published by the UK Health and Safety Executive (HSE), and ensure that we meet all local Health and Safety (H&S) regulatory reporting requirements. We record and report all work-related illness and injuries, including from sub-contractors, visitors and clients.

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

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

Across the Group, support for employee mental wellbeing is available. All employees have access to professional counselling via our Employee Assistance Programme, as well as to more proactive mental health support through our holistic wellbeing app and wellbeing platform. Our global Mental Health First Aid (MHFA) programme offers help to anyone developing a mental health problem, experiencing a worsening of an existing mental illness or a mental health crisis. The mental health support is given until appropriate professional help is received, or the crisis resolved. To date we have trained more than 600 mental health first aiders in 51 markets, covering over 99 per cent of colleagues.

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

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

One hundred and fifty eight (158) buildings, which covers more than 90 per cent of our employees, were certified with the WELL Health & Safety Rating; an evidence-based, third-party certification that validates our efforts to address the hygiene and safety of our workspaces. Four major head office projects also obtained the broader WELL certification.

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

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

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

Major customers

Our five largest customers together accounted for 2.1 per cent of our total operating income in the year ended 31 December 2023.

Major suppliers

In 2023, USD \$4.479 billion was spent with 11,563 suppliers. Of this, 74 per cent of the total spend was spent in the Asia region, with 18 per cent in Europe and the Americas, and 8 per cent in Africa and the Middle East.

Furthermore, 80 per cent of total spend in 2023 was with 474 suppliers. In addition, 80 per cent of carbon emissions were with 481 suppliers (excluding air travel suppliers). In 2023, our five largest suppliers together accounted for 14.8 per cent of total spend, with the largest ten amounting to 23 per cent of total spend.

Supply chain management

To support the operation of our businesses we source a variety of goods and services governed through a third-party risk management framework through which we aim to follow the highest standards in terms of supplier selection, due diligence and contract management.

For information about how the Group engages with suppliers on environmental and social matters, please see our Supplier Charter and Supplier Diversity and Inclusion Standard.

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

 Details of how we create value for our suppliers and other stakeholder groups can be found on [pages 58 and 59](#)

Product responsibility

We aim to design and offer products based on client needs to ensure fair treatment and outcomes for clients.

The Group has in place a risk framework, comprising policies, standards and controls to support these objectives in alignment with our Conduct Risk Framework. This framework covers sales practices, client communications, appropriateness and suitability, and post-sales practices. There are controls across all activities above and the controls are tested on a regular basis to provide assurance on the framework. As part of this, we ensure products sold are suitable for clients and comply with relevant laws and regulations. We also review our products on a periodic basis and refine them to keep them relevant to the changing needs of clients and to meet regulatory obligations.

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

For more information on our approach to product design, product pricing, treating customers fairly and protecting customers, and incentivising our frontline employees, see pages 55 and 56. For more information on fraud identification see page 131.

Safeguarding intellectual property rights

The Group has processes in place to manage the Group's trade mark rights and it respects third-party intellectual property rights.

Group Code of Conduct

The Board has adopted a Group Code of Conduct and Ethics (the Code) relating to the lawful and ethical conduct of business and this is supported by the Group's valued behaviours. This has been communicated to all directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, employees and regulators in the communities in which the Group operates. Directors and employees are asked to recommit to the Code annually, and 99.75 per cent have completed the 2023 recommitment. All Board members have recommitted to the Code.

Community engagement

We collaborate with local partners to support social and economic development in communities across our footprint. We aim to create more inclusive economies by sharing our skills and expertise and supporting community initiatives that transform lives.

Established in 2019, Futuremakers by Standard Chartered is our global youth economic empowerment initiative, helping disadvantaged young people learn, earn and grow. We are committed to improving economic participation and equitable access to finance for young women and microbusinesses. For more information on Futuremakers, as well as our employee volunteering and community expenditure, please see pages 97 and 98.

ESG reporting guide

Compliance with Listing Rules

We comply with the requirements of the ESG Reporting Guide contained in Appendix C2 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. With respect to the key performance indicators (KPIs) noted in Part C: "Comply or explain" provisions, the Group does not report on KPI A1.3 and KPI A1.6 related to the production and handling of hazardous waste; KPI A2.5 related to packaging materials used for finished products; KPI B2.2 related lost days due to work injury; KPI B6.1 total products recalled due to safety and health reasons, and KPI B6.4 product recall procedures. As an office-based financial services provider these issues were not deemed material. For further information related to Aspect B4 Labour Standards and B5 Supply Chain Management, please also refer to the Group's annual Modern Slavery Statement.

Compliance with Task Force on Climate-related Financial Disclosures (TCFD)

In line with our "comply or explain" obligation under the UK's Financial Conduct Authority's Listing Rules, we can confirm that we have made disclosures consistent with the TCFD recommendations and recommended disclosures in this Annual Report.

Our TCFD disclosures also meet the new climate-related financial disclosure requirements contained in section 414CB of the Companies Act 2006. We have also taken into account the implementation guidance included in the TCFD 2021 Annex. Further information on net zero progress and financed emissions is available on pages 104 to 117. For a detailed TCFD summary and alignment index referencing relevant disclosures see page 511 to 516.

Modern Slavery Act

The Group publishes a Modern Slavery Statement annually. This document gives further detail on the actions the Group has taken as it seeks to prevent modern slavery and human trafficking in its operations (workforce), financing and supply chain. The Group publishes a Statement under the UK Modern Slavery Act 2015 for the financial year ending 31 December 2023.



See more via sc.com/modernslavery

Sustainable finance taxonomies

Standard Chartered continues to assess the applicability of sustainable finance taxonomies across the Group's footprint. Reporting has commenced in several markets in Asia in accordance with local sustainable finance taxonomy regulatory requirements. An assessment on the applicability and implementation timeline of the EU Corporate Sustainability Reporting Directive (CSRD) for Standard Chartered Bank AG and Standard Chartered PLC has also been undertaken. Preparatory work has commenced to embed EU Taxonomy classifications and metrics. We will continue to monitor expected policy developments from the UK and the European Commission concerning guidance on taxonomy alignment and technical screening criteria to incrementally enhance our assessment and support reporting as required.

The Group is developing scalable digital capability to facilitate reporting against taxonomies being developed across the jurisdictions in which the Group operates. The solution adopts a rules-based approach to assess whether a client and any client activity with the Group is in-scope and eligible for taxonomy reporting and will facilitate broader implementation of taxonomy compliance by relevant Group entities as and when compliance implementation will be required. Taxonomy data availability and quality will continue to evolve via client engagement, data vendors and partnerships.

The Group will consider applicable taxonomy alignment in our business decisions, including at a client and transaction level, as well as more broadly at a sector strategy level. Given our footprint across Europe and the UK, Asia, Africa and the Middle East, we need to continually assess taxonomy-alignment requirements based on information available from clients and through our due diligence processes.

Environmental impact of our operations

We aim to minimise the environmental impact of our operations as part of our commitment to be a responsible company. We report on the actions we take to reduce energy and water usage and non-hazardous waste generated in our operations in the Sustainability Review on page 106 and in the Supplementary sustainability information section on pages 505 and 506.

Our reporting methodology is based on the 'The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition)'. We have adopted the operational control approach to define our reporting boundary for GHG Scope 1 and 2 emissions. For Scope 3 financed emissions, boundaries are noted for each high-emitting sector in the 'Our approach to measuring financed emissions' table in the Sustainability Review.

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

Reporting period, boundary and scope

We report on Sustainability and Environmental, Social and Governance (ESG) matters throughout this Annual Report, in particular in the following sections: (i) Strategic report, Sustainability overview on pages 66 to 79; (ii) Sustainability review on pages 92 to 133; (iii) Risk review on pages 298 to 313; and (iv) in the Supplementary sustainability information section on pages 504 to 516.

The Sustainability and ESG information in this Annual report was compiled for the financial year 1 January to 31 December 2023, unless otherwise specified.

The reporting period of operational environmental performance indicators is from 1 October 2022 to 30 September 2023. This allows sufficient time for independent third-party assurance to be completed prior to the publication of the Group's Annual Report. Accordingly, the operating income used for associated environmental intensity metrics corresponds to the same time period, rather than the calendar year used in financial reporting.

There was no significant change in the boundary and scope of this Annual Report from that of Standard Chartered PLC Annual Report 2022, published on 16 February 2023.

Assurance

Our Scope 1 and 2 emissions are assured by an independent company, Global Documentation, against the requirements of ISO 14064.

The Group has disclosed GHG emissions and energy consumption data as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

	Units	2023	2022	2021
Reporting coverage of data				
Annual operating income from 1 October to 30 September	\$ million	17,414	15,863	14,541
Net internal area of occupied property	m ²	880,515	946,234	998,571
GHG emissions				
Scope 1 & 2:				
Scope 1 emissions	tCO ₂ e	8,488¹	2,071	2,902
Scope 2 emissions (location-based) ²	tCO ₂ e	85,741	89,410	96,256
Scope 2 emissions (market-based) ³	tCO ₂ e	26,246	47,363	82,761
Scope 1 & 2 emissions (market-based) ³	tCO ₂ e	34,734	49,434	85,663
Scope 1 & 2 emissions (UK and offshore area only)	tCO ₂ e	248	-	-
GHG emissions – Intensity:				
Total Scope 1&2 emissions (market-based)/ intensity	tCO ₂ e/\$ million	2	3	6
Environmental resource efficiency				
Energy				
Indirect non-renewable energy consumption	GWh	142	142	142
Indirect renewable energy consumption	GWh	16	24	28
Direct non-renewable energy consumption	GWh	13	10	12
Direct renewable energy consumption	GWh	2	1	1
Energy consumption	GWh	173	177	183
Energy consumption (UK and offshore area only)	GWh	6	6	5

¹ Scope 1 figure includes fugitive emissions for the first time in 2023 (2023: 5,266 tCO₂e). Prior year data was not available for fugitive emissions. For more information on the methodology and assumptions used to calculate GHG emissions, please refer to the Environmental Reporting Criteria at sc.com/sustainabilityhub.

² Location based emissions have been restated for prior comparative periods. Emissions erroneously included renewable energy certificates and power purchase agreements. Other scope 2 reductions outside clean power are attributed to footprint reduction and efficiency gains.

³ Market based emissions have decreased from 2022 to 2023 due to footprint reduction, efficiency gains and the purchase of additional energy attribution certificates by the Group.

Further detail on our environment performance can be found on [pages 104 to 117](#); associated assumptions and methodologies in our reporting criteria document at sc.com/environmentalcriteria

Electronic communication

The Board recognises the importance of good communications with all shareholders. Directors are in regular contact with our institutional shareholders and general presentations are made when we announce our financial results. The AGM presents an opportunity to communicate with all shareholders. Our shareholders are encouraged to receive our corporate documents electronically. The annual and interim financial statements, Notice of AGM and any dividend circulars are all available electronically. If you do not already receive your corporate documents electronically and would like to do so in future, please contact our registrars at the address on page 517. Shareholders are also able to vote electronically on the resolutions being put to the AGM through our registrars' website at investorcentre.co.uk.

Annual General Meeting

Our 2024 AGM will be held at 11:00am (UK time) (6:00pm Hong Kong time) on 10 May 2024. Further details regarding the format, location and business to be transacted will be disclosed within the 2024 Notice of AGM.

Our 2023 AGM was held on 3 May 2023 at 11:00am (UK time) (6:00pm Hong Kong time). Special business at the meeting included the approval of the power to allot ECAT1 Securities for cash without certain formalities.

Non-audit services

The Group's non-audit services policy (the Policy) was reviewed and approved by the Audit Committee on 23 October 2023. The Policy is based on an overriding principle that, to avoid any actual or perceived conflicts of interest, the Group's auditor should only be used when there is evidence that there is no alternative in terms of quality and when there is no conflict with their duties as auditor. EY can be used where the work is required by a regulator or competent authority.

The Policy clearly sets out the criteria for when the Audit Committee's prior written approval is required. The Policy requires a conservative approach to be taken to the assessment of requests for EY to provide non-audit services. Subject to the overriding principle, the Audit Committee's view is that EY can be of value in a range of non-audit service activities and should be allowed to tender subject to the terms of the Policy. The Group is required to take a conservative approach to interpreting the potential threats to auditor independence and requires commensurately robust safeguards against them.

UK legislation and guidance from the FRC sets out threats to audit independence, including self-interest, self-review, familiarity, taking of a management role or conducting advocacy. In particular, maintaining EY's independence from the Group requires EY to avoid taking decisions on the Group's behalf. It is also recognised as essential that management retains the decision-making capability as to whether to act on advice given by EY as part of a non-audit service. This means not just the ability to action the advice given, but to have sufficient knowledge of the subject matter to be able to make a reasoned and independent judgement as to its validity.

All of this is contained within the Policy.

By way of (non-exhaustive) illustration of the application of the principles set out in the Policy, the following types of non-audit services are likely to be permissible under the Policy:

- Reviews of interim financial information and verification of interim profits – the Group would also extend this to work on investor circulars in most foreseeable circumstances
- Extended audit or assurance work on financial information and/or financial or operational controls, where this work is closely linked to the audit engagement
- Agreed-upon procedures on materials within or referenced in the Annual Report of the Group or an entity within the Group
- Internal control review services

Strictly prohibited under the Policy:

- Bookkeeping, information technology and internal audit services
- Corporate finance services, valuation services or litigation support
- Tax or regulatory structuring proposals
- Services where fees are paid on a contingent basis (in whole or in part)
- Consulting services that actively assist in running the business in place of management as opposed to providing or validating information, which management then utilises in the operation of the business

The Policy is not a prescribed list of non-audit services that EY is permitted to provide. Rather, each request for EY to provide non-audit services will be assessed on its own merits. The Audit Committee believes that such a case-by-case approach best accommodates (i) the need for the appropriate rigour and challenge to be applied to each request for EY to provide non-audit services while (ii) preserving sufficient flexibility for the Group to engage EY to provide non-audit services where they are able to deliver particular value to the Group and where the proposed services can be provided without compromising EY's objectivity and independence. To ensure that the Group will comply with a cap that limits fees on non-audit services provided by EY to under 70 per cent of the average Group audit fee from the previous three consecutive financial years (which will apply from EY's fourth year of being the Group's external auditor), the Policy requires that annual non-audit service fees are lower than 70 per cent of the average annual Group audit fee up to this time. The caps exclude audit related non-audit services and services carried out pursuant to law or regulation. For 2023, without deducting non-audit service fees which were required by law or regulation and performed by EY, the ratio was 0.3:1. Details relating to EY's remuneration as the Group statutory auditor and a description of the broad categories of the types of non-audit services provided by EY are given in Note 38 to the financial statements.

Auditor

The Audit Committee reviews the appointment of the Group's statutory auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the auditors for non-audit services and the balance of audit and non-audit fees paid.

Following an annual performance and effectiveness review of EY, it was felt that EY is considered to be effective, objective and independent in its role as Group statutory auditor.

Each director believes that there is no relevant information of which our Group statutory auditor is unaware. Each has taken all steps necessary as a director to be aware of any relevant audit information and to establish that the Group statutory auditor is made aware of any pertinent information.

EY will be in attendance at the 2024 AGM. A resolution to re-appoint EY as auditor was proposed at the Company's 2023 AGM and was successfully passed.

EY is a Public Interest Entity Auditor recognised in accordance with the Hong Kong Financial Reporting Council Ordinance.

By order of the Board

Adrian de Souza

Group Company Secretary

23 February 2024

Standard Chartered PLC
Registered No. 966425

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law:

- The Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards and International Financial Reporting Standards as adopted by the European Union;
- The Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with UK-adopted International Accounting Standards and International Financial Reporting Standards as adopted by the European Union;
- Assess the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control¹ as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the emerging risks and uncertainties that they face

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board



Diego De Giorgi

Group Chief Financial Officer

23 February 2024

Risk review and Capital review

- 234 Risk profile
- 298 Climate risk
- 314 Enterprise Risk Management Framework
- 320 Principal risks
- 338 Capital review

Thousands run our 2023 marathons

In 2023, more than 160,000 elite runners, passionate amateurs and first-timers completed our sponsored marathons and races. We sponsor marathons in Singapore, Hong Kong, Taipei, Nairobi, Kuala Lumpur, Stanley (Falkland Islands) and Jersey, as well as a 10km run in Shanghai and a 5km run in London.

These events champion a range of charitable causes, including underprivileged communities, healthcare, education, and the environment. We sponsored our first marathon in 1997 in Hong Kong and will introduce our first heritage marathon in Vietnam in 2024 – our 10th annual race.

 Read more at sc.com/marathons





Risk review and Capital review

Risk Index		Annual Report and Accounts
Risk profile	Credit risk	234
	Basis of preparation	234
	Credit risk overview	234
	Impairment model	234
	Staging of financial instruments	234
	IFRS 9 expected credit loss principles and approaches	234
	Summary of Performance in 2023	235
	Maximum exposure to credit risk	237
	Analysis of financial instrument by stage	238
	Credit quality analysis	240
	• Credit quality by client segment	240
	• Credit quality by geographic region	248
	Movement in gross exposures and credit impairment for loans and advances, debt securities, undrawn commitments and financial guarantees	248
	Movement of debt securities, alternative tier one and other eligible bills	251
	Analysis of Stage 2 balances	256
	Credit impairment charge	257
	Problem credit management and provisioning	257
	• Forborne and other modified loans by client segment	257
	• Forborne and other modified loans by region	258
	• Credit-impaired (stage 3) loans and advances by geographic region	258
	Credit risk mitigation	258
	• Collateral	259
	• Collateral held on loans and advances	259
	• Collateral – Corporate, Commercial & Institutional Banking	259
	• Collateral – Consumer, Private & Business Banking	260
	• Mortgage loan-to-value ratios by geography	261
	• Collateral and other credit enhancements possessed or called upon	261
	• Other Credit risk mitigation	262
	Other portfolio analysis	262
	• Maturity analysis of loans and advances by client segment	262
	• Credit quality by industry	263
	• Industry and Retail Products analysis of loans and advances by geographic region	264
	• Vulnerable, cyclical and high carbon sectors	265
	• China commercial real estate	271
	• Debt securities and other eligible bills	272
	IFRS 9 expected credit loss methodology	273
	Traded risk	286
	Market risk movements	286
	Counterparty Credit risk	289
	Derivative financial instruments Credit risk mitigation	289
	Liquidity and Funding risk	290
	Liquidity & Funding risk metrics	290
	Liquidity analysis of the Group's balance sheet	293
	Interest Rate risk in the Banking Book	296
	Operational and Technology risk	297
	Operational and Technology risk profile	297
	Other principal risks	297

Risk Index		Annual Report and Accounts
Climate risk	Managing financial and non-financial risks from climate change	298
	Assessing the resilience of our strategy using scenario analysis	309
Risk management approach	Enterprise Risk Management Framework	314
	Principal Risks	320
Capital	Capital summary	338
	• Capital ratio	338
	• Capital base	339
	Movement in total capital	340
	Risk-weighted asset	341
	Leverage ratio	343

The following parts of the Risk review and Capital review form part of these financial statements and are audited by the external auditors:

- **a) Risk review:** Disclosures marked as ‘audited’ from the start of Credit risk section (page 234) to the end of other principal risks in the same section (page 297); and
- **b) Capital review:** Tables marked as ‘audited’ from the start of ‘Capital base’ to the end of ‘Movement in total capital’, excluding ‘Total risk-weighted assets’ (pages 339 and 340).

Risk profile

Credit Risk (audited)

Basis of preparation

Unless otherwise stated the balance sheet and income statement information presented within this section is based on the Group's management view. This is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. This view reflects how the client segments and regions are managed internally.

Loans and advances to customers and banks held at amortised cost in this Risk profile section include reverse repurchase agreement balances held at amortised cost, per Note 16 Reverse repurchase and repurchase agreements including other similar secured lending and borrowing.

Credit Risk overview

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

Impairment model

IFRS 9 mandates an impairment model that requires the recognition of expected credit losses (ECL) on all financial debt instruments held at amortised cost, Fair Value through Other Comprehensive Income (FVOCI), undrawn loan commitments and financial guarantees.

Staging of financial instruments

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month expected credit loss provision is recognised.

Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit-impaired (stage 3).

Instruments will transfer to stage 2 and a lifetime expected credit loss provision is recognised when there has been a significant change in the Credit Risk compared to what was expected at origination.

The framework used to determine a significant increase in credit risk is set out below.

Stage 1

- 12-month ECL
- Performing

Stage 2

- Lifetime expected credit loss
- Performing but has exhibited significant increase in Credit Risk (SICR)

Stage 3

- Credit-impaired
- Non-performing

IFRS 9 expected credit loss principles and approaches

The main methodology principles and approach adopted by the Group are set out in the following table.

Title	Supplementary Information	Page
Approach for determining expected credit losses	IFRS 9 methodology Determining lifetime expected credit loss for revolving products Post model adjustments	273 273 280
Incorporation of forward-looking information	Incorporation of forward-looking information Forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact of non-linearity Judgemental adjustments and sensitivity to macroeconomic variables	275 275 279
Significant increase in credit risk (SICR)	Quantitative and qualitative criteria	282
Assessment of credit-impaired financial assets	Consumer and Business Banking clients CCIB and Private Banking clients Write-offs	284 284 284
Transfers between stages	Movement in loan exposures and expected credit losses	248
Modified financial assets	Forbearance and other modified loans	257
Governance and application of expert credit judgement in respect of expected credit losses		284

Summary of performance in 2023

Loans and Advances

94 per cent (31 December 2022: 93 per cent) of the Group's gross loans and advances to customers remain in stage 1 at \$273.7 billion (31 December 2022: \$295.2 billion), reflecting our continued focus on high-quality origination.

Stage 1 loans decreased by \$21.5 billion to \$274 billion (31 December 2022: \$295 billion). For Corporate, Commercial and Institutional Banking (CCIB), stage 1 balances increased to 90 per cent of the gross loans and advances to customers (31 December 2022: 88 per cent), while there was an overall decrease due to reductions in the financing, insurance and non-banking sectors. Stage 1 balances for Consumer, Private and Business Banking (CPBB) decreased by \$5.6 billion, mainly driven by a slowdown in mortgages sales in Korea and Hong Kong, which was partly offset by new Credit Cards and Personal Loans businesses in Asia. Stage 1 balances for Central and other items decreased by \$10.8 billion due to exposure reductions to a Central Bank in the Asia region. Stage 1 cover ratio remained stable at 0.2 per cent (31 December 2022: 0.2 per cent).

Stage 2 gross loans and advances to customers decreased by \$1.8 billion to \$11.2 billion (31 December 2022: \$13 billion). This was due to CCIB exposure reductions and transfers to stage 3 in the Commercial Real Estate (CRE) sector, and exposure reductions in the Transport sector. This was partially offset by an increase in CPBB Korea and Hong Kong Mortgage portfolio and Singapore Private Banking. Higher risk exposure net increase of \$1 billion from Central and other items, was due to a short-term exposure to a Central Bank in the Africa and Middle East region, which was partly offset by exposure reductions and transfers to stage 3 in CCIB. Stage 2 cover ratio increased by 0.3 per cent to 3.7 per cent (31 December 2022: 3.4 per cent). The increase was driven by Ventures due to increased delinquencies and portfolio growth mainly in Mox Bank. The increase in CCIB cover ratio was due to a decrease in expected credit losses from exposure reductions and transfers to Stage 3. The decrease in CPBB stage 2 cover ratio was mainly due to an increase in secured portfolio exposures with relatively lower Loss Given Default.

Stage 3 loans decreased by \$0.6 billion to \$7.2 billion (31 December 2022: \$7.8 billion) as a result of repayments, debt sales and write-offs in CCIB. Although the portfolio reduced year on year, China CRE clients were the major inflows this year. The CCIB stage 3 cover ratio increased by 4.5 per cent to 64 per cent as a result of repayments and incremental provisions taken (31 December 2022: 60 per cent). The CPBB stage 3 cover ratio reduced by 2.2 per cent to 51 per cent (31 December 2022: 53 per cent), due to a small exposure increase mainly in Secured wealth products. Ventures stage 3 exposures increased by \$11 million to \$12 million (31 December 2022: \$1 million). The cover ratio after collateral remained stable at 76 per cent (31 December 2022: 76 per cent)

 Further details can be found in the 'Analysis of financial instruments by stage' section in [pages 238 and 239](#); 'Credit quality by client segment' section in [pages 240 to 247](#); 'Credit quality by industry' section in [pages 263 and 264](#). Stage 3 cover ratio is also disclosed in the 'Stage 3 cover ratio' and 'Credit-impaired (stage 3) loans and advances by geographic region' sections in [page 258](#).

Maximum exposure

The Group's on-balance sheet maximum exposure to Credit Risk increased by \$8.6 billion to \$798 billion (31 December 2022: \$790 billion). Cash at Central bank increased by \$11.6 billion to \$70 billion (31 December 2022: \$58 billion) due to deposits placed with the US Federal Reserve. Loans to banks also increased by \$5 billion to \$45 billion (31 December 2022: \$40 billion). Fair Value through profit and loss increased by \$42 billion to \$144 billion (31 December 2022: \$103 billion), largely due to an increase in Debt Securities and Reverse Repos. This was partly offset by a \$13 billion decrease in Derivative financial instruments, and a \$23.7 billion decrease in loans and advances to customers to \$287 billion (31 December 2022: \$311 billion). Out of the \$23.7 billion decrease in loans and advances to customers, a \$10.5 billion reduction relates to reverse repos, and a \$11 billion reduction relates to Amortised Cost Debt Securities, as part of the Group's liquidity management actions. Off-balance sheet instruments increased by \$28 billion to \$257 billion (31 December 2022: \$229 billion), which was driven by new businesses.

 Further details can be found in the 'Maximum exposure to Credit Risk' section in [page 237](#).

Analysis of stage 2

The key SICR driver that caused exposures to be classified as stage 2 remains increase in probability of default. The proportion of exposures in CCIB in stage 2 due to increased PD has decreased partly due to an increase in clients placed on non-purely precautionary early alert that have not breached PD thresholds. In CPBB, the proportion of loans in stage 2 loans from 30 days past due trigger decreased by 2 per cent to 6 per cent (31 December 2022: 8 per cent). 'Others' category includes exposures where origination data is incomplete and the exposures are getting allocated into stage 2.

 Further details can be found in the 'Analysis of stage 2 balances' section in [page 256](#).

Credit impairment charges

The Group's ongoing credit impairment was a net charge of \$508 million (31 December 2022: \$836 million).

For CCIB, stage 1 and 2 impairment charges decreased by \$137 million to \$11 million (31 December 2022: \$148 million), as 2022 included Pakistan Sovereign downgrades and China CRE overlays, which was partly offset by a \$102 million full release of COVID-19 overlay. In 2023, \$11 million impairment charges were due to portfolio movements, including impairments on Pakistan Sovereign clients, and China CRE overlays, which was partly offset by a \$13 million net release from model and methodology updates.

CCIB stage 3 impairment charges decreased by \$165 million to \$112 million (31 December 2022: \$277 million) largely due to higher releases and lower impairments on China CRE clients. In 2023, \$112 million impairment charges were largely driven by impairments on China CRE clients, and releases across multiple clients.

For CPBB, stage 1 and 2 impairment charges decreased by \$22 million to \$129 million (31 December 2022: \$151 million). In 2023, \$129 million impairment charges were from normal flows, largely from unsecured portfolios in China, Hong Kong, India and Singapore. This was partially offset by \$21 million of COVID-19 overlay releases, including the full release of \$16 million remaining COVID-19 overlays in Bahrain.

CPBB stage 3 impairment charges increased by \$114 million to \$225 million (31 December 2022: \$111 million). The increase has been driven mainly by the unsecured business due to a mix of higher bankruptcies in Singapore, Hong Kong and Korea, and portfolio growth in digital partnerships.

For Ventures, stage 1 and 2 impairment charges increased by \$29 million to \$42 million (31 December 2022: \$13 million), mainly due to portfolio growth in Mox Bank.

Ventures stage 3 impairment charges increased by \$40 million to \$43 million (31 December 2022: \$3 million), mainly due to portfolio growth in Mox Bank, and higher bankruptcies. Mitigating actions have been taken to address these.

For Central and other items, stage 1 and 2 impairment charges decreased by \$139 million due to a net release of \$44 million (31 December 2022: \$95 million) as 2022 included Pakistan Sovereign CG12 downgrades. In 2023, \$44 million net release of impairment charges were driven by exposure reductions and shortening tenors of balances to the Pakistan Government. This was partly offset by a \$8 million charge due to Kenya Sovereign downgrade.

Central and other items stage 3 impairment charges decreased by \$28 million to \$10 million (31 December 2022: \$38 million) as Sri Lanka and Ghana exposures were downgraded to Stage 3 in 2022.

 Further details can be found in the 'Credit impairment charge' section in [page 257](#).

Vulnerable and Cyclical Sectors

Total net on-balance sheet exposure to vulnerable and cyclical sectors decreased by \$3 billion to \$29 billion (31 December 2022: \$32 billion) largely due to the exit of the Aviation business and lower drawn balances particularly in the CRE sector, where on-balance sheet exposure decreased by \$1.8 billion to \$14.5 billion (31 December 2022: \$16.3 billion). Stage 2 vulnerable and cyclical sector loans decreased by \$2.3 billion to \$3.3 billion (31 December 2022: \$5.6 billion), primarily driven by a \$1.4 billion exposure reduction in the CRE sector and transfers to Stage 3. Stage 3 vulnerable and cyclical sector loans decreased by \$0.5 billion to \$3.6 billion (31 December 2022: \$4 billion), mainly due to the Oil and Gas, and Commodity sectors, which was partly offset by new inflows into the CRE sector.

The Group provides loans to CRE counterparties of which \$9.6 billion is to counterparties in the CCIB segment where the source of repayment is substantially derived from rental or sale of real estate and is secured by real estate collateral. The remaining CRE loans comprise working capital loans to real estate corporates, loans with non-property collateral, unsecured loans and loans to real estate entities of diversified conglomerates. The average LTV ratio of the performing book CRE portfolio has increased to 52 per cent (31 December 2022: 49 per cent). The proportion of loans with an LTV greater than 80 per cent has increased to 3 per cent (31 December 2022: 1 per cent).

 Further details can be found in the 'Vulnerable, cyclical and high carbon sectors' section in [pages 265 to 270](#).

China commercial real estate

Total exposure to China CRE decreased by \$0.8 billion to \$2.6 billion (31 December 2022: \$3.4 billion) mainly from exposure reductions. The proportion of credit impaired exposures increased to 58 per cent (31 December 2022: 33 per cent) as market conditions continued to deteriorate during the period, and provision coverage increased to 72 per cent (31 December 2022: 56 per cent) reflecting increased provision charges during the period. The proportion of the loan book rated as Higher Risk decreased by 8 per cent to 0.3 per cent (31 December 2022: 8.4 per cent) primarily due to downgrades in the period.

The Group continues to hold a judgemental management overlay, which decreased by \$32 million to \$141 million (31 December 2022: \$173 million), reflecting changes in the portfolio and downgrades to Stage 3.

The Group is further indirectly exposed to China CRE through its associate investment in China Bohai Bank.

 Further details can be found in the 'China commercial real estate' section in [page 271](#).

Management adjustments

Given the evolving nature of the risks in the China CRE sector, a management overlay of \$141 million (31 December 2022: \$173 million) has been taken by estimating the impact of further deterioration to exposures in this sector. Overlays of \$5 million (31 December 2022: \$16 million) have been applied in CPBB to capture macroeconomic environment challenges caused by sovereign defaults or heightened sovereign risk and an overlay of \$17 million (31 December 2022: nil) was applied in Central and other items, due to a temporary market dislocation in the Africa and Middle East.

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

 Further details can be found in the 'Judgemental management overlays' section in [page 280](#). Model performance and judgemental post model adjustments are also disclosed in the 'Model performance post model adjustments' section in [page 275](#).

Maximum exposure to Credit Risk (audited)

The table below presents the Group's maximum exposure to credit risk for its on-balance sheet and off-balance sheet financial instruments as at 31 December 2023, before and after taking into account any collateral held or other credit risk mitigation.

→ Further details can be found in the 'Summary of Performance in 2023' in pages 235 and 236.

	2023				2022			
	Credit risk management				Credit risk management			
	Maximum exposure \$million	Collateral ⁸ \$million	Master netting agreements \$million	Net Exposure \$million	Maximum exposure \$million	Collateral ⁸ \$million	Master netting agreements \$million	Net exposure \$million
On-balance sheet								
Cash and balances at central banks	69,905		69,905		58,263			58,263
Loans and advances to banks ¹	44,977	1,738	43,239		39,519	978		38,541
of which – reverse repurchase agreements and other similar secured lending ⁷	1,738	1,738	–		978	978		–
Loans and advances to customers ¹	286,975	118,492	168,483		310,647	135,194		175,453
of which – reverse repurchase agreements and other similar secured lending ⁷	13,996	13,996	–		24,498	24,498		–
Investment securities – Debt securities and other eligible bills ²	160,263		160,263		171,640			171,640
Fair value through profit or loss ^{3,7}	144,276	81,847	–	62,429	102,575	64,491	–	38,084
Loans and advances to banks	2,265		2,265		976			976
Loans and advances to customers	7,212		7,212		6,546			6,546
Reverse repurchase agreements and other similar lending ⁷	81,847	81,847	–		64,491	64,491		–
Investment securities – Debt securities and other eligible bills ²	52,952		52,952		30,562			30,562
Derivative financial instruments ^{4,7}	50,434	8,440	39,293	2,701	63,717	9,206	50,133	4,378
Accrued income	2,673		2,673		2,706			2,706
Assets held for sale ⁹	701		701		1,388			1,388
Other assets ⁵	38,140		38,140		39,295			39,295
Total balance sheet	798,344	210,517	39,293	548,534	789,750	209,869	50,133	529,748
Off-balance sheet⁶								
Undrawn Commitments	182,390	2,940	179,450		168,668	2,951		165,717
Financial Guarantees and other equivalents	74,414	2,590	71,824		60,410	2,592		57,818
Total off-balance sheet	256,804	5,530	–	251,274	229,078	5,543	–	223,535
Total	1,055,148	216,047	39,293	799,808	1,018,828	215,412	50,133	753,283

1. An analysis of credit quality is set out in the credit quality analysis section (page 240). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 259)

2. Excludes equity and other investments of \$992 million (31 December 2022: \$808 million). Further details are set out in Note 13 financial instruments

3. Excludes equity and other investments of \$2,940 million (31 December 2022: \$3,230 million). Further details are set out in Note 13 financial instruments

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

5. Other assets include Hong Kong certificates of indebtedness, cash collateral, and acceptances, in addition to unsettled trades and other financial assets

6. Excludes ECL allowances which are reported under Provisions for liabilities and charges

7. Collateral capped at maximum exposure (over-collateralised)

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

9. The amount is after ECL. Further details are set out in Note 21 Assets held for sale and associated liabilities

Analysis of financial instruments by stage (audited)

The table below presents the gross and credit impairment balances by stage for the Group's amortised cost and FVOCI financial instruments as at 31 December 2023.

 Further details can be found in the 'Summary of Performance in 2023' in [pages 235 and 236](#).

	2023											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance ¹ \$million	Total credit impairment \$million	Net carrying value \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net carrying value \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net carrying value \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net carrying value \$million
Cash and balances at central banks	69,313	-	69,313	207	(7)	200	404	(12)	392	69,924	(19)	69,905
Loans and advances to banks (amortised cost)	44,384	(8)	44,376	540	(10)	530	77	(6)	71	45,001	(24)	44,977
Loans and advances to customers (amortised cost)	273,692	(430)	273,262	11,225	(420)	10,805	7,228	(4,320)	2,908	292,145	(5,170)	286,975
Debt securities and other eligible bills ⁵	158,314	(26)	1,860	(34)			164	(61)		160,338	(121)	
Amortised cost	56,787	(16)	56,771	103	(2)	101	120	(57)	63	57,010	(75)	56,935
FVOCI ²	101,527	(10)	1,757	(32)			44	(4)		103,328	(46)	-
Accrued income (amortised cost) ⁴	2,673	-	2,673	-	-	-	-	-	-	2,673	-	2,673
Assets held for sale ⁴	661	(33)	628	76	(4)	72	1	-	1	738	(37)	701
Other assets	38,139	-	38,139	-	-	-	4	(3)	1	38,143	(3)	38,140
Undrawn commitments ³	176,654	(52)	5,733	(39)			3	-		182,390	(91)	
Financial guarantees, trade credits and irrevocable letter of credits ³	70,832	(10)	2,910	(14)			672	(112)		74,414	(136)	
Total	834,662	(559)	22,551	(528)			8,553	(4,514)		865,766	(5,601)	

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

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

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

4 Stage 1 ECL is not material

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

	2022											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance ¹ \$million	Total credit impairment \$million	Net carrying value \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net carrying value \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net carrying value \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net carrying value \$million
Cash and balances at central banks	57,643	-	57,643	333	(8)	325	295	-	295	58,271	(8)	58,263
Loans and advances to banks (amortised cost)	39,149	(9)	39,140	337	(3)	334	59	(14)	45	39,545	(26)	39,519
Loans and advances to customers (amortised cost)	295,219	(559)	294,660	13,043	(444)	12,599	7,845	(4,457)	3,388	316,107	(5,460)	310,647
Debt securities and other eligible bills ⁵	166,103	(25)	5,455	(90)	-	144	(106)	-	171,702	(221)	-	-
Amortised cost	59,427	(9)	59,418	271	(2)	269	78	(51)	27	59,776	(62)	59,714
FVOCI ²	106,676	(16)	5,184	(88)	-	66	(55)	-	111,926	(159)	-	-
Accrued income (amortised cost) ⁴	2,706	-	2,706	-	-	-	-	-	2,706	-	-	2,706
Assets held for sale ⁴	1,083	(6)	1,077	262	(4)	258	120	(67)	53	1,465	(77)	1,388
Other assets	39,294	-	39,294	-	-	-	4	(3)	1	39,298	(3)	39,295
Undrawn commitments ³	162,958	(41)	5,582	(53)	-	128	-	-	168,668	(94)	-	-
Financial guarantees, trade credits and irrevocable letter of credits ³	56,683	(11)	3,062	(28)	-	665	(147)	-	60,410	(186)	-	-
Total	820,838	(651)	28,074	(630)	-	9,260	(4,794)	-	858,172	(6,075)	-	-

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

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

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

4 Stage 1 ECL is not material

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

Credit quality analysis (audited)

Credit quality by client segment

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

Mapping of credit quality

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

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

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

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

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

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

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

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

→ Further details can be found in the 'Summary of Performance in 2023' in [pages 235 and 236](#).

Loans and advances by client segment (audited)

Amortised cost	2023							
	Customers							
	Banks \$million	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Customer Total \$million	Undrawn commitments \$million	Financial Guarantees \$million
Stage 1	44,384	120,886	123,486	1,015	28,305	273,692	176,654	70,832
– Strong	35,284	84,248	118,193	1,000	27,967	231,408	162,643	47,885
– Satisfactory	9,100	36,638	5,293	15	338	42,284	14,011	22,947
Stage 2	540	7,902	2,304	54	965	11,225	5,733	2,910
– Strong	55	1,145	1,761	34	–	2,940	1,090	830
– Satisfactory	212	5,840	206	7	–	6,053	4,169	1,823
– Higher risk	273	917	337	13	965	2,232	474	257
Of which (stage 2):								
– Less than 30 days past due	–	78	206	7	–	291	–	–
– More than 30 days past due	–	10	337	13	–	360	–	–
Stage 3, credit-impaired financial assets	77	5,508	1,484	12	224	7,228	3	672
Gross balance¹	45,001	134,296	127,274	1,081	29,494	292,145	182,390	74,414
Stage 1	(8)	(101)	(314)	(15)	–	(430)	(52)	(10)
– Strong	(3)	(34)	(234)	(14)	–	(282)	(31)	(2)
– Satisfactory	(5)	(67)	(80)	(1)	–	(148)	(21)	(8)
Stage 2	(10)	(257)	(141)	(21)	(1)	(420)	(39)	(14)
– Strong	(1)	(18)	(65)	(14)	–	(97)	(5)	–
– Satisfactory	(2)	(179)	(22)	(3)	–	(204)	(23)	(7)
– Higher risk	(7)	(60)	(54)	(4)	(1)	(119)	(11)	(7)
Of which (stage 2):								
– Less than 30 days past due	–	(2)	(22)	(3)	–	(27)	–	–
– More than 30 days past due	–	(1)	(54)	(4)	–	(59)	–	–
Stage 3, credit-impaired financial assets	(6)	(3,533)	(760)	(12)	(15)	(4,320)	–	(112)
Total credit impairment	(24)	(3,891)	(1,215)	(48)	(16)	(5,170)	(91)	(136)
Net carrying value	44,977	130,405	126,059	1,033	29,478	286,975		
Stage 1	0.0%	0.1%	0.3%	1.5%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.0%	0.2%	1.4%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.1%	0.2%	1.5%	6.7%	0.0%	0.4%	0.1%	0.0%
Stage 2	1.9%	3.3%	6.1%	38.9%	0.1%	3.7%	0.7%	0.5%
– Strong	1.8%	1.6%	3.7%	41.2%	0.0%	3.3%	0.5%	0.0%
– Satisfactory	0.9%	3.1%	10.7%	42.9%	0.0%	3.4%	0.6%	0.4%
– Higher risk	2.6%	6.5%	16.0%	30.8%	0.1%	5.3%	2.3%	2.7%
Of which (stage 2):								
– Less than 30 days past due	0.0%	2.6%	10.7%	42.9%	0.0%	9.3%	0.0%	0.0%
– More than 30 days past due	0.0%	10.0%	16.0%	30.8%	0.0%	16.4%	0.0%	0.0%
Stage 3, credit-impaired financial assets (\$3)	7.8%	64.1%	51.2%	100.0%	6.7%	59.8%	0.0%	16.7%
Cover ratio	0.1%	2.9%	1.0%	4.4%	0.1%	1.8%	0.0%	0.2%
Fair value through profit or loss								
Performing	32,813	58,465	13	–	–	58,478	–	–
– Strong	28,402	38,014	13	–	–	38,027	–	–
– Satisfactory	4,411	20,388	–	–	–	20,388	–	–
– Higher risk	–	63	–	–	–	63	–	–
Defaulted (CG13-14)	–	33	–	–	–	33	–	–
Gross balance (FVTPL)²	32,813	58,498	13	–	–	58,511	–	–
Net carrying value (incl FVTPL)	77,790	188,903	126,072	1,033	29,478	345,486	–	–

1. Loans and advances includes reverse repurchase agreements and other similar secured lending of \$13,996 million under Customers and of \$1,738 million under Banks, held at amortised cost

2. Loans and advances includes reverse repurchase agreements and other similar secured lending of \$51,299 million under Customers and of \$30,548 million under Banks, held at fair value through profit or loss

	2022							
	Customers							
Amortised cost	Banks \$million	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items \$million	Customer Total \$million	Undrawn commitments \$million	Financial Guarantees \$million
Stage 1	39,149	126,261	129,134	691	39,133	295,219	162,958	56,683
– Strong	27,941	89,567	124,734	685	39,133	254,119	148,303	39,612
– Satisfactory	11,208	36,694	4,400	6	–	41,100	14,655	17,071
Stage 2	337	11,355	1,670	18	–	13,043	5,582	3,062
– Strong	148	2,068	1,215	10	–	3,293	1,449	522
– Satisfactory	119	7,783	146	4	–	7,933	3,454	2,134
– Higher risk	70	1,504	309	4	–	1,817	679	406
Of which (stage 2):								
– Less than 30 days past due	5	109	148	4	–	261	–	–
– More than 30 days past due	6	23	310	4	–	337	–	–
Stage 3, credit-impaired financial assets	59	6,143	1,453	1	248	7,845	128	665
Gross balance¹	39,545	143,759	132,257	710	39,381	316,107	168,668	60,410
Stage 1	(9)	(143)	(406)	(10)	–	(559)	(41)	(11)
– Strong	(3)	(43)	(332)	(10)	–	(385)	(28)	(3)
– Satisfactory	(6)	(100)	(74)	–	–	(174)	(13)	(8)
Stage 2	(3)	(323)	(120)	(1)	–	(444)	(53)	(28)
– Strong	–	(30)	(62)	(1)	–	(93)	(6)	–
– Satisfactory	(2)	(159)	(17)	–	–	(176)	(42)	(15)
– Higher risk	(1)	(134)	(41)	–	–	(175)	(5)	(13)
Of which (stage 2):								
– Less than 30 days past due	–	(2)	(17)	–	–	(19)	–	–
– More than 30 days past due	–	(1)	(41)	–	–	(42)	–	–
Stage 3, credit-impaired financial assets	(14)	(3,662)	(776)	(1)	(18)	(4,457)	–	(147)
Total credit impairment	(26)	(4,128)	(1,302)	(12)	(18)	(5,460)	(94)	(186)
Net carrying value	39,519	139,631	130,955	698	39,363	310,647		
Stage 1	0.0%	0.1%	0.3%	1.4%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.0%	0.3%	1.5%	0.0%	0.2%	0.0%	0.0%
– Satisfactory	0.1%	0.3%	1.7%	0.0%	0.0%	0.4%	0.1%	0.0%
Stage 2	0.9%	2.8%	7.2%	5.6%	0.0%	3.4%	0.9%	0.9%
– Strong	0.0%	1.5%	5.1%	10.0%	0.0%	2.8%	0.4%	0.0%
– Satisfactory	1.7%	2.0%	11.6%	0.0%	0.0%	2.2%	1.2%	0.7%
– Higher risk	1.4%	8.9%	13.3%	0.0%	0.0%	9.6%	0.7%	3.2%
Of which (stage 2):								
– Less than 30 days past due	0.0%	1.8%	11.5%	0.0%	0.0%	7.3%	0.0%	0.0%
– More than 30 days past due	0.0%	4.3%	13.2%	0.0%	0.0%	12.5%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	23.7%	59.6%	53.4%	100.0%	7.3%	56.8%	0.0%	22.1%
Cover ratio	0.1%	2.9%	1.0%	1.7%	0.0%	1.7%	0.1%	0.3%
Fair value through profit or loss								
Performing	24,930	44,461	28	–	2,557	47,046	–	–
– Strong	21,451	36,454	27	–	2,409	38,890	–	–
– Satisfactory	3,479	8,007	1	–	148	8,156	–	–
– Higher risk	–	–	–	–	–	–	–	–
Defaulted (CG13-14)	–	37	–	–	–	37	–	–
Gross balance (FVTPL)²	24,930	44,498	28	–	2,557	47,083	–	–
Net carrying value (incl FVTPL)	64,449	184,129	130,983	698	41,920	357,730	–	–

1. Loans and advances includes reverse repurchase agreements and other similar secured lending of \$24,498 million under Customers and of \$978 million under Banks, held at amortised cost

2. Loans and advances includes reverse repurchase agreements and other similar secured lending of \$40,537 million under Customers and of \$23,954 million under Banks, held at fair value through profit or loss

Loans and advances by client segment credit quality analysis

			Corporate, Commercial & Institutional Banking							
			2023							
Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	Gross				Credit impairment			
			Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million	Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million
Strong			84,248	1,145	–	85,893	(34)	(18)	–	(52)
1A-2B	0 – 0.045	A+ and above	10,891	81	–	10,972	(1)	–	–	(1)
3A-4A	0.046 – 0.110	A/A- to BBB+/BBB	31,974	558	–	32,532	(3)	–	–	(3)
4B-5B	0.111 – 0.425	BBB to BBB-/BB+	41,383	506	–	41,889	(30)	(18)	–	(48)
Satisfactory			36,638	5,840	–	42,478	(67)	(179)	–	(246)
6A-7B	0.426 – 1.350	BB+/BB to BB-	24,296	1,873	–	26,169	(38)	(77)	–	(115)
8A-9B	1.351 – 4.000	BB-/B+ to B	8,196	2,273	–	10,469	(13)	(90)	–	(103)
10A-11C	4.001 – 15.75	B/B- to B-/CCC+	4,146	1,694	–	5,840	(16)	(12)	–	(28)
Higher risk			–	917	–	917	–	(60)	–	(60)
12	15.751 – 99.999	CCC+/C	–	917	–	917	–	(60)	–	(60)
Defaulted			–	–	5,508	5,508	–	–	(3,533)	(3,533)
13-14	100	Defaulted	–	–	5,508	5,508	–	–	(3,533)	(3,533)
Total			120,886	7,902	5,508	134,296	(101)	(257)	(3,533)	(3,891)

			Corporate, Commercial & Institutional Banking							
			2022							
Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	Gross				Credit impairment			
			Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million	Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million
Strong			89,567	2,068	–	91,635	(43)	(30)	–	(73)
1A-2B	0 – 0.045	A+ and above	8,247	117	–	8,364	(4)	–	–	(4)
3A-4A	0.046 – 0.110	A/A- to BBB+/BBB	36,379	321	–	36,700	(5)	–	–	(5)
4B-5B	0.111 – 0.425	BBB to BBB-/BB+	44,941	1,630	–	46,571	(34)	(30)	–	(64)
Satisfactory			36,694	7,783	–	44,477	(100)	(159)	–	(259)
6A-7B	0.426 – 1.350	BB+/BB to BB-	23,196	2,684	–	25,880	(67)	(94)	–	(161)
8A-9B	1.351 – 4.000	BB-/B+ to B	9,979	3,116	–	13,095	(20)	(35)	–	(55)
10A-11C	4.001 – 15.75	B/B- to B-/CCC+	3,519	1,983	–	5,502	(13)	(30)	–	(43)
Higher risk			–	1,504	–	1,504	–	(134)	–	(134)
12	15.751 – 99.999	CCC+/C	–	1,504	–	1,504	–	(134)	–	(134)
Defaulted			–	–	6,143	6,143	–	–	(3,662)	(3,662)
13-14	100	Defaulted	–	–	6,143	6,143	–	–	(3,662)	(3,662)
Total			126,261	11,355	6,143	143,759	(143)	(323)	(3,662)	(4,128)

			Corporate lending ¹ - Asia							
			2023							
Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	Gross				Credit impairment			
			Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million	Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million
Strong			36,959	802	–	37,761	(12)	(15)	–	(27)
1A-2B	0 – 0.045	A+ and above	3,550	24	–	3,574	–	–	–	–
3A-4A	0.046 – 0.110	A/A- to BBB+/BBB	12,634	400	–	13,034	(1)	–	–	(1)
4B-5B	0.111 – 0.425	BBB to BBB-/BB+	20,775	378	–	21,153	(11)	(15)	–	(26)
Satisfactory			22,581	2,534	–	25,115	(35)	(137)	–	(172)
6A-7B	0.426 – 1.350	BB+/BB to BB-	14,740	739	–	15,479	(28)	(68)	–	(96)
8A-9B	1.351 – 4.000	BB-/B+ to B	5,243	1,134	–	6,377	(5)	(66)	–	(71)
10A-11C	4.001 – 15.75	B/B- to B-/CCC+	2,598	661	–	3,259	(2)	(3)	–	(5)
Higher risk			–	231	–	231	–	(19)	–	(19)
12	15.751 – 99.999	CCC+/C	–	231	–	231	–	(19)	–	(19)
Defaulted			–	–	2,870	2,870	–	–	(2,014)	(2,014)
13-14	100	Defaulted	–	–	2,870	2,870	–	–	(2,014)	(2,014)
Total			59,540	3,567	2,870	65,977	(47)	(171)	(2,014)	(2,232)

¹ Corporate loans and advances to customers excludes loans to “Financing, insurance and non-banking” and “Government” counterparties

			Corporate lending ¹ - Asia							
			2022				Credit impairment			
			Gross				Credit impairment			
			Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million	Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million
Strong			40,402	1,361	–	41,763	(28)	(21)	–	(49)
1A-2B	0 – 0.045	A+ and above	3,857	52	–	3,909	(3)	–	–	(3)
3A-4A	0.046 – 0.110	A/A- to BBB+/BBB	14,694	250	–	14,944	(2)	(1)	–	(3)
4B-5B	0.111 – 0.425	BBB to BBB-/BB+	21,851	1,059	–	22,910	(23)	(20)	–	(43)
Satisfactory			22,064	3,859	–	25,923	(55)	(99)	–	(154)
6A-7B	0.426 – 1.350	BB+/BB to BB-	14,512	1,285	–	15,797	(47)	(81)	–	(128)
8A-9B	1.351 – 4.000	BB-/B+ to B	5,091	1,451	–	6,542	(7)	(7)	–	(14)
10A-11C	4.001 – 15.75	B/B- to B-/CCC+	2,461	1,123	–	3,584	(1)	(11)	–	(12)
Higher risk			–	463	–	463	–	(106)	–	(106)
12	15.751 – 99.999	CCC+/C	–	463	–	463	–	(106)	–	(106)
Defaulted			–	–	3,063	3,063	–	–	(1,748)	(1,748)
13-14	100	Defaulted	–	–	3,063	3,063	–	–	(1,748)	(1,748)
Total			62,466	5,683	3,063	71,212	(83)	(226)	(1,748)	(2,057)

1 Corporate loans and advances to customers excludes loans to “Financing, insurance and non-banking” and “Government” counterparties

			Corporate lending ¹ - Africa & Middle East							
			2023				Credit impairment			
			Gross				Credit impairment			
Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million	Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million
Strong			7,756	43	–	7,799	(1)	(2)	–	(3)
1A-2B	0 – 0.045	A+ and above	358	–	–	358	–	–	–	–
3A-4A	0.046 – 0.110	A/A- to BBB+/BBB	1,952	–	–	1,952	–	–	–	–
4B-5B	0.111 – 0.425	BBB to BBB-/BB+	5,446	43	–	5,489	(1)	(2)	–	(3)
Satisfactory			2,801	492	–	3,293	(18)	(13)	–	(31)
6A-7B	0.426 – 1.350	BB+/BB to BB-	1,512	82	–	1,594	(2)	(3)	–	(5)
8A-9B	1.351 – 4.000	BB-/B+ to B	587	175	–	762	(4)	(7)	–	(11)
10A-11C	4.001 – 15.75	B/B- to B-/CCC+	702	235	–	937	(12)	(3)	–	(15)
Higher risk			–	515	–	515	–	(37)	–	(37)
12	15.751 – 99.999	CCC+/C	–	515	–	515	–	(37)	–	(37)
Defaulted			–	–	1,435	1,435	–	–	(1,079)	(1,079)
13-14	100	Defaulted	–	–	1,435	1,435	–	–	(1,079)	(1,079)
Total			10,557	1,050	1,435	13,042	(19)	(52)	(1,079)	(1,150)

1 Corporate loans and advances to customers excludes loans to “Financing, insurance and non-banking” and “Government” counterparties

			Corporate lending ¹ - Africa & Middle East							
			2022				Credit impairment			
			Gross				Credit impairment			
Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million	Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million
Strong			6,268	311	–	6,579	–	–	–	–
1A-2B	0 – 0.045	A+ and above	338	6	–	344	–	–	–	–
3A-4A	0.046 – 0.110	A/A- to BBB+/BBB	2,049	23	–	2,072	–	–	–	–
4B-5B	0.111 – 0.425	BBB to BBB-/BB+	3,881	282	–	4,163	–	–	–	–
Satisfactory			4,389	642	–	5,031	(32)	(41)	–	(73)
6A-7B	0.426 – 1.350	BB+/BB to BB-	1,454	218	–	1,672	(11)	(3)	–	(14)
8A-9B	1.351 – 4.000	BB-/B+ to B	2,361	320	–	2,681	(11)	(24)	–	(35)
10A-11C	4.001 – 15.75	B/B- to B-/CCC+	574	104	–	678	(10)	(14)	–	(24)
Higher risk			–	653	–	653	–	(26)	–	(26)
12	15.751 – 99.999	CCC+/C	–	653	–	653	–	(26)	–	(26)
Defaulted			–	–	1,735	1,735	–	–	(1,344)	(1,344)
13-14	100	Defaulted	–	–	1,735	1,735	–	–	(1,344)	(1,344)
Total			10,657	1,606	1,735	13,998	(32)	(67)	(1,344)	(1,443)

1 Corporate loans and advances to customers excludes loans to “Financing, insurance and non-banking” and “Government” counterparties

Corporate lending ¹ - Europe & Americas										
2023										
Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	Gross				Credit impairment			
			Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million	Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million
Strong			9,283	198	–	9,481	(11)	–	–	(11)
1A-2B	0 – 0.045	A+ and above	528	–	–	528	–	–	–	–
3A-4A	0.046 – 0.110	A/A- to BBB+/BBB	4,413	124	–	4,537	(1)	–	–	(1)
4B-5B	0.111 – 0.425	BBB to BBB-/BB+	4,342	74	–	4,416	(10)	–	–	(10)
Satisfactory			4,778	1,621	–	6,399	(5)	(22)	–	(27)
6A-7B	0.426 – 1.350	BB+/BB to BB-	3,912	768	–	4,680	(4)	(2)	–	(6)
8A-9B	1.351 – 4.000	BB-/B+ to B	596	821	–	1,417	(1)	(15)	–	(16)
10A-11C	4.001 – 15.75	B/B- to B-/CCC+	270	32	–	302	–	(5)	–	(5)
Higher risk			–	77	–	77	–	(7)	–	(7)
12	15.751 – 99.999	CCC+/C	–	77	–	77	–	(7)	–	(7)
Defaulted			–	–	980	980	–	–	(345)	(345)
13-14	100	Defaulted	–	–	980	980	–	–	(345)	(345)
Total			14,061	1,896	980	16,937	(16)	(29)	(345)	(390)

1 Corporate loans and advances to customers excludes loans to “Financing, insurance and non-banking” and “Government” counterparties

Corporate lending ¹ - Europe & Americas										
2022										
Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	Gross				Credit impairment			
			Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million	Stage 1 \$million	Stage 2 \$million	Stage 3 \$million	Total \$million
Strong			10,033	225	–	10,258	(13)	–	–	(13)
1A-2B	0 – 0.045	A+ and above	575	–	–	575	–	–	–	–
3A-4A	0.046 – 0.110	A/A- to BBB+/BBB	4,065	8	–	4,073	(1)	–	–	(1)
4B-5B	0.111 – 0.425	BBB to BBB-/BB+	5,393	217	–	5,610	(12)	–	–	(12)
Satisfactory			4,498	2,077	–	6,575	(4)	(25)	–	(29)
6A-7B	0.426 – 1.350	BB+/BB to BB-	3,867	1,376	–	5,243	(4)	(25)	–	(29)
8A-9B	1.351 – 4.000	BB-/B+ to B	537	636	–	1,173	–	–	–	–
10A-11C	4.001 – 15.75	B/B- to B-/CCC+	94	65	–	159	–	–	–	–
Higher risk			–	387	–	387	–	(1)	–	(1)
12	15.751 – 99.999	CCC+/C	–	387	–	387	–	(1)	–	(1)
Defaulted			–	–	1,230	1,230	–	–	(398)	(398)
13-14	100	Defaulted	–	–	1,230	1,230	–	–	(398)	(398)
Total			14,531	2,689	1,230	18,450	(17)	(26)	(398)	(441)

1 Corporate loans and advances to customers excludes loans to “Financing, insurance and non-banking” and “Government” counterparties

	Consumer, Private & Business Banking													
	2023													
	Asia				Africa & Middle East				Europe & Americas					
	Mort-gages \$million	Credit Cards \$million	Others \$million	Total \$million	Mort-gages \$million	Credit Cards \$million	Others \$million	Total \$million	Mort-gages \$million	Credit Cards \$million	Others \$million	Total \$million	Total \$million	
Stage 1														
Gross														
Strong	77,270	6,234	30,027	113,531	974	263	2,471	3,708	335	-	619	954	118,193	
Satisfactory	659	113	2,418	3,190	158	11	121	290	1,812	-	1	1,813	5,293	
Total	77,929	6,347	32,445	116,721	1,132	274	2,592	3,998	2,147	-	620	2,767	123,486	
ECL														
Strong	(5)	(25)	(181)	(211)	(2)	(7)	(13)	(22)	-	-	(1)	(1)	(234)	
Satisfactory	-	(57)	(19)	(76)	-	-	(2)	(2)	(2)	-	-	(2)	(80)	
Total	(5)	(82)	(200)	(287)	(2)	(7)	(15)	(24)	(2)	-	(1)	(3)	(314)	
Coverage %	0%	1%	1%	0%	0%	3%	1%	1%	0%	0%	0%	0%	0%	
Stage 2														
Gross														
Strong	1,014	124	583	1,721	17	8	15	40	-	-	-	-	1,761	
Satisfactory	122	14	29	165	4	1	9	14	27	-	-	-	27	206
Higher risk	161	39	118	318	5	3	11	19	-	-	-	-	-	337
Total	1,297	177	730	2,204	26	12	35	73	27	-	-	-	27	2,304
ECL														
Strong	(1)	(12)	(43)	(56)	(1)	(1)	(7)	(9)	-	-	-	-	(65)	
Satisfactory	-	(14)	(7)	(21)	-	-	(1)	(1)	-	-	-	-	(22)	
Higher risk	(1)	(17)	(34)	(52)	-	(1)	(1)	(2)	-	-	-	-	(54)	
Total	(2)	(43)	(84)	(129)	(1)	(2)	(9)	(12)	-	-	-	-	(141)	
Coverage %	0%	24%	12%	6%	4%	17%	26%	16%	0%	0%	0%	0%	6%	
Stage 3														
Gross credit impaired	382	53	841	1,276	53	3	59	115	85	-	8	93	1,484	
ECL	(84)	(36)	(566)	(686)	(25)	(2)	(33)	(60)	(14)	-	-	(14)	(760)	
Coverage %	22%	68%	67%	54%	47%	67%	56%	52%	16%	0%	0%	15%	51%	
Total														
Gross														
Strong	78,284	6,358	30,610	115,252	991	271	2,486	3,748	335	-	619	954	119,954	
Satisfactory	781	127	2,447	3,355	162	12	130	304	1,839	-	1	1,840	5,499	
Higher risk	161	39	118	318	5	3	11	19	-	-	-	-	337	
Credit-Impaired	382	53	841	1,276	53	3	59	115	85	-	8	93	1,484	
Total	79,608	6,577	34,016	120,201	1,211	289	2,686	4,186	2,259	-	628	2,887	127,274	
ECL														
Strong	(6)	(37)	(224)	(267)	(3)	(8)	(20)	(31)	-	-	(1)	(1)	(299)	
Satisfactory	-	(71)	(26)	(97)	-	-	(3)	(3)	(2)	-	-	(2)	(102)	
Higher risk	(1)	(17)	(34)	(52)	-	(1)	(1)	(2)	-	-	-	-	(54)	
Credit-Impaired	(84)	(36)	(566)	(686)	(25)	(2)	(33)	(60)	(14)	-	-	(14)	(760)	
Total	(91)	(161)	(850)	(1,102)	(28)	(11)	(57)	(96)	(16)	-	(1)	(17)	(1,215)	
Coverage %	0%	2%	2%	1%	2%	4%	2%	2%	1%	0%	0%	1%	1%	

Consumer, Private & Business Banking														
	2022													
	Asia				Africa & Middle East				Europe & Americas					
	Mort-gages \$million	Credit cards \$million	Others \$million	Total \$million	Mort-gages \$million	Credit cards \$million	Others \$million	Total \$million	Mort-gages \$million	Credit cards \$million	Others \$million	Total \$million	Total \$million	
Stage 1														
Gross														
Strong	81,738	5,781	32,297	119,816	1,004	281	2,590	3,875	397	-	646	1,043	124,734	
Satisfactory	1,155	145	1,378	2,678	189	9	71	269	1,372	-	81	1,453	4,400	
Total	82,893	5,926	33,675	122,494	1,193	290	2,661	4,144	1,769	-	727	2,496	129,134	
ECL														
Strong	-	(49)	(233)	(282)	(3)	(6)	(37)	(46)	(2)	-	(2)	(4)	(332)	
Satisfactory	(6)	(37)	(27)	(70)	(1)	-	(1)	(2)	(2)	-	-	(2)	(74)	
Total	(6)	(86)	(260)	(352)	(4)	(6)	(38)	(48)	(4)	-	(2)	(6)	(406)	
Coverage %	0%	1%	1%	0%	0%	2%	1%	1%	0%	0%	0%	0%	0%	
Stage 2														
Gross														
Strong	576	88	388	1,052	112	2	46	160	1	-	2	3	1,215	
Satisfactory	75	10	14	99	43	1	3	47	-	-	-	-	146	
Higher risk	150	34	63	247	12	3	13	28	34	-	-	34	309	
Total	801	132	465	1,398	167	6	62	235	35	-	2	37	1,670	
ECL														
Strong	(2)	(26)	(27)	(55)	(3)	(1)	(3)	(7)	-	-	-	-	(62)	
Satisfactory	(1)	(9)	(7)	(17)	-	-	-	-	-	-	-	-	(17)	
Higher risk	(2)	(6)	(28)	(36)	-	(1)	(4)	(5)	-	-	-	-	(41)	
Total	(5)	(41)	(62)	(108)	(3)	(2)	(7)	(12)	-	-	-	-	(120)	
Coverage %	1%	31%	13%	8%	2%	33%	11%	5%	0%	0%	0%	0%	7%	
Stage 3														
Gross credit impaired														
ECL	368	48	783	1,199	111	10	56	177	77	-	-	77	1,453	
Coverage %	(97)	(35)	(524)	(656)	(76)	(7)	(30)	(113)	(7)	-	-	(7)	(776)	
Total	26%	73%	67%	55%	68%	70%	54%	64%	9%	0%	0%	9%	53%	
Gross														
Strong	82,314	5,869	32,685	120,868	1,116	283	2,636	4,035	398	-	648	1,046	125,949	
Satisfactory	1,230	155	1,392	2,777	232	10	74	316	1,372	-	81	1,453	4,546	
Higher risk	150	34	63	247	12	3	13	28	34	-	-	34	309	
Credit-Impaired	368	48	783	1,199	111	10	56	177	77	-	-	77	1,453	
Total	84,062	6,106	34,923	125,091	1,471	306	2,779	4,556	1,881	-	729	2,610	132,257	
ECL														
Strong	(2)	(75)	(260)	(337)	(6)	(7)	(40)	(53)	(2)	-	(2)	(4)	(394)	
Satisfactory	(7)	(46)	(34)	(87)	(1)	-	(1)	(2)	(2)	-	-	(2)	(91)	
Higher risk	(2)	(6)	(28)	(36)	-	(1)	(4)	(5)	-	-	-	-	(41)	
Credit-Impaired	(97)	(35)	(524)	(656)	(76)	(7)	(30)	(113)	(7)	-	-	(7)	(776)	
Total	(108)	(162)	(846)	(1,116)	(83)	(15)	(75)	(173)	(11)	-	(2)	(13)	(1,302)	
Coverage %	0%	3%	2%	1%	6%	5%	3%	4%	1%	0%	0%	0%	1%	

Credit quality by geographic region

The following table sets out the credit quality for gross loans and advances to customers and banks, held at amortised cost, by geographic region and stage.

Loans and advances to customers

Amortised cost	2023				2022			
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million
Gross (stage 1)	229,289	17,536	26,867	273,692	248,625	17,553	29,041	295,219
Provision (stage 1)	(363)	(39)	(28)	(430)	(454)	(73)	(32)	(559)
Gross (stage 2)	6,660	3,276	1,289	11,225	8,302	3,122	1,619	13,043
Provision (stage 2)	(321)	(70)	(29)	(420)	(337)	(104)	(3)	(444)
Gross (stage 3)	4,604	2,273	351	7,228	4,562	2,725	558	7,845
Provision (stage 3)	(2,734)	(1,387)	(199)	(4,320)	(2,483)	(1,765)	(209)	(4,457)
Net loans¹	237,135	21,589	28,251	286,975	258,215	21,458	30,974	310,647

1 Includes reverse repurchase agreements and other similar secured lending

Loans and advances to banks

Amortised cost	2023				2022			
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million
Gross (stage 1)	35,338	2,803	6,243	44,384	21,806	3,818	13,525	39,149
Provision (stage 1)	(7)	-	(1)	(8)	(3)	(4)	(2)	(9)
Gross (stage 2)	17	311	212	540	212	116	9	337
Provision (stage 2)	(2)	(8)	-	(10)	(2)	(1)	-	(3)
Gross (stage 3)	73	-	4	77	59	-	-	59
Provision (stage 3)	(2)	-	(4)	(6)	(14)	-	-	(14)
Net loans¹	35,417	3,106	6,454	44,977	22,058	3,929	13,532	39,519

1 Includes reverse repurchase agreements and other similar secured lending

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

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

Methodology

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

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

- **Transfers** - transfers between stages are deemed to occur at the beginning of a month based on prior month closing balances.
- **Net remeasurement from stage changes** - the remeasurement of credit impairment provisions arising from a change in stage is reported within the stage that the assets are transferred to. For example, assets transferred into stage 2 are remeasured from a 12-month to a lifetime expected credit loss, with the effect of remeasurement reported in stage 2. For stage 3, this represents the initial remeasurement from specific provisions recognised on individual assets transferred into stage 3 in the year.
- **Net changes in exposures** - new business written less repayments in the year. Within stage 1, new business written will attract up to 12 months of expected credit loss charges. Repayments of non-amortising loans (primarily within CCIB) will have low amounts of expected credit loss provisions attributed to them, due to the release of provisions over the term to maturity. In stages 2 and 3, the net change in exposures reflect repayments although stage 2 may include new facilities where clients are on non-purely precautionary early alert, are CG 12, or when non-investment grade debt securities are acquired.

- **Changes in risk parameters** - for stages 1 and 2, this reflects changes in the probability of default (PD), loss given default (LGD) and exposure at default (EAD) of assets during the year, which includes the impact of releasing provisions over the term to maturity. It also includes the effect of changes in forecasts of macroeconomic variables during the year. In stage 3, this line represents additional specific provisions recognised on exposures held within stage 3.
- **Interest due but not paid** – change in contractual amount of interest due in stage 3 financial instruments but not paid, being the net of accruals, repayments and write-offs, together with the corresponding change in credit impairment.

Changes to ECL models, which incorporate changes to model approaches and methodologies, are not reported as a separate line item as these have an impact over a number of lines and stages.

Movements during the year

Stage 1 gross exposures increased by \$3.8 billion to \$724 billion (31 December 2022: \$720 billion). CCIB exposure increased by \$21.8 billion to \$337 billion (31 December 2022: \$315 billion) due to off-balance sheet exposures, which was partly offset by a decrease in loans and advances to customers. CPBB decreased by \$2.2 billion to \$191 billion (31 December 2022: \$193 billion) which was largely driven by the mortgage portfolio in Korea and Hong Kong. Stage 1 debt securities decreased by \$7.8 billion to \$158 billion (31 December 2022: \$166 billion) due to liquidity management and maturities.

Total stage 1 provisions decreased by \$119 million to \$526 million (31 December 2022: \$645 million). CCIB provisions decreased by \$43 million to \$151 million (31 December 2022: \$194 million), primarily due to new originations, which was partly offset by model updates. Debt securities provisions was stable at \$26 million (31 December 2022: \$25 million). CPBB decreased by \$88 million to \$325 million (31 December 2022: \$413 million), mainly driven by the release of the judgemental non-linearity post model adjustment and overlay releases, both of which are reported in 'Changes in risk parameters'.

Stage 2 gross exposures decreased by \$5.2 billion to \$22 billion (31 December 2022: \$27 billion), primarily driven by a net reduction in exposures in CCIB, particularly in the CRE and Transport sectors. CPBB exposures increased by \$0.7 billion to \$2.5 billion (31 December 2022: \$1.8 billion), of which \$0.4 billion was from the Secured portfolio. Debt securities decreased by \$3.6 billion to \$1.9 billion (31 December 2022: \$5.5 billion).

Stage 2 provisions decreased by \$101 million to \$517 million (31 December 2022: \$618 million). CCIB provisions decreased by \$93 million to \$318 million (31 December 2022: \$411 million) from releases due to exposure reductions, transfers to stage 3 for China CRE exposures and model updates. This was partly offset by a further downgrade of Pakistan sovereign clients within stage 2. CPBB provisions increased by \$22 million to \$140 million (31 December 2022: \$118 million) due to higher delinquencies. This was partly offset by the release of judgemental non-linearity post model adjustment and overlay releases which are reported within 'Changes in risk parameters' due to underlying factors not being valid any more. Debt Securities decreased by \$56 million to \$34 million (31 December 2022: \$90 million) largely due to exposure reductions and shortening of tenors, particularly in Pakistan.

The impact of model and methodology updates in 2023 reduced stage 1 and 2 provisions by \$15 million, of which \$10 million was in CCIB and Central and other items, while \$5 million was in CPBB.

Stage 3 gross loans for CCIB decreased by \$0.7 billion to \$6.3 billion (31 December 2022: \$7 billion) as repayments and write-offs were partly offset by the downgrade of China CRE clients. CCIB provisions decreased by \$171 million to \$3.7 billion (31 December 2022: \$3.8 billion) as charges from new downgrades were offset by releases due to repayments and write-offs. CPBB stage 3 loans was stable at \$1.5 billion (31 December 2022: \$1.5 billion) but provisions decreased by \$17 million to \$0.8 billion (31 December 2022: \$0.8 billion). Debt security gross assets increased by \$20 million to \$164 million (31 December 2022: \$144 million).

All segments (audited)

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3 ⁵			Total		
	Gross balance ³ \$million	Total credit impairment \$million	Net \$million	Gross balance ³ \$million	Total credit impairment \$million	Net \$million	Gross balance ³ \$million	Total credit impairment \$million	Net \$million	Gross balance ³ \$million	Total credit impairment \$million	Net \$million
As at 1 January 2022	684,759	(609)	684,150	34,550	(652)	33,898	9,061	(4,941)	4,120	728,370	(6,202)	722,168
Transfers to stage 1	24,666	(555)	24,111	(24,633)	555	(24,078)	(33)	–	(33)	–	–	–
Transfers to stage 2	(46,960)	228	(46,732)	47,479	(246)	47,233	(519)	18	(501)	–	–	–
Transfers to stage 3	(176)	74	(102)	(3,630)	253	(3,377)	3,806	(327)	3,479	–	–	–
Net change in exposures	83,204	(137)	83,067	(24,324)	93	(24,231)	(1,710)	338	(1,372)	57,170	294	57,464
Net remeasurement from stage changes	–	45	45	–	(126)	(126)	–	(168)	(168)	–	(249)	(249)
Changes in risk parameters	–	106	106	–	(387)	(387)	–	(895)	(895)	–	(1,176)	(1,176)
Write-offs	–	–	–	–	–	–	(949)	949	–	(949)	949	–
Interest due but unpaid	–	–	–	–	–	–	(157)	157	–	(157)	157	–
Discount unwind	–	–	–	–	–	–	–	136	136	–	136	136
Exchange translation differences and other movements ¹	(25,381)	203	(25,178)	(1,963)	(108)	(2,071)	(658)	9	(649)	(28,002)	104	(27,898)
As at 31 December 2022²	720,112	(645)	719,467	27,479	(618)	26,861	8,841	(4,724)	4,117	756,432	(5,987)	750,445
Income statement ECL (charge)/release	14			(420)			(725)			(1,131)		
Recoveries of amounts previously written off	–			–			293			293		
Total credit impairment (charge)/release	14			(420)			(432)			(838)		
As at 1 January 2023	720,112	(645)	719,467	27,479	(618)	26,861	8,841	(4,724)	4,117	756,432	(5,987)	750,445
Transfers to stage 1	19,594	(661)	18,933	(19,583)	661	(18,922)	(11)	–	(11)	–	–	–
Transfers to stage 2	(42,628)	174	(42,454)	42,793	(182)	42,611	(165)	8	(157)	–	–	–
Transfers to stage 3	(96)	6	(90)	(2,329)	326	(2,003)	2,425	(332)	2,093	–	–	–
Net change in exposures	23,717	(185)	23,532	(22,727)	22	(22,705)	(1,708)	624	(1,084)	(718)	461	(257)
Net remeasurement from stage changes	–	52	52	–	(199)	(199)	–	(163)	(163)	–	(310)	(310)
Changes in risk parameters	–	202	202	–	(32)	(32)	–	(1,100)	(1,100)	–	(930)	(930)
Write-offs	–	–	–	–	–	–	(1,027)	1,027	–	(1,027)	1,027	–
Interest due but unpaid	–	–	–	–	–	–	(83)	83	–	(83)	83	–
Discount unwind	–	–	–	–	–	–	–	180	180	–	180	180
Exchange translation differences and other movements ¹	3,177	531	3,708	(3,365)	(495)	(3,860)	(128)	(102)	(230)	(316)	(66)	(382)
As at 31 December 2023²	723,876	(526)	723,350	22,268	(517)	21,751	8,144	(4,499)	3,645	754,288	(5,542)	748,746
Income statement ECL (charge)/release ⁶	69			(209)			(639)			(779)		
Recoveries of amounts previously written off	–			–			271			271		
Total credit impairment (charge)/release⁴	69			(209)			(368)			(508)		

¹ Includes Fair value adjustments and amortisation on debt securities² Excludes Cash and balances at central banks, Accrued income, Assets held for sale and Other assets gross balances of \$111,478 million (31 December 2022: \$101,740 million) and Total credit impairment of \$59 million (31 December 2022: \$88 million)³ The gross balance includes the notional amount of off-balance sheet instruments⁴ Reported basis⁵ Stage 3 includes gross of \$80 million (31 December 2022: \$28 million) and ECL \$14 million (31 December 2022: \$13 million) originated credit-impaired debt securities⁶ Does not include release relating to Other assets (31 December 2022: \$2 million)

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

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3 ²			Total		
	Gross balance \$million	Total credit impair- ment \$million	Net \$million	Gross balance \$million	Total credit impair- ment \$million	Net \$million	Gross balance \$million	Total credit impair- ment \$million	Net \$million	Gross balance \$million	Total credit impair- ment \$million	Net ³ \$million
As at 1 January 2022	157,352	(67)	157,285	5,315	(42)	5,273	113	(66)	47	162,780	(175)	162,605
Transfers to stage 1	2,296	(22)	2,274	(2,296)	22	(2,274)	–	–	–	–	–	–
Transfers to stage 2	(3,942)	38	(3,904)	3,942	(38)	3,904	–	–	–	–	–	–
Transfers to stage 3	–	–	–	(66)	42	(24)	66	(42)	24	–	–	–
Net change in exposures	21,613	(44)	21,569	(752)	9	(743)	–	1	1	20,861	(34)	20,827
Net remeasurement from stage changes	–	10	10	–	(2)	(2)	–	(23)	(23)	–	(15)	(15)
Changes in risk parameters	–	38	38	–	(98)	(98)	–	(13)	(13)	–	(73)	(73)
Write-offs	–	–	–	–	–	–	(30)	30	–	(30)	30	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements ¹	(11,216)	22	(11,194)	(688)	17	(671)	(5)	7	2	(11,909)	46	(11,863)
As at 31 December 2022	166,103	(25)	166,078	5,455	(90)	5,365	144	(106)	38	171,702	(221)	171,481
Income statement ECL (charge)/release	4			(91)			(35)			(122)		
Recoveries of amounts previously written off	–			–			–			–		
Total credit impairment (charge)/release	4			(91)			(35)			(122)		
As at 1 January 2023	166,103	(25)	166,078	5,455	(90)	5,365	144	(106)	38	171,702	(221)	171,481
Transfers to stage 1	371	(65)	306	(371)	65	(306)	–	–	–	–	–	–
Transfers to stage 2	(884)	14	(870)	884	(14)	870	–	–	–	–	–	–
Transfers to stage 3	–	–	–	(16)	–	(16)	16	–	16	–	–	–
Net change in exposures	(11,583)	(28)	(11,611)	(1,899)	(44)	(1,943)	7	–	7	(13,475)	(72)	(13,547)
Net remeasurement from stage changes	–	7	7	–	(18)	(18)	–	–	–	–	(11)	(11)
Changes in risk parameters	–	32	32	–	105	105	–	(4)	(4)	–	133	133
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements ¹	4,307	39	4,346	(2,193)	(38)	(2,231)	(3)	49	46	2,111	50	2,161
As at 31 December 2023	158,314	(26)	158,288	1,860	(34)	1,826	164	(61)	103	160,338	(121)	160,217
Income statement ECL (charge)/release	11			43			(4)			50		
Recoveries of amounts previously written off	–			–			–			–		
Total credit impairment (charge)/release	11			43			(4)			50		

1 Includes fair value adjustments and amortisation on debt securities

2 Stage 3 includes gross of \$80 million (31 December 2022: \$28 million) and ECL \$14 million (31 December 2022: \$13 million) originated credit-impaired debt securities

3 FVOCI instruments are not presented net of ECL. While the presentation is on a net basis for the table, the total net on-balance sheet amount to \$160,263 million (31 December 2022: \$171,640 million). Refer to the Analysis of financial instrument by stage table

Corporate, Commercial & Institutional Banking (audited)

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3			Total		
	Gross balance ¹ \$million	Total credit impairment \$million	Net \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net \$million
As at 1 January 2022	313,132	(163)	312,969	25,437	(425)	25,012	7,372	(4,079)	3,293	345,941	(4,667)	341,274
Transfers to stage 1	17,565	(227)	17,338	(17,565)	227	(17,338)	–	–	–	–	–	–
Transfers to stage 2	(37,505)	48	(37,457)	37,944	(66)	37,878	(439)	18	(421)	–	–	–
Transfers to stage 3	(42)	–	(42)	(2,478)	134	(2,344)	2,520	(134)	2,386	–	–	–
Net change in exposures	30,508	(44)	30,464	(21,915)	65	(21,850)	(1,314)	340	(974)	7,279	361	7,640
Net remeasurement from stage changes	–	2	2	–	(42)	(42)	–	(104)	(104)	–	(144)	(144)
Changes in risk parameters	–	21	21	–	(154)	(154)	–	(551)	(551)	–	(684)	(684)
Write-offs	–	–	–	–	–	–	(384)	384	–	(384)	384	–
Interest due but unpaid	–	–	–	–	–	–	(130)	130	–	(130)	130	–
Discount unwind	–	–	–	–	–	–	–	110	110	–	110	110
Exchange translation differences and other movements	(8,221)	169	(8,052)	(1,275)	(150)	(1,425)	(631)	64	(567)	(10,127)	83	(10,044)
As at 31 December 2022	315,437	(194)	315,243	20,148	(411)	19,737	6,994	(3,822)	3,172	342,579	(4,427)	338,152
Income statement ECL (charge)/release ²	–	(21)	–	–	(131)	–	–	(315)	–	–	(467)	–
Recoveries of amounts previously written off	–	–	–	–	–	–	–	49	–	–	49	–
Total credit impairment (charge)/release	–	(21)	–	(131)	–	(266)	–	(418)	–	(418)	–	(418)
As at 1 January 2023	315,437	(194)	315,243	20,148	(411)	19,737	6,994	(3,822)	3,172	342,579	(4,427)	338,152
Transfers to stage 1	14,948	(347)	14,601	(14,948)	347	(14,601)	–	–	–	–	–	–
Transfers to stage 2	(34,133)	80	(34,053)	34,175	(88)	34,087	(42)	8	(34)	–	–	–
Transfers to stage 3	(17)	–	(17)	(1,270)	141	(1,129)	1,287	(141)	1,146	–	–	–
Net change in exposures	41,314	(73)	41,241	(20,084)	89	(19,995)	(1,335)	623	(712)	19,895	639	20,534
Net remeasurement from stage changes	–	15	15	–	(45)	(45)	–	(82)	(82)	–	(112)	(112)
Changes in risk parameters	–	60	60	–	(68)	(68)	–	(668)	(668)	–	(676)	(676)
Write-offs	–	–	–	–	–	–	(340)	340	–	(340)	340	–
Interest due but unpaid	–	–	–	–	–	–	(120)	120	–	(120)	120	–
Discount unwind	–	–	–	–	–	–	–	155	155	–	155	155
Exchange translation differences and other movements	(360)	308	(52)	(1,148)	(283)	(1,431)	(188)	(184)	(372)	(1,696)	(159)	(1,855)
As at 31 December 2023	337,189	(151)	337,038	16,873	(318)	16,555	6,256	(3,651)	2,605	360,318	(4,120)	356,198
Income statement ECL (charge)/release ²	–	2	–	–	(24)	–	–	(127)	–	–	(149)	–
Recoveries of amounts previously written off	–	–	–	–	–	–	–	31	–	–	31	–
Total credit impairment (charge)/release	–	2	–	(24)	–	(96)	–	(118)	–	(118)	–	(118)

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

2 Does not include release relating to Other assets (31 December 2022: \$2 million)

Consumer, Private and Business Banking (audited)

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3			Total		
	Gross balance ¹ \$million	Total credit impair- ment \$million	Net \$million									
As at 1 January 2022	190,860	(377)	190,483	3,675	(185)	3,490	1,578	(797)	781	196,113	(1,359)	194,754
Transfers to stage 1	4,798	(314)	4,484	(4,765)	314	(4,451)	(33)	–	(33)	–	–	–
Transfers to stage 2	(5,498)	92	(5,406)	5,578	(92)	5,486	(80)	–	(80)	–	–	–
Transfers to stage 3	(81)	–	(81)	(890)	151	(739)	971	(151)	820	–	–	–
Net change in exposures	9,072	(49)	9,023	(1,611)	19	(1,592)	(396)	–	(396)	7,065	(30)	7,035
Net remeasurement from stage changes	–	32	32	–	(82)	(82)	–	(25)	(25)	–	(75)	(75)
Changes in risk parameters	–	63	63	–	(132)	(132)	–	(331)	(331)	–	(400)	(400)
Write-offs	–	–	–	–	–	–	(535)	535	–	(535)	535	–
Interest due but unpaid	–	–	–	–	–	–	(27)	27	–	(27)	27	–
Discount unwind	–	–	–	–	–	–	–	26	26	–	26	26
Exchange translation differences and other movements	(5,912)	140	(5,772)	(166)	(111)	(277)	(24)	(60)	(84)	(6,102)	(31)	(6,133)
As at 31 December 2022	193,239	(413)	192,826	1,821	(118)	1,703	1,454	(776)	678	196,514	(1,307)	195,207
Income statement ECL (charge)/release	46			(195)			(356)			(505)		
Recoveries of amounts previously written off	–			–			245			245		
Total credit impairment (charge)/release	46			(195)			(111)			(260)		
As at 1 January 2023	193,239	(413)	192,826	1,821	(118)	1,703	1,454	(776)	678	196,514	(1,307)	195,207
Transfers to stage 1	4,265	(246)	4,019	(4,254)	246	(4,008)	(11)	–	(11)	–	–	–
Transfers to stage 2	(7,544)	73	(7,471)	7,667	(73)	7,594	(123)	–	(123)	–	–	–
Transfers to stage 3	(64)	1	(63)	(1,049)	187	(862)	1,113	(188)	925	–	–	–
Net change in exposures	1,965	(78)	1,887	(1,713)	14	(1,699)	(395)	–	(395)	(143)	(64)	(207)
Net remeasurement from stage changes	–	31	31	–	(137)	(137)	–	(38)	(38)	–	(144)	(144)
Changes in risk parameters	–	110	110	–	(69)	(69)	–	(426)	(426)	–	(385)	(385)
Write-offs	–	–	–	–	–	–	(649)	649	–	(649)	649	–
Interest due but unpaid	–	–	–	–	–	–	37	(37)	–	37	(37)	–
Discount unwind	–	–	–	–	–	–	–	24	24	–	24	24
Exchange translation differences and other movements	(862)	197	(665)	–	(190)	(190)	59	33	92	(803)	40	(763)
As at 31 December 2023	190,999	(325)	190,674	2,472	(140)	2,332	1,485	(759)	726	194,956	(1,224)	193,732
Income statement ECL (charge)/release	63			(192)			(464)			(593)		
Recoveries of amounts previously written off	–			–			239			239		
Total credit impairment (charge)/release	63			(192)			(225)			(354)		

1 The gross balance includes the notional amount of off-balance sheet instruments

Consumer, Private and Business Banking - Secured (audited)

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3			Total		
	Gross balance ¹ \$million	Total credit impairment \$million	Net \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net \$million	Gross balance ¹ \$million	Total credit impairment \$million	Net \$million
As at 1 January 2022	136,600	(96)	136,504	2,685	(32)	2,653	1,103	(517)	586	140,388	(645)	139,743
Transfers to stage 1	3,080	(28)	3,052	(3,054)	28	(3,026)	(26)	–	(26)	–	–	–
Transfers to stage 2	(3,254)	11	(3,243)	3,319	(11)	3,308	(65)	–	(65)	–	–	–
Transfers to stage 3	(38)	1	(37)	(473)	1	(472)	511	(2)	509	–	–	–
Net change in exposures	3,093	(8)	3,085	(945)	1	(944)	(259)	–	(259)	1,889	(7)	1,882
Net remeasurement from stage changes	–	1	1	–	(1)	(1)	–	(4)	(4)	–	(4)	(4)
Changes in risk parameters	–	(4)	(4)	–	48	48	–	(80)	(80)	–	(36)	(36)
Write-offs	–	–	–	–	–	–	(78)	78	–	(78)	78	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Discount unwind	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements	(4,119)	63	(4,056)	(119)	(51)	(170)	(158)	(27)	(185)	(4,396)	(15)	(4,411)
As at 31 December 2022	135,362	(60)	135,302	1,413	(17)	1,396	1,028	(552)	476	137,803	(629)	137,174
Income statement ECL (charge)/release		(11)			48			(84)			(47)	
Recoveries of amounts previously written off	–			–			55			55		
Total credit impairment (charge)/release	(11)			48			(29)			8		
As at 1 January 2023	135,362	(60)	135,302	1,413	(17)	1,396	1,028	(552)	476	137,803	(629)	137,174
Transfers to stage 1	3,311	(20)	3,291	(3,302)	20	(3,282)	(9)	–	(9)	–	–	–
Transfers to stage 2	(5,340)	11	(5,329)	5,436	(9)	5,427	(96)	(2)	(98)	–	–	–
Transfers to stage 3	(28)	1	(27)	(463)	1	(462)	491	(2)	489	–	–	–
Net change in exposures	(3,138)	(16)	(3,154)	(1,250)	3	(1,247)	(216)	–	(216)	(4,604)	(13)	(4,617)
Net remeasurement from stage changes	–	4	4	–	(16)	(16)	–	(3)	(3)	–	(15)	(15)
Changes in risk parameters	–	22	22	–	24	24	–	(110)	(110)	–	(64)	(64)
Write-offs	–	–	–	–	–	–	(109)	109	–	(109)	109	–
Interest due but unpaid	–	–	–	–	–	–	(3)	3	–	(3)	3	–
Discount unwind	–	–	–	–	–	–	–	12	12	–	12	12
Exchange translation differences and other movements	(369)	25	(344)	(7)	(22)	(29)	(24)	20	(4)	(400)	23	(377)
As at 31 December 2023	129,798	(33)	129,765	1,827	(16)	1,811	1,062	(525)	537	132,687	(574)	132,113
Income statement ECL (charge)/release		10			11			(113)			(92)	
Recoveries of amounts previously written off	–			–			68			68		
Total credit impairment (charge)/release	10			11			(45)			(24)		

1 The gross balance includes the notional amount of off-balance sheet instruments

Consumer, Private and Business Banking - Unsecured (audited)

Amortised cost and FVOCI	Stage 1			Stage 2			Stage 3			Total		
	Gross balance ¹ \$million	Total credit impair- ment \$million	Net \$million									
As at 1 January 2022	54,260	(281)	53,979	990	(153)	837	475	(280)	195	55,725	(714)	55,011
Transfers to stage 1	1,718	(286)	1,432	(1,711)	286	(1,425)	(7)	–	(7)	–	–	–
Transfers to stage 2	(2,244)	81	(2,163)	2,259	(81)	2,178	(15)	–	(15)	–	–	–
Transfers to stage 3	(43)	(1)	(44)	(417)	150	(267)	460	(149)	311	–	–	–
Net change in exposures	5,979	(41)	5,938	(666)	18	(648)	(137)	–	(137)	5,176	(23)	5,153
Net remeasurement from stage changes	–	31	31	–	(81)	(81)	–	(21)	(21)	–	(71)	(71)
Changes in risk parameters	–	67	67	–	(180)	(180)	–	(251)	(251)	–	(364)	(364)
Write-offs	–	–	–	–	–	–	(457)	457	–	(457)	457	–
Interest due but unpaid	–	–	–	–	–	–	(27)	27	–	(27)	27	–
Discount unwind	–	–	–	–	–	–	–	26	26	–	26	26
Exchange translation differences and other movements	(1,793)	77	(1,716)	(47)	(60)	(107)	134	(33)	101	(1,706)	(16)	(1,722)
As at 31 December 2022	57,877	(353)	57,524	408	(101)	307	426	(224)	202	58,711	(678)	58,033
Income statement ECL (charge)/release	57			(243)			(272)			(458)		
Recoveries of amounts previously written off	–			–			190			190		
Total credit impairment (charge)/release	57			(243)			(82)			(268)		
As at 1 January 2023	57,877	(353)	57,524	408	(101)	307	426	(224)	202	58,711	(678)	58,033
Transfers to stage 1	954	(226)	728	(952)	226	(726)	(2)	–	(2)	–	–	–
Transfers to stage 2	(2,204)	62	(2,142)	2,231	(64)	2,167	(27)	2	(25)	–	–	–
Transfers to stage 3	(36)	–	(36)	(586)	186	(400)	622	(186)	436	–	–	–
Net change in exposures	5,103	(62)	5,041	(463)	11	(452)	(179)	–	(179)	4,461	(51)	4,410
Net remeasurement from stage changes	–	27	27	–	(121)	(121)	–	(35)	(35)	–	(129)	(129)
Changes in risk parameters	–	88	88	–	(93)	(93)	–	(316)	(316)	–	(321)	(321)
Write-offs	–	–	–	–	–	–	(540)	540	–	(540)	540	–
Interest due but unpaid	–	–	–	–	–	–	40	(40)	–	40	(40)	–
Discount unwind	–	–	–	–	–	–	–	12	12	–	12	12
Exchange translation differences and other movements	(493)	172	(321)	7	(168)	(161)	83	13	96	(403)	17	(386)
As at 31 December 2023	61,201	(292)	60,909	645	(124)	521	423	(234)	189	62,269	(650)	61,619
Income statement ECL (charge)/release	53			(203)			(351)			(501)		
Recoveries of amounts previously written off	–			–			171			171		
Total credit impairment (charge)/release	53			(203)			(180)			(330)		

1 The gross balance includes the notional amount of off-balance sheet instruments

Analysis of stage 2 balances

The table below analyses total stage 2 gross on-and off-balance sheet exposures and associated expected credit provisions by the key significant increase in credit risk (SICR) driver that caused the exposures to be classified as stage 2 as at 31 December 2023 and 31 December 2022 for each segment.

Where multiple drivers apply, the exposure is allocated based on the table order. For example, a loan may have breached the PD thresholds and could also be on non-purely precautionary early alert; in this instance, the exposure is reported under 'Increase in PD'.

 Further details can be found in the 'Summary of Performance in 2023' in [pages 235 and 236](#).

	2023														
	Corporate, Commercial & Institutional Banking			Consumer, Private & Business Banking			Ventures			Central & other items ¹			Total		
	Gross \$million	ECL \$million	Coverage %	Gross \$million	ECL \$million	Coverage %	Gross \$million	ECL \$million	Coverage %	Gross \$million	ECL \$million	Coverage %	Gross \$million	ECL \$million	Coverage %
Increase in PD	8,262	75	0.9%	1,962	109	5.6%	96	23	24.0%	599	13	2.2%	10,919	220	2.0%
Non-purely precautionary early alert	5,136	26	0.5%	37	-	0.0%	-	-	0.0%	-	-	0.0%	5,173	26	0.5%
Higher risk (CG12)	1,008	56	5.6%	26	1	3.8%	-	-	0.0%	2,020	17	0.8%	3,054	74	2.4%
Sub-investment grade	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%
Top up/Sell down (Private Banking)	-	-	0.0%	148	2	1.4%	-	-	0.0%	-	-	0.0%	148	2	1.4%
Others	2,467	37	1.5%	151	16	10.6%	-	-	0.0%	489	-	0.0%	3,107	53	1.7%
30 days past due	-	-	0.0%	148	12	8.1%	2	-	0.0%	-	-	0.0%	150	12	8.0%
Management overlay	-	124	0.0%	-	-	0.0%	-	-	0.0%	-	17	0.0%	-	141	0.0%
Total stage 2	16,873	318	1.9%	2,472	140	5.7%	98	23	23.5%	3,108	47	1.5%	22,551	528	2.3%

	2022														
	Corporate, Commercial & Institutional Banking			Consumer, Private & Business Banking			Ventures			Central & other items ¹			Total		
	Gross \$million	ECL \$million	Coverage %	Gross \$million	ECL \$million	Coverage %	Gross \$million	ECL \$million	Coverage %	Gross \$million	ECL \$million	Coverage %	Gross \$million	ECL \$million	Coverage %
Increase in PD	13,620	192	1.4%	1,389	89	6.4%	-	-	0.0%	2,973	11	0.4%	17,982	292	1.6%
Non-purely precautionary early alert	3,272	12	0.4%	35	-	0.0%	-	-	0.0%	5	-	0.0%	3,312	12	0.4%
Higher risk (CG12)	653	30	4.6%	18	1	5.6%	-	-	0.0%	2,534	69	2.7%	3,205	100	3.1%
Sub-investment grade	-	-	0.0%	-	-	0.0%	-	-	0.0%	95	11	11.6%	95	11	11.6%
Top up/Sell down (Private Banking)	-	-	0.0%	111	-	0.0%	-	-	0.0%	-	-	0.0%	111	-	0.0%
Others	2,603	41	1.6%	122	4	3.3%	-	-	0.0%	451	7	1.6%	3,176	52	1.6%
30 days past due	-	-	0.0%	146	12	8.2%	47	3	6.4%	-	-	0.0%	193	15	7.8%
Management overlay	-	136	0.0%	-	12	0.0%	-	-	0.0%	-	-	0.0%	-	148	0.0%
Total stage 2	20,148	411	2.0%	1,821	118	6.5%	47	3	6.4%	6,058	98	1.6%	28,074	630	2.2%

¹ Includes Gross and ECL for Cash and balances at central banks and Assets held for sale

Credit impairment charge (audited)

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

→ Further details can be found in the 'Summary of performance in 2023' in pages 235 and 236.

	2023			2022 ¹		
	Stage 1 & 2 \$million	Stage 3 \$million	Total \$million	Stage 1 & 2 \$million	Stage 3 \$million	Total \$million
Ongoing business portfolio						
Corporate, Commercial & Institutional Banking	11	112	123	148	277	425
Consumer, Private & Business Banking	129	225	354	151	111	262
Ventures	42	43	85	13	3	16
Central & other items	(44)	10	(34)	95	38	133
Credit impairment charge/(release)	138	390	528	407	429	836
Restructuring business portfolio						
Others	1	(21)	(20)	(1)	1	–
Credit impairment charge/(release)	1	(21)	(20)	(1)	1	–
Total credit impairment charge/(release)	139	369	508	406	430	836

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

Problem credit management and provisioning (audited)

Forborne and other modified loans by client segment

A forborne loan arises when a concession has been made to the contractual terms of a loan in response to a customer's financial difficulties.

Net forborne loans decreased by \$120 million to \$1,005 million (31 December 2022: \$1,125 million) largely on performing forborne loans stock. The net performing forborne loans declined from \$151 million to \$38 million while net non-performing forborne loans remained stable at \$967 million (31 December 2022: \$974 million).

Amortised cost	2023			2022				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Total \$million	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Total \$million
All loans with forbearance measures	2,340	314	–	2,654	2,129	377	–	2,506
Credit impairment (stage 1 and 2)	–	(2)	–	(2)	(1)	–	–	(1)
Credit impairment (stage 3)	(1,529)	(118)	–	(1,647)	(1,253)	(127)	–	(1,380)
Net carrying value	811	194	–	1,005	875	250	–	1,125
Included within the above table								
Gross performing forborne loans	–	40	–	40	89	63	–	152
Modification of terms and conditions ¹	–	40	–	40	89	63	–	152
Refinancing ²	–	–	–	–	–	–	–	–
Impairment provisions	–	(2)	–	(2)	(1)	–	–	(1)
Modification of terms and conditions ¹	–	(2)	–	(2)	(1)	–	–	(1)
Refinancing ²	–	–	–	–	–	–	–	–
Net performing forborne loans	–	38	–	38	88	63	–	151
Collateral	–	31	–	31	7	60	–	67
Gross non-performing forborne loans	2,340	274	–	2,614	2,040	314	–	2,354
Modification of terms and conditions ¹	2,113	274	–	2,387	1,997	314	–	2,311
Refinancing ²	227	–	–	227	43	–	–	43
Impairment provisions	(1,529)	(118)	–	(1,647)	(1,253)	(127)	–	(1,380)
Modification of terms and conditions ¹	(1,337)	(118)	–	(1,454)	(1,210)	(127)	–	(1,337)
Refinancing ²	(192)	–	–	(192)	(43)	–	–	(43)
Net non-performing forborne loans	811	156	–	967	787	187	–	974
Collateral	341	49	–	390	243	68	–	311

1 Modification of terms is any contractual change apart from refinancing, as a result of credit stress of the counterparty, i.e. interest reductions, loan covenant waivers

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

Forborne and other modified loans by region

Net forborne loans decreased by \$120 million to \$1,005 million (31 December 2022: \$1,125 million) mainly in the performing forborne loans, in particular the Asia and the Europe and Americas regions.

Amortised cost	2023				2022			
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million
Performing forborne loans	34	4	–	38	129	9	13	151
Stage 3 forborne loans	661	75	231	967	568	144	262	974
Net forborne loans	695	79	231	1,005	697	153	275	1,125

Stage 3 cover ratio (audited)

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

The balance of stage 3 loans not covered by stage 3 impairment provisions represents the adjusted value of collateral held and the net outcome of any workout or recovery strategies. Collateral provides risk mitigation to some degree in all client segments and supports the credit quality and cover ratio assessments post impairment provisions.

→ Further information on collateral is provided in the 'Credit Risk mitigation' section in [pages 258 to 260](#).

→ Further details on stage 3 loans and advances and cover ratio can be found in the 'Summary of performance in 2023' in [pages 235 and 236](#).

Amortised cost	2023					2022				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & Others \$million	Total \$million	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & Others \$million	Total \$million
Gross credit-impaired	5,508	1,484	12	224	7,228	6,143	1,453	1	248	7,845
Credit impairment provisions	(3,533)	(760)	(12)	(15)	(4,320)	(3,662)	(776)	(1)	(18)	(4,457)
Net credit-impaired	1,975	724	–	209	2,908	2,481	677	–	230	3,388
Cover ratio	64%	51%	100%	7%	60%	60%	53%	100%	7%	57%
Collateral (\$ million)	623	554	–	–	1,177	956	543	–	–	1,499
Cover ratio (after collateral)	75%	89%	100%	7%	76%	75%	91%	100%	7%	76%

Credit-impaired (stage 3) loans and advances by geographic region

Stage 3 gross loans decreased by \$0.6 billion to \$7.2 billion (31 December 2022: \$7.8 billion). The decrease was primarily driven by repayments and write-offs in the Africa and the Middle East, which was offset by new inflows in Asia.

→ Further details can be found in the 'Summary of performance in 2023' in [pages 235 and 236](#).

Amortised cost	2023					2022				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million		
Gross credit-impaired	4,604	2,273	351	7,228	4,562	2,725	558	7,845		
Credit impairment provisions	(2,734)	(1,388)	(198)	(4,320)	(2,483)	(1,765)	(209)	(4,457)		
Net credit-impaired	1,870	885	153	2,908	2,079	960	349	3,388		
Cover ratio	59%	61%	56%	60%	54%	65%	37%	57%		

Credit Risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting arrangements, credit insurance and credit derivatives, taking into account expected volatility and guarantees.

The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Collateral (audited)

A secured loan is one where the borrower pledges an asset as collateral of which the Group is able to take possession in the event that the borrower defaults.

The unadjusted market value of collateral across all asset types, in respect of CCIB, without adjusting for over-collateralisation, reduced to \$290 billion (31 December 2022: \$345 billion) predominantly due to a reduction in reverse repos.

The collateral values in the table below (which covers loans and advances to banks and customers, excluding those held at fair value through profit or loss) are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. The extent of over-collateralisation has been determined with reference to both the drawn and undrawn components of exposure as this best reflects the effect of collateral and other credit enhancements on the amounts arising from expected credit losses. The value of collateral reflects management's best estimate and is backtested against our prior experience. On average, across all types of non-cash collateral, the value ascribed is approximately half of its current market value.

CCIB collateral decreased by \$1.7 billion to \$36.5 billion (31 December 2022: \$38.2 billion) and CPBB collateral decreased by \$5.5 billion to \$86.8 billion (31 December 2022: \$92.4 billion) due to exposure reductions from the mortgage portfolio. Total collateral for Central and other items decreased by \$8.7 billion to \$2.5 billion (31 December 2022: \$11.2 billion) due to a decrease in stage 1 reverse repos. However, collateral for stage 2 Central and other items increased by \$1 billion (31 December 2022: Nil) due to short-term reverse repo with a Central Bank in the Africa and Middle East region.

Collateral held on loans and advances

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

Amortised cost	2023									
	Net amount outstanding			Collateral			Net exposure			
	Total \$million	Stage 2 financial assets \$million	Credit-impaired financial assets (\$S) \$million	Total \$million	Stage 2 financial assets \$million	Credit-impaired financial assets (\$S) \$million	Total \$million	Stage 2 financial assets \$million	Credit-impaired financial assets (\$S) \$million	
Corporate, Commercial & Institutional Banking ¹	175,382	8,175	2,046	36,458	2,972	623	138,924	5,203	1,423	
Consumer, Private & Business Banking	126,059	2,163	724	86,827	1,136	554	39,232	1,027	170	
Ventures	1,033	33	-	-	-	-	1,033	33	-	
Central & other items	29,478	964	209	2,475	964	-	27,003	-	209	
Total	331,952	11,335	2,979	125,760	5,072	1,177	206,192	6,263	1,802	

Amortised cost	2022									
	Net amount outstanding			Collateral			Net exposure			
	Total \$million	Stage 2 financial assets \$million	Credit-impaired financial assets (\$S) \$million	Total \$million	Stage 2 financial assets \$million	Credit-impaired financial assets (\$S) \$million	Total \$million	Stage 2 financial assets \$million	Credit-impaired financial assets (\$S) \$million	
Corporate, Commercial & Institutional Banking ¹	179,150	11,366	2,526	38,151	3,973	956	140,999	7393	1,570	
Consumer, Private & Business Banking	130,955	1,550	677	92,350	1,019	543	38,605	531	134	
Ventures	698	17	-	-	-	-	698	17	-	
Central & other items	39,363	-	230	11,214	-	-	28,149	-	230	
Total	350,166	12,933	3,433	141,715	4,992	1,499	208,451	7,941	1,934	

1 Includes loans and advances to banks

2 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

Collateral – Corporate, Commercial & Institutional Banking (audited)

Collateral taken for longer-term and sub-investment grade corporate loans reduced to 41 per cent (31 December 2022: 53 per cent) primarily due to the exit of the Aviation business.

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

83 per cent (31 December 2022: 85 per cent) of tangible collateral excluding reverse repurchase agreements and financial guarantees held comprises physical assets or is property based, with the remainder held in cash. Overall collateral decreased by \$2 billion to \$36 billion (31 December 2022: \$38 billion) mainly due to a decrease in property collateral.

Non-tangible collateral, such as guarantees and standby letters of credit, is also held against corporate exposures, although the financial effect of this type of collateral is less significant in terms of recoveries. However, this is considered when determining the probability of default and other credit-related factors. Collateral is also held against off balance sheet exposures, including undrawn commitments and trade-related instruments.

Corporate, Commercial & Institutional Banking

	2023 \$million	2022 \$million
Amortised cost		
Maximum exposure	175,382	179,150
Property	9,339	10,152
Plant, machinery and other stock	933	1,168
Cash	2,985	2,797
Reverse repos	13,826	14,305
AA– to AA+ ²	1,036	92
A– to A+ ²	10,606	10,459
BBB– to BBB+	855	1,485
Lower than BBB–	169	–
Unrated	1,160	2,269
Financial guarantees and insurance	5,057	5,096
Commodities	5	37
Ships and aircraft	4,313	4,596
Total value of collateral¹	36,458	38,151
Net exposure	138,924	140,999

1 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

2 Prior year has been represented to provide granular credit ratings

Collateral – Consumer, Private & Business Banking (audited)

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

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

	2023				2022			
	Fully secured \$million	Partially secured \$million	Unsecured \$million	Total \$million	Fully secured \$million	Partially secured \$million	Unsecured \$million	Total \$million
Amortised cost								
Maximum exposure	106,914	505	18,640	126,059	112,556	449	17,950	130,955
Loans to individuals								
Mortgages	82,943	–	–	82,943	87,212	–	–	87,212
CCPL	375	–	17,395	17,770	221	–	16,711	16,932
Auto	312	–	–	312	502	–	–	502
Secured wealth products	20,303	–	–	20,303	19,551	–	–	19,551
Other	2,981	505	1,245	4,731	5,070	449	1,239	6,758
Total collateral ¹				86,827				92,350
Net exposure ²				39,232				38,605
Percentage of total loans	85%	0%	15%		86%	0%	14%	

1 Collateral values are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation

2 Amounts net of ECL

Mortgage loan-to-value ratios by geography (audited)

Loan-to-value (LTV) ratios measure the ratio of the current mortgage outstanding to the current fair value of the properties on which they are secured.

In a majority of mortgages, the value of property held as security significantly exceeds principal outstanding of the mortgage loans. The average LTV of the overall mortgage portfolio increased to 47.1 per cent (31 December 2022: 44.7 per cent) driven by property prices decrease in a few key markets, including Hong Kong, Korea and China. Hong Kong, which represents 39.9 per cent of the residential mortgage portfolio, has an average LTV of 55.9 per cent (31 December 2022: 52.6 per cent). The increase of Hong Kong residential mortgage LTV is due to a decrease of the Property Price Index. All of our other key markets continue to have low portfolio LTVs (Korea, Singapore and Taiwan at 40.5 per cent, 43.0 per cent and 47.0 per cent respectively). Korea average LTV increase is due to government relaxations whereby highly regulated areas have eased up to accommodate customers with higher LTV.

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

Amortised cost	2023			
	Asia % Gross	Africa & Middle East % Gross	Europe & Americas % Gross	Total % Gross
Less than 50 per cent	55.5	51.1	31.0	54.8
50 per cent to 59 per cent	17.1	14.7	17.4	17.1
60 per cent to 69 per cent	11.4	13.7	33.9	12.0
70 per cent to 79 per cent	7.7	12.8	14.4	7.9
80 per cent to 89 per cent	3.3	3.9	2.5	3.3
90 per cent to 99 per cent	2.6	2.1	0.6	2.5
100 per cent and greater	2.5	1.7	0.3	2.4
Average portfolio loan-to-value	46.9	51.1	56.0	47.1
Loans to individuals – mortgages (\$million)	79,517	1,183	2,243	82,943

Amortised cost	2022			
	Asia ¹ % Gross	Africa & Middle East % Gross	Europe & Americas % Gross	Total % Gross
Less than 50 per cent	60.9	43.0	32.2	60.1
50 per cent to 59 per cent	15.5	18.2	19.2	15.6
60 per cent to 69 per cent	9.8	16.8	31.3	10.2
70 per cent to 79 per cent	6.5	12.8	14.8	6.7
80 per cent to 89 per cent	3.6	5.1	1.1	3.6
90 per cent to 99 per cent	2.5	2.0	–	2.4
100 per cent and greater	1.4	2.2	1.3	1.4
Average portfolio loan-to-value	44.4	54.3	56.6	44.7
Loans to individuals – mortgages (\$million)	83,954	1,388	1,870	87,212

Collateral and other credit enhancements possessed or called upon (audited)

The Group obtains assets by taking possession of collateral or calling upon other credit enhancements (such as guarantees). Repossessed properties are sold in an orderly fashion. Where the proceeds are in excess of the outstanding loan balance the excess is returned to the borrower.

Certain equity securities acquired may be held by the Group for investment purposes and are classified as fair value through profit or loss, and the related loan written off. The carrying value of collateral possessed and held by the Group is \$16.5 million (31 December 2022: \$14.9 million).

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

Other Credit risk mitigation (audited)

Other forms of credit risk mitigation are set out below.

Credit default swaps

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of \$3.5 billion (31 December 2022: \$5.1 billion). These credit default swaps are accounted for as financial guarantees as per IFRS 9 as they will only reimburse the holder for an incurred loss on an underlying debt instrument. The Group continues to hold the underlying assets referenced in the credit default swaps and it continues to be exposed to related Credit Risk and Foreign Exchange Rate Risk on these assets.

Credit linked notes

The Group has issued credit linked notes for portfolio management purposes, referencing loan assets with a notional value of \$22.5 billion (31 December 2022: \$13.5 billion). The Group continues to hold the underlying assets for which the credit linked notes provide mitigation. The credit linked notes are recognised as a financial liability at amortised cost on the balance sheet.

Derivative financial instruments

The Group enters into master netting agreements, which in the event of default result in a single amount owed by or to the counterparty through netting the sum of the positive and negative mark-to-market values of applicable derivative transactions. Credit Risk mitigation for derivative financial instruments is set out below.

Amortised cost				
Corporate, Commercial & Institutional Banking				
Consumer, Private & Business Banking				
Ventures				
Central & other items				
Gross loans and advances to customers				
Impairment provisions				
Net loans and advances to customers				
Net loans and advances to banks				

Off-balance sheet exposures

For certain types of exposures, such as letters of credit and guarantees, the Group obtains collateral such as cash depending on internal Credit Risk assessments, as well as in the case of letters of credit holding legal title to the underlying assets should a default take place.

Other portfolio analysis

This section provides maturity analysis by credit quality by industry and industry and retail products analysis by region.

Maturity analysis of loans and advances by client segment

Loans and advances to the CCIB segment remain predominantly short-term, with \$91 billion (31 December 2022: \$98 billion) maturing in less than one year. 98 per cent (31 December 2022: 96 per cent) of loans to banks mature in less than one year, an increase compared with 2022 as net exposures increased by \$5.5 billion to \$45 billion (31 December 2022: \$39.5 billion). Shorter maturities give us the flexibility to respond promptly to events and rebalance or reduce our exposure to clients or sectors that are facing increased pressure or uncertainty.

The CPBB short-term book of one year or less and long-term book of over five years is stable at 26 per cent (31 December 2022: 25 per cent) and 63 per cent (31 December 2022: 64 per cent) of the total portfolio respectively.

Amortised cost	2023			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Corporate, Commercial & Institutional Banking	90,728	30,746	12,822	134,296
Consumer, Private & Business Banking	33,397	13,711	80,166	127,274
Ventures	747	334	–	1,081
Central & other items	29,448	43	3	29,494
Gross loans and advances to customers	154,320	44,834	92,991	292,145
Impairment provisions	(4,872)	(185)	(113)	(5,170)
Net loans and advances to customers	149,448	44,649	92,878	286,975
Net loans and advances to banks	43,955	1,021	1	44,977

Amortised cost	2022			
	One year or less \$million	One to five years \$million	Over five years \$million	Total \$million
Corporate, Commercial & Institutional Banking	98,335	34,635	10,789	143,759
Consumer, Private & Business Banking	33,365	14,161	84,731	132,257
Ventures	548	162	–	710
Central & other items	39,373	–	8	39,381
Gross loans and advances to customers	171,621	48,958	95,528	316,107
Impairment provisions	(4,767)	(574)	(119)	(5,460)
Net loans and advances to customers	166,854	48,384	95,409	310,647
Net loans and advances to banks	38,105	1,211	203	39,519

Credit quality by industry

Loans and advances

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

Amortised cost	2023											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million
Industry:												
Energy	9,397	(8)	9,389	672	(22)	650	949	(535)	414	11,018	(565)	10,453
Manufacturing	21,239	(8)	21,231	708	(16)	692	656	(436)	220	22,603	(460)	22,143
Financing, insurance and non-banking	31,633	(13)	31,620	571	(1)	570	80	(77)	3	32,284	(91)	32,193
Transport, telecom and utilities	14,710	(8)	14,702	1,722	(36)	1,686	481	(178)	303	16,913	(222)	16,691
Food and household products	7,668	(15)	7,653	323	(7)	316	355	(262)	93	8,346	(284)	8,062
Commercial real estate	12,261	(30)	12,231	1,848	(129)	1,719	1,712	(1,191)	521	15,821	(1,350)	14,471
Mining and quarrying	5,995	(4)	5,991	220	(10)	210	151	(84)	67	6,366	(98)	6,268
Consumer durables	5,815	(3)	5,812	300	(21)	279	329	(298)	31	6,444	(322)	6,122
Construction	2,230	(2)	2,228	502	(8)	494	358	(326)	32	3,090	(336)	2,754
Trading companies & distributors	581	-	581	57	-	57	107	(58)	49	745	(58)	687
Government	33,400	(6)	33,394	1,783	(5)	1,778	367	(33)	334	35,550	(44)	35,506
Other	4,262	(4)	4,258	161	(3)	158	187	(70)	117	4,610	(77)	4,533
Retail Products:												
Mortgage	81,210	(8)	81,202	1,350	(5)	1,345	519	(123)	396	83,079	(136)	82,943
Credit Cards	7,633	(104)	7,529	244	(65)	179	69	(50)	19	7,946	(219)	7,727
Personal loans and other unsecured lending	10,867	(188)	10,679	324	(77)	247	315	(165)	150	11,506	(430)	11,076
Auto	310	-	310	1	-	1	1	-	1	312	-	312
Secured wealth products	19,923	(22)	19,901	278	(10)	268	474	(340)	134	20,675	(372)	20,303
Other	4,558	(7)	4,551	161	(5)	156	118	(94)	24	4,837	(106)	4,731
Net carrying value (customers)¹	273,692	(430)	273,262	11,225	(420)	10,805	7,228	(4,320)	2,908	292,145	(5,170)	286,975

¹ Includes reverse repurchase agreements and other similar secured lending held at amortised cost of \$13,996 million

Amortised cost	2022											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million	Gross balance \$million	Total credit impairment \$million	Net carrying amount \$million
Industry:												
Energy	10,959	(8)	10,951	818	(7)	811	1,324	(620)	704	13,101	(635)	12,466
Manufacturing	20,990	(23)	20,967	1,089	(27)	1,062	777	(518)	259	22,856	(568)	22,288
Financing, insurance and non-banking	34,915	(9)	34,906	774	(3)	771	195	(175)	20	35,884	(187)	35,697
Transport, telecom and utilities	14,273	(22)	14,251	2,347	(36)	2,311	669	(224)	445	17,289	(282)	17,007
Food and household products	7,841	(21)	7,820	695	(20)	675	418	(259)	159	8,954	(300)	8,654
Commercial real estate	12,393	(43)	12,350	3,217	(195)	3,022	1,305	(761)	544	16,915	(999)	15,916
Mining and quarrying	5,482	(4)	5,478	537	(5)	532	248	(174)	74	6,267	(183)	6,084
Consumer durables	6,403	(4)	6,399	420	(17)	403	358	(307)	51	7,181	(328)	6,853
Construction	2,424	(2)	2,422	407	(5)	402	495	(410)	85	3,326	(417)	2,909
Trading companies & distributors	2,205	(1)	2,204	170	(2)	168	122	(80)	42	2,497	(83)	2,414
Government	42,825	(2)	42,823	603	(1)	602	168	(15)	153	43,596	(18)	43,578
Other	4,684	(4)	4,680	278	(5)	273	312	(137)	175	5,274	(146)	5,128
Retail Products:												
Mortgage	85,859	(12)	85,847	996	(7)	989	556	(180)	376	87,411	(199)	87,212
Credit Cards	6,912	(103)	6,809	155	(46)	109	59	(44)	15	7,126	(193)	6,933
Personal loans and other unsecured lending	10,652	(253)	10,399	215	(57)	158	296	(156)	140	11,163	(466)	10,697
Auto	501	-	501	1	-	1	-	-	-	502	-	502
Secured wealth products	19,269	(45)	19,224	235	(10)	225	407	(305)	102	19,911	(360)	19,551
Other	6,632	(3)	6,629	86	(1)	85	136	(92)	44	6,854	(96)	6,758
Net carrying value (customers)¹	295,219	(559)	294,660	13,043	(444)	12,599	7,845	(4,457)	3,388	316,107	(5,460)	310,647

¹ Includes reverse repurchase agreements and other similar secured lending held at amortised cost of \$24,498 million

Industry and Retail Products analysis of loans and advances by geographic region

This section provides an analysis of the Group's amortised cost loan portfolio, net of provisions, by industry and region.

In the CCIB and Central and other items segment, our largest industry exposures are to Government, Financing, insurance and non-banking and Manufacturing with each constituting at least 8 per cent of CCIB and Central and other items loans and advances to customers.

Financing, insurance and non-banking industry clients are mostly investment-grade institutions and this lending forms part of the liquidity management of the Group. The Manufacturing sector group is spread across a diverse range of industries, including automobiles and components, capital goods, pharmaceuticals, biotech and life sciences, technology hardware and equipment, chemicals, paper products and packaging, with lending spread over 3,255 clients.

The Mortgage portfolio continues to be the largest portion of the CPBB portfolio at \$83.1 billion (31 December 2022: \$87.4 billion), of which 96 per cent continues to be in Asia. Credit cards, personal loans and other unsecured lending increased to 15 per cent (31 December 2022: 14 per cent) of the CPBB portfolio, mainly in Asia due to the growth from Mox Bank and digital partnerships.

In Asia, the Financing, insurance and non-banking industry decreased by \$1.9 billion to \$22.8 billion (31 December 2022: \$24.7 billion) while the CRE sector decreased by \$2 billion to \$11.2 billion (31 December 2022: \$13.2 billion) due to exposure reductions. The Government sector decreased by \$9.2 billion to \$30.5 billion (31 December 2022: \$39.7 billion) due to decreased lending to Korea.

Amortised cost	2023				2022			
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million
Industry:								
Energy	4,143	3,986	2,324	10,453	6,250	2,278	3,938	12,466
Manufacturing	16,828	1,077	4,238	22,143	17,388	1,267	3,633	22,288
Financing, insurance and non-banking	22,771	829	8,593	32,193	24,674	761	10,262	35,697
Transport, telecom and utilities	12,122	2,650	1,919	16,691	10,841	3,567	2,599	17,007
Food and household products	4,856	1,726	1,480	8,062	4,160	2,566	1,928	8,654
Commercial real estate	11,176	623	2,672	14,471	13,179	598	2,139	15,916
Mining and quarrying	3,856	375	2,037	6,268	3,785	390	1,909	6,084
Consumer durables	5,033	429	660	6,122	5,860	461	532	6,853
Construction	1,803	333	618	2,754	1,775	625	509	2,909
Trading companies and distributors	527	109	51	687	2,281	101	32	2,414
Government	30,487	4,778	241	35,506	39,713	3,759	106	43,578
Other	3,401	584	548	4,533	3,636	702	790	5,128
Retail Products:								
Mortgages	79,517	1,183	2,243	82,943	83,954	1,388	1,870	87,212
Credit Cards	7,449	278	–	7,727	6,642	291	–	6,933
Personal loans and other unsecured lending	9,426	1,565	85	11,076	9,056	1,541	100	10,697
Auto	295	17	–	312	469	33	–	502
Secured wealth products	18,774	987	542	20,303	17,876	1,048	627	19,551
Other	4,671	60	–	4,731	6,676	82	–	6,758
Net loans and advances to customers	237,135	21,589	28,251	286,975	258,215	21,458	30,974	310,647
Net loans and advances to banks	35,417	3,106	6,454	44,977	22,058	3,929	13,532	39,519

Vulnerable, cyclical and high carbon sectors

Vulnerable and cyclical sectors are those that the Group considers to be most at risk from current economic stresses, including volatile energy and commodity prices, and we continue to monitor exposures to these sectors particularly carefully.

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

The maximum exposures shown in the table include Loans and Advances to Customers at Amortised cost, Fair Value through profit or loss, and committed facilities available as per IFRS 9 – Financial Instruments in \$million.

→ Further details can be found in the 'Summary of Performance in 2023' in [pages 235 and 236](#).

Maximum exposure

	2023						
	Maximum on Balance Sheet Exposure (net of credit impairment) \$million	Collateral \$million	Net On Balance Sheet Exposure \$million	Undrawn Commitments (net of credit impairment) \$million	Financial Guarantees (net of credit impairment) \$million	Net Off Balance Sheet Exposure \$million	Total On & Off Balance Sheet Net Exposure \$million
Industry:							
Automotive manufacturers ¹	3,564	65	3,499	3,791	538	4,329	7,828
Aviation ^{1,2}	1,775	974	801	1,794	668	2,462	3,263
Of which : High Carbon Sector	1,330	974	356	944	615	1,559	1,915
Commodity Traders ²	7,406	303	7,103	2,591	6,281	8,872	15,975
Metals & Mining ^{1,2}	4,589	307	4,282	3,373	1,218	4,591	8,873
Of which: Steel ¹	1,596	193	1,403	601	358	959	2,362
Of which: Coal Mining ¹	29	9	20	51	99	150	170
Of which: Aluminium ¹	526	9	517	338	188	526	1,043
Of which: Other Metals & Mining ¹	2,438	96	2,342	2,383	573	2,956	5,298
Shipping ¹	5,964	3,557	2,407	2,261	291	2,552	4,959
Construction ²	2,853	448	2,405	2,753	5,927	8,680	11,085
Commercial Real Estate ²	14,533	6,363	8,170	4,658	311	4,969	13,139
Of which: High Carbon Sector	7,498	3,383	4,115	1,587	112	1,699	5,814
Hotels & Tourism ²	1,680	715	965	1,339	227	1,566	2,531
Oil & Gas ^{1,2}	6,278	894	5,384	7,845	6,944	14,789	20,173
Power ¹	5,411	1,231	4,180	3,982	732	4,714	8,894
Total³	54,053	14,857	39,196	34,387	23,137	57,524	96,720
Of which: Vulnerable and cyclical sectors	38,880	9,983	28,897	24,842	21,511	46,353	75,250
Of which: High carbon sectors⁴	34,634	10,411	24,223	23,783	10,450	34,233	58,456
Total Corporate, Commercial & Institutional Banking	130,405	32,744	97,661	104,437	63,183	167,620	265,281
Total Group	331,952	125,760	206,192	182,299	74,278	256,577	462,769

1 High carbon sectors

2 Vulnerable and cyclical sectors

3 Maximum On Balance sheet exposure include FVTPL portion of \$955 million, of which Vulnerable sector is \$821 million and High Carbon sector is \$443 million

4 Excluded Cement to the value of \$671 million net of ECL under Construction

	Maximum On Balance Sheet Exposure (net of credit impairment) \$million	Collateral \$million	Net On Balance Sheet Exposure \$million	Undrawn Commitments (net of credit impairment) \$million	Financial Guarantees (net of credit impairment) \$million	Net Off Balance Sheet Exposure \$million	Total On & Off Balance Sheet Net Exposure \$million
Industry:							
Automotive manufacturers ¹	3,167	84	3,083	3,683	560	4,243	7,326
Aviation ^{1,2,3}	3,154	1,597	1,557	1,762	632	2,394	3,951
Of which : High Carbon Sector	2,540	1,582	958	695	555	1,250	2,208
Commodity Traders ²	8,133	341	7,792	2,578	6,095	8,673	16,465
Metals & Mining ^{1,2}	4,990	333	4,657	3,732	930	4,662	9,319
Of which: Steel ¹	1,227	157	1,070	1,450	327	1,777	2,847
Of which: Coal Mining ¹	48	15	33	8	7	15	48
Of which: Aluminium ¹	728	107	621	285	74	359	980
Of which: Other Metals & Mining ¹	2,987	54	2,933	1,989	522	2,511	5,444
Shipping ¹	5,322	3,167	2,155	1,870	256	2,126	4,281
Construction ²	2,909	552	2,357	2,762	5,969	8,731	11,088
Commercial Real Estate ²	16,286	7,205	9,081	6,258	224	6,482	15,563
Of which: High Carbon Sector	6,547	2,344	4,203	3,996	90	4,086	8,289
Hotels & Tourism ²	1,741	919	822	1,346	138	1,484	2,306
Oil & Gas ^{1,2}	6,668	806	5,862	7,630	7,158	14,788	20,650
Power ¹	4,771	1,258	3,513	4,169	1,176	5,345	8,858
Total⁴	57,141	16,262	40,879	35,790	23,138	58,928	99,807
Of which: Vulnerable and cyclical sectors	43,678	11,741	31,937	25,761	21,068	46,829	78,766
Of which: High carbon sectors⁵	34,005	9,574	24,431	25,775	10,725	36,500	60,931
Total Corporate, Commercial & Institutional Banking	139,631	35,229	104,402	95,272	51,662	146,934	251,336
Total Group	350,166	141,715	208,451	168,574	60,224	228,798	437,249

1 High carbon sectors

2 Vulnerable and cyclical sectors

3 In addition to the aviation sector loan exposures, the Group owns \$3.2 billion of aircraft under operating leases in 2022

4 Maximum On Balance sheet exposure include FVTPL portion of \$1,251 million, of which Vulnerable sector is \$1,072 million and High Carbon sector is \$574 million

5 Excluded Cement to the value of \$719 million net of ECL under Construction

Loans and advances by stage

Amortised Cost	2023											
	Stage 1			Stage 2			Stage 3			Total		
	Gross Balance \$million	Total Credit Impairment \$million	Net Carrying Amount \$million	Gross Balance \$million	Total Credit Impairment \$million	Net Carrying Amount \$million	Gross Balance \$million	Total Credit Impairment \$million	Net Carrying Amount \$million	Gross Balance \$million	Total Credit Impairment \$million	Net Carrying Amount \$million
Industry:												
Aviation	1,619	-	1,619	55	(1)	54	74	(15)	59	1,748	(16)	1,732
Commodity Traders	6,912	(2)	6,910	129	(1)	128	555	(504)	51	7,596	(507)	7,089
Metals & Mining	3,934	(1)	3,933	140	(8)	132	154	(88)	66	4,228	(97)	4,131
Construction	2,230	(2)	2,228	502	(8)	494	358	(326)	32	3,090	(336)	2,754
Commercial Real Estate	12,261	(30)	12,231	1,848	(129)	1,719	1,712	(1,191)	521	15,821	(1,350)	14,471
Hotels & Tourism	1,468	(2)	1,466	61	-	61	126	(25)	101	1,655	(27)	1,628
Oil & Gas	5,234	(4)	5,230	615	(15)	600	571	(147)	424	6,420	(166)	6,254
Total	33,658	(41)	33,617	3,350	(162)	3,188	3,550	(2,296)	1,254	40,558	(2,499)	38,059
Total Corporate, Commercial & Institutional Banking	120,886	(101)	120,785	7,902	(257)	7,645	5,508	(3,533)	1,975	134,296	(3,891)	130,405
Total Group	318,076	(438)	317,638	11,765	(430)	11,335	7,305	(4,326)	2,979	337,146	(5,194)	331,952

Amortised Cost	2022											
	Stage 1			Stage 2			Stage 3			Total		
	Gross Balance \$million	Total Credit Impairment \$million	Net Carrying Amount \$million	Gross Balance \$million	Total Credit Impairment \$million	Net Carrying Amount \$million	Gross Balance \$million	Total Credit Impairment \$million	Net Carrying Amount \$million	Gross Balance \$million	Total Credit Impairment \$million	Net Carrying Amount \$million
Industry:												
Aviation ¹	2,377	(1)	2,376	573	-	573	155	(32)	123	3,105	(33)	3,072
Commodity Traders	7,187	(6)	7,181	138	(2)	136	689	(435)	254	8,014	(443)	7,571
Metals & Mining	4,184	(1)	4,183	475	(4)	471	257	(157)	100	4,916	(162)	4,754
Construction	2,424	(2)	2,422	407	(5)	402	497	(412)	85	3,328	(419)	2,909
Commercial Real Estate	12,393	(43)	12,350	3,217	(195)	3,022	1,305	(761)	544	16,915	(999)	15,916
Hotels & Tourism	1,448	(2)	1,446	108	(1)	107	206	(18)	188	1,762	(21)	1,741
Oil & Gas	5,468	(4)	5,464	708	(6)	702	919	(442)	477	7,095	(452)	6,643
Total	35,481	(59)	35,422	5,626	(213)	5,413	4,028	(2,257)	1,771	45,135	(2,529)	42,606
Total Corporate, Commercial & Institutional Banking	126,261	(143)	126,118	11,355	(323)	11,032	6,143	(3,662)	2,481	143,759	(4,128)	139,631
Total Group	334,368	(568)	333,800	13,380	(447)	12,933	7,904	(4,471)	3,433	355,652	(5,486)	350,166

¹ In addition to the aviation sector loan exposures, the Group owns \$3.2 billion of aircraft under operating leases in 2022

Loans and advances by region (net of credit impairment)

	2023					2022 ¹				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million		Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million	
Industry:										
Aviation	1,077	7	648	1,732		1,105	1,259	708	3,072	
Commodity Traders	3,778	675	2,636	7,089		3,497	978	3,096	7,571	
Metals & Mining	1,628	1,522	981	4,131		2,966	347	1,441	4,754	
Construction	1,803	333	618	2,754		1,776	624	509	2,909	
Commercial Real Estate	11,176	623	2,672	14,471		13,180	598	2,138	15,916	
Hotel & Tourism	998	178	452	1,628		880	465	396	1,741	
Oil & Gas	2,639	1,815	1,800	6,254		3,574	1,445	1,624	6,643	
Total	23,099	5,153	9,807	38,059		26,978	5,716	9,912	42,606	

¹ In addition to the aviation sector loan exposures, the Group owns \$3.2 billion of aircraft under operating leases in 2022

Credit quality – loans and advances

	2023							
Amortised Cost	Aviation Gross \$million	Commodity Traders Gross \$million	Construction Gross \$million	Metals & Mining Gross \$million	Commercial Real Estate Gross \$million	Hotel & Tourism Gross \$million	Oil & Gas Gross \$million	Total Gross \$million
Credit Grade								
Strong	1,452	4,444	1,012	3,213	7,326	1,090	4,024	22,561
Satisfactory	222	2,592	1,702	788	6,751	439	1,726	14,220
Higher risk	–	5	18	73	32	–	101	229
Credit impaired (stage 3)	74	555	358	154	1,712	126	569	3,548
Total Gross Balance	1,748	7,596	3,090	4,228	15,821	1,655	6,420	40,558
Strong	–	(1)	(1)	–	(20)	(1)	(3)	(26)
Satisfactory	(1)	(2)	(6)	(1)	(139)	(1)	(12)	(162)
Higher risk	–	–	(4)	(8)	–	–	(4)	(16)
Credit impaired (stage 3)	(15)	(504)	(325)	(88)	(1,191)	(25)	(147)	(2,295)
Total Credit Impairment	(16)	(507)	(336)	(97)	(1,350)	(27)	(166)	(2,499)
Strong	0.0%	0.0%	0.1%	0.0%	0.3%	0.1%	0.1%	0.1%
Satisfactory	0.5%	0.1%	0.4%	0.1%	2.1%	0.2%	0.7%	1.1%
Higher risk	0.0%	0.0%	22.2%	11.0%	0.0%	0.0%	4.0%	7.0%
Credit impaired (stage 3)	20.3%	90.8%	90.8%	57.1%	69.6%	19.8%	25.8%	64.7%
Cover Ratio	0.9%	6.7%	10.9%	2.3%	8.5%	1.6%	2.6%	6.2%

	2022							
Credit Grade	Aviation ¹ Gross \$million	Commodity Traders Gross \$million	Construction Gross \$million	Metals & Mining Gross \$million	Commercial Real Estate Gross \$million	Hotel & Tourism Gross \$million	Oil & Gas Gross \$million	Total Gross \$million
Credit Grade								
Strong	1,437	4,419	1,164	3,425	8,000	1,047	3,923	23,415
Satisfactory	1,413	2,894	1,634	1,208	7,334	494	2,215	17,192
Higher risk	100	12	33	26	276	15	38	500
Credit impaired (stage 3)	155	689	497	257	1,305	206	919	4,028
Total Gross Balance	3,105	8,014	3,328	4,916	16,915	1,762	7,095	45,135
Strong	–	(3)	–	–	(25)	(1)	(1)	(30)
Satisfactory	(1)	(4)	(3)	(5)	(129)	(1)	(7)	(150)
Higher risk	–	(1)	(4)	–	(84)	(1)	(2)	(92)
Credit impaired (stage 3)	(32)	(435)	(412)	(157)	(761)	(18)	(442)	(2,257)
Total Credit Impairment	(33)	(443)	(419)	(162)	(999)	(21)	(452)	(2,529)
Strong	0.0%	0.1%	0.0%	0.0%	0.3%	0.1%	0.0%	0.1%
Satisfactory	0.1%	0.1%	0.2%	0.4%	1.8%	0.2%	0.3%	0.9%
Higher risk	0.0%	8.3%	12.1%	0.0%	30.4%	6.7%	5.3%	18.4%
Credit impaired (stage 3)	20.6%	63.1%	82.9%	61.1%	58.3%	8.7%	48.1%	56.0%
Cover Ratio	1.1%	5.5%	12.6%	3.3%	5.9%	1.2%	6.4%	5.6%

1 In addition to the aviation sector loan exposures, the Group owns \$3.2 billion of aircraft under operating leases in 2022

Maturity and expected credit loss for high-carbon sectors

Sector	2023 Loans and advances (Drawn funding) \$million	Maturity Buckets ¹			2023 Expected Credit Loss \$million
		Less than 1 year \$million	More than 1 to 5 years \$million	More than 5 years \$million	
Automotive Manufacturers	3,566	3,106	460	–	2
Aviation	1,339	149	145	1,045	9
Cement	719	512	189	18	48
Coal Mining	42	9	33	–	13
Steel	1,649	1,258	185	206	53
Other Metals & Mining	2,151	1,886	240	25	34
Aluminium	537	442	63	32	11
Oil & Gas	6,444	2,980	1,576	1,888	166
Power	5,516	1,933	1,533	2,050	105
Shipping	5,971	1,051	2,568	2,352	7
Commercial Real Estate	7,664	3,722	3,935	7	166
Total balance¹	35,598	17,048	10,927	7,623	614

1 Excluded fair value of Other Metals & Mining of \$321 million

Sector	2022 Loans and advances (Drawn funding) \$million	Maturity Buckets ¹			2022 Expected Credit Loss \$million
		Less than 1 year \$million	More than 1 to 5 years \$million	More than 5 years \$million	
Automotive Manufacturers	3,167	2,450	717	–	–
Aviation	2,595	118	749	1,728	55
Cement	762	661	63	38	43
Coal Mining	60	2	41	17	12
Steel	1,268	1,080	180	8	41
Other Metals & Mining	1,964	1,660	281	23	44
Aluminium	744	528	114	102	16
Oil & Gas	6,550	3,100	1,734	1,716	238
Power	4,903	1,615	1,279	2,009	132
Shipping	5,374	918	2,567	1,889	52
Commercial Real Estate	6,598	2,568	3,949	81	51
Total balance²	33,985	14,700	11,674	7,611	684

1 Gross of credit impairment

2 Excluded fair value of Other Metals & Mining and Oil & Gas of \$58 million

China commercial real estate

The table below represents the on and off-balance sheet items that are exposed to China CRE by credit quality.

Further details can be found in the 'Summary of Performance in 2023' in [pages 235 and 236](#).

	2023			
	China \$million	Hong Kong \$million	Rest of Group ¹ \$million	Total \$million
Loans to customers	584	1,821	39	2,444
Off balance sheet	42	82	-	124
Total as at 31 December 2023	626	1,903	39	2,568

Loans to customers – By Credit quality

Gross

Strong	33	-	-	33
Satisfactory	339	619	39	997
Higher risk	8	-	-	8
Credit impaired (stage 3)	204	1,202	-	1,406
Total as at 31 December 2023	584	1,821	39	2,444

Loans to customers – ECL

Strong	-	-	-	-
Satisfactory	(3)	(134)	(12)	(149)
Higher risk	-	-	-	-
Credit impaired (stage 3)	(70)	(941)	-	(1,011)
Total as at 31 December 2023	(73)	(1,075)	(12)	(1,160)

1 Rest of Group mainly includes Singapore

	2022			
	China \$million	Hong Kong \$million	Rest of Group ¹ \$million	Total \$million
Loans to customers	953	2,248	39	3,240
Off balance sheet	74	85	8	167
Total as at 31 December 2022	1,027	2,333	47	3,407

Loans to customers – By Credit quality

Gross

Strong	256	221	-	477
Satisfactory	459	921	39	1,419
Higher risk	-	271	-	271
Credit impaired (stage 3)	238	835	-	1,073
Total as at 31 December 2022	953	2,248	39	3,240

Loans to customers – ECL

Strong	-	(19)	-	(19)
Satisfactory	(9)	(110)	-	(119)
Higher risk	-	(83)	-	(83)
Credit impaired (stage 3)	(37)	(559)	-	(596)
Total as at 31 December 2022	(46)	(771)	-	(817)

1 Rest of Group mainly includes Singapore

Debt securities and other eligible bills (audited)

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

The standard credit ratings used by the Group are those used by Standard & Poor's or its equivalent. Debt securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Group applies an internal credit rating, as described under the credit rating and measurement section on page 321.

Total gross debt securities and other eligible bills decreased by \$11.4 billion to \$160 billion (31 December 2022: \$172 billion) due to action taken to manage liquidity, primarily in stage 1.

Stage 1 gross balance decreased by \$7.8 billion to \$158 billion (31 December 2022: \$166 billion) of which \$3.4 billion of the decrease was from unrated.

Stage 2 gross balance decreased by \$3.6 billion to \$2 billion (31 December 2022: \$5 billion).

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

Amortised cost and FVOCI	2023			2022		
	Gross \$million	ECL \$million	Net ² \$million	Gross \$million	ECL \$million	Net ² \$million
Stage 1	158,314	(26)	158,288	166,103	(25)	166,078
AAA	61,920	(5)	61,915	73,933	(10)	73,923
AA- to AA+	34,244	(2)	34,242	42,327	(4)	42,323
A- to A+	38,891	(2)	38,889	29,488	(2)	29,486
BBB- to BBB+	13,098	(7)	13,091	7,387	(1)	7,386
Lower than BBB-	1,611	(2)	1,609	1,047	(2)	1,045
Unrated	8,550	(8)	8,542	11,921	(6)	11,915
– Strong	7,415	(7)	7,408	11,760	(6)	11,754
– Satisfactory	1,135	(1)	1,134	161	–	161
Stage 2	1,860	(34)	1,826	5,455	(90)	5,365
AAA	98	–	98	21	–	21
AA- to AA+	22	–	22	40	–	40
A- to A+	81	–	81	17	(1)	16
BBB- to BBB+	499	(3)	496	2,605	(16)	2,589
Lower than BBB-	893	(30)	863	2,485	(71)	2,414
Unrated	267	(1)	266	287	(2)	285
– Strong	217	–	217	26	(2)	24
– Satisfactory	50	(1)	49	–	–	–
– Higher risk	–	–	–	261	–	261
Stage 3	164	(61)	103	144	(106)	38
Lower than BBB-	72	(4)	68	67	(55)	12
Unrated	92	(57)	35	77	(51)	26
Gross balance¹	160,338	(121)	160,217	171,702	(221)	171,481

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

2 FVOCI instrument are not presented net of ECL. While the presentation is on a net basis for the table, the total net on-balance sheet amount is \$160,263 million (31 December 2022: \$171,640 million). Refer to the Analysis of financial instrument by stage table

IFRS 9 expected credit loss methodology (audited)

Approach for determining expected credit losses

Credit loss terminology

Component	Definition
Probability of default (PD)	The probability that a counterparty will default, over the next 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2), incorporating the impact of forward-looking economic assumptions that have an effect on Credit Risk, such as unemployment rates and GDP forecasts. The PD estimates will fluctuate in line with the economic cycle. The lifetime (or term structure) PDs are based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions.
Loss given default (LGD)	The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cashflows due and those that the bank expects to receive. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.
Exposure at default (EAD)	The expected balance sheet exposure at the time of default, taking into account expected changes over the lifetime of the exposure. This incorporates the impact of drawdowns of facilities with limits, repayments of principal and interest, and amortisation.

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

IFRS 9 expected credit loss models have been developed for the Corporate, Commercial and Institutional Banking (CCIB) businesses on a global basis, in line with their respective portfolios. However, for some of the key countries, country-specific models have also been developed.

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

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

For less material retail portfolios, the Group has adopted less sophisticated approaches based on historical roll rates or loss rates:

- For medium-sized retail portfolios, a roll rate model is applied, which uses a matrix that gives the average loan migration rate between delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.
- For smaller retail portfolios, loss rate models are applied. These use an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances.
- While the loss rate models do not incorporate forward-looking information, to the extent that there are significant changes in the macroeconomic forecasts an assessment will be completed on whether an adjustment to the modelled output is required.

For a limited number of exposures, proxy parameters or approaches are used where the data is not available to calculate the origination PDs for the purpose of applying the SICR criteria; or for some retail portfolios where a full history of LGD data is not available, estimates based on the loss experience from similar portfolios are used. The use of proxies is monitored and will reduce over time.

The following processes are in place to assess the ongoing performance of the models:

- Quarterly model monitoring that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds.
- Annual independent validations of the performance of material models by Group Model Valuation (GMV); an abridged validation is completed for non-material models.

Application of lifetime

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

The behavioural life for corporate overdraft facilities is 24 months.

Composition of credit impairment provisions (audited)

The table below summarises the key components of the Group's credit impairment provision balances at 31 December 2023 and 31 December 2022.

31 December 2023	Corporate, Commercial & Institutional Banking \$ million	Consumer, Private & Business Banking \$ million	Ventures \$ million	Central & other items \$ million ²	Total \$ million
Modelled ECL provisions (base forecast)	372	553	48	98	1,071
Modelled impact of multiple economic scenarios	20	18	–	6	44
Total ECL provisions before management judgements	392	571	48	104	1,115
Includes: Model performance post model adjustments	(3)	(28)	–	–	(31)
Judgemental post model adjustments	–	2	–	–	2
Management overlays ¹					
– China commercial real estate	141	–	–	–	141
– Other	–	5	–	17	22
Total modelled provisions	533	578	48	121	1,280
Of which: Stage 1	151	325	15	68	559
Stage 2	318	140	21	49	528
Stage 3	64	113	12	4	193
Stage 3 non-modelled provisions	3,587	646	–	88	4,321
Total credit impairment provisions	4,120	1,224	48	209	5,601

31 December 2022	Corporate, Commercial & Institutional Banking \$ million	Consumer, Private & Business Banking \$ million	Ventures \$ million	Central & other items ² \$ million	Total \$ million
Modelled ECL provisions (base forecast)	505	556	12	194	1,267
Modelled impact of multiple economic scenarios	38	6	–	6	50
Total ECL provisions before management judgements	543	562	12	200	1,317
Includes: Model performance post model adjustments	(22)	(38)	–	–	(60)
Judgemental post model adjustments	–	44	–	–	44
Management overlays ¹					
– China commercial real estate	173	–	–	–	173
– Other	9	37	–	–	46
Total modelled provisions	725	643	12	200	1,580
Of which: Stage 1	194	413	10	34	651
Stage 2	411	118	1	100	630
Stage 3	120	112	1	66	299
Stage 3 non-modelled provisions	3,702	664	–	129	4,495
Total credit impairment provisions	4,427	1,307	12	329	6,075

1 \$22 million (31 December 2022: \$55 million) is in stage 1, \$141 million (31 December 2022: \$148 million) in stage 2 and \$nil million (31 December 2022: \$16 million) in stage 3

2 Includes ECL on cash and balances at central banks, accrued income, assets held for sale and other assets

Model performance post model adjustments (PMA)

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 a model performance post model adjustment is required to correct for the identified model issue. Model performance post model adjustments are approved by the Group Credit Model Assessment Committee and will be removed when the models are updated to correct for the identified model issue or the estimates return to being within the monitoring thresholds.

As at 31 December 2023, model performance post model adjustments have been applied for 5 models out of the total of 172 models. In aggregate, these post model adjustments reduce the Group's impairment provisions by \$31 million (2 per cent of modelled provisions) compared with a \$60 million decrease at 31 December 2022. The most significant of these relates to an adjustment to decrease ECL for Korea Personal Loans as the IFRS 9 PD model is sensitive to the higher range of interest rates.

In addition to these model performance post model adjustments, separate judgemental post model and management adjustments have also been applied as set out on pages 279 and 280.

	2023 \$ million	2022 \$ million
Model performance PMAs		
Corporate, Commercial & Institutional Banking	(3)	(22)
Consumer, Private & Business Banking	(28)	(38)
Total model performance PMAs	(31)	(60)

Key assumptions and judgements in determining expected credit loss

Incorporation of forward-looking information

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

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

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

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

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

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

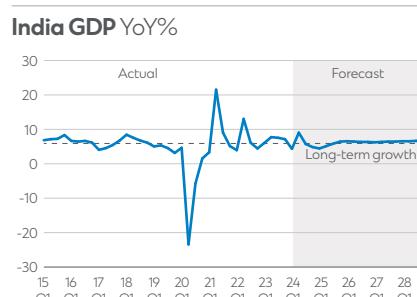
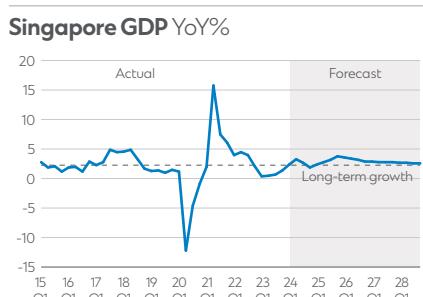
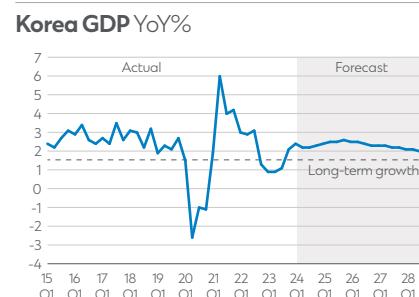
While the quarterly Base Forecasts inform the Group's strategic plan, one key requirement of IFRS 9 is that the assessment of provisions should consider multiple future economic environments. For example, the global economy may grow more quickly or more slowly than the Base Forecast, and these variations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

To assess the range of possible outcomes the Group simulates a set of 50 scenarios around the Base Forecast, calculates the ECL under each of them and assigns an equal weight of 2 per cent to each scenario outcome. These scenarios are generated by a Monte Carlo simulation, which addresses the challenges of crafting many realistic alternative scenarios in the many countries in which the Group operates by means of a model, which produces these alternative scenarios while considering the degree of historical uncertainty (or volatility) observed from Q1 1990 to Q3 2023 around economic outcomes, the trends in each macroeconomic variable modelled and the correlation in the unexplained movements around these trends. This naturally means that each of the 50 scenarios do not have a specific narrative, although collectively they explore a range of hypothetical alternative outcomes for the global economy, including scenarios that turn out better than expected and scenarios that amplify anticipated stresses.

The GDP graphs below illustrate the shape of the Base Forecast for key footprint markets in relation to prior periods' actuals. The long-term growth rates are based on the pace of economic expansion expected for 2030. The tables below provide a summary of the Group's Base Forecast for these markets. The peak/trough amounts show the highest and lowest points within the Base Forecast.

China's GDP growth is expected to ease to 4.8 per cent in 2024 from over 5 per cent in 2023. This reflects a continued contraction in the property sector, a negative contribution from foreign trade, and low consumer and business confidence. Similarly, Hong Kong is also facing several headwinds with its GDP growth expected to ease to 2.9 per cent from 3.3 per cent in 2023. These headwinds include a weak property sector and elevated interest rates which will weigh on investment appetite for Hong Kong assets. Limited external demand from key markets will also weigh on exports. Growth in the US is expected to slow on the impact of tighter financial and credit conditions and as the impact of previous interest rate increases by the central bank feed through to the economy. For similar reasons, Eurozone growth is expected to remain weak in 2024. The uncertainty over the ongoing war in Ukraine, conflicts in the Middle East has hit global investor and business confidence. Growth in India is expected to ease to 6 per cent from 6.7 per cent in 2023 due to impact from pre-election uncertainties, tighter lending conditions and global recession concerns.

In contrast, GDP growth for Singapore is expected to accelerate to just over 2.5 per cent in 2024 from 0.8 per cent last year. Favourable base effects may boost exports, despite the soft global growth outlook. The global electronics and semiconductor industry is showing signs of bottoming out. Although a strong rebound is not expected, inventory restocking may provide a small boost to Singapore's electronics sector. Korea's economic growth will also benefit from the turnaround in this key sector. GDP growth there is expected to reach 2.3 per cent in 2024 from 1.3 per cent last year.



	2023 year-end forecasts							
	China				Hong Kong			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices ⁵ (YoY %)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY %)
Base forecast¹								
2023	5.4	4.1	2.0	(0.8)	3.3	3.0	4.8	(6.8)
2024	4.8	4.1	1.7	3.9	2.9	3.4	4.6	2.1
2025	4.5	4.0	1.8	5.6	2.5	3.4	4.1	3.8
2026	4.3	4.0	2.0	4.5	2.3	3.4	3.5	2.8
2027	4.0	3.9	2.2	4.4	2.4	3.4	2.5	2.7
5-year average²	4.3	4.0	2.1	4.6	2.5	3.4	3.4	2.8
Quarterly peak	5.7	4.1	2.5	7.2	3.8	3.4	5.0	4.6
Quarterly trough	3.8	3.8	1.7	1.5	1.5	3.4	2.3	(1.1)
Monte Carlo								
Low ³	0.6	3.3	0.8	(1.5)	(3.8)	1.4	0.3	(19.3)
High ⁴	7.7	4.4	3.8	12.0	8.2	6.4	8.3	25.5
2023 year-end forecasts								
	Singapore				Korea			
	GDP growth (YoY%)	Unemployment ⁶ %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY %)
	0.8	2.7	4.1	6.8	1.3	2.7	3.8	(5.8)
2023	2.6	2.8	3.8	(0.2)	2.3	3.3	3.5	3.3
2024	3.1	2.8	3.3	0.4	2.5	3.3	3.1	5.0
2025	3.3	2.8	2.8	2.9	2.4	3.1	3.1	3.5
2026	2.8	2.8	2.4	3.9	2.2	3.0	3.1	2.4
5-year average²	2.9	2.8	2.9	2.2	2.3	3.1	3.1	3.3
Quarterly peak	3.8	2.9	4.1	3.9	2.6	3.5	3.7	5.3
Quarterly trough	1.9	2.8	2.3	(0.7)	2.0	3.0	3.1	(0.3)
Monte Carlo								
Low ³	(2.4)	1.7	0.6	(16.2)	(2.3)	1.4	0.7	(6.1)
High ⁴	8.5	3.8	5.9	19.2	7.0	5.8	6.3	12.5
2023 year-end forecasts								
	India				Brent Crude \$pb			
	GDP growth (YoY%)	Unemployment %	3month interest rates %	House prices (YoY%)	Brent Crude \$pb			
	6.7	NA	6.4	5.3	84.2			
2023	6.0	NA	5.9	5.3	89.5			
2024	6.0	NA	6.3	6.3	90.3			
2025	6.4	NA	6.3	6.5	92.8			
2026	6.5	NA	6.2	6.4	84.9			
2027	6.2	NA	6.2	6.1	88.2			
5-year average²	9.1	NA	6.3	6.5	93.8			
Quarterly peak	4.4	NA	5.8	4.7	82.8			
Monte Carlo								
Low ³	2.1	NA	2.7	(0.5)	46.0			
High ⁴	10.5	NA	9.9	13.8	137.8			

	2022 year-end forecasts							
	China				Hong Kong			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices ⁵ (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)
5-year average²	5.1	3.9	2.3	3.6	2.3	3.0	2.8	1.7
Quarterly peak	7.9	4.1	3.0	5.0	4.3	3.1	3.6	4.9
Quarterly trough	4.5	3.8	1.4	0.0	0.5	2.9	2.4	(8.4)
Monte Carlo								
Low ³	1.1	3.4	0.6	(3.4)	(3.8)	1.7	0.5	(22.0)
High ⁴	9.6	4.3	4.4	10.0	8.0	4.2	6.1	26.8
	2022 year-end forecasts							
	Singapore				Korea			
	GDP growth (YoY%)	Unemployment ⁶ %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)
5-year average²	2.7	3.0	3.1	2.8	2.2	3.1	3.1	2.1
Quarterly peak	3.7	3.2	4.7	4.7	2.5	3.3	3.9	2.8
Quarterly trough	1.7	3.0	2.4	(2.4)	1.8	3.0	2.7	(0.4)
Monte Carlo								
Low ³	(3.4)	2.1	0.8	(15.9)	(2.8)	1.1	1.1	(5.4)
High ⁴	8.6	4.5	5.6	20.4	7.0	4.9	5.9	10.0
	2022 year-end forecasts							
	India							
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	Brent crude \$ pb			
5-year average²	6.4	NA	5.6	5.7	106.6			
Quarterly peak	7.7	NA	6.3	7.2	118.8			
Quarterly trough	3.2	NA	5.3	1.6	88.0			
Monte Carlo								
Low ³	1.5	NA	1.9	(1.1)	42.4			
High ⁴	12.1	NA	9.5	13.0	204.2			

1 Data presented are those used in the calculation of ECL. These may differ slightly to forecasts presented elsewhere in the Annual Report as they are finalised before the period end.

2 5 year averages reported cover Q1 2024 to Q4 2028 for the 2023 annual report. They cover Q1 2023 to Q4 2027 for the numbers reported for the 2022 annual report.

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

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

5 A judgemental management adjustment is held in respect of the China commercial real estate sector as discussed on page 280.

6 Singapore unemployment rate covers the resident unemployment rate, which refers to citizens and permanent residents.

Impact of multiple economic scenarios

The final probability-weighted ECL reported by the Group is a simple average of the ECL for each of the 50 scenarios simulated using a Monte Carlo model. The Monte Carlo approach has the advantage that it generates many alternative scenarios that cover our global footprint.

The total amount of non-linearity, calculated as the difference between the probability-weighted ECL calculated by the Monte Carlo model and the unweighted base forecast ECL, is \$44 million (31 December 2022: \$50 million). The CCIB and Central and other items portfolios accounted for \$26 million (31 December 2022: \$44 million) of the calculated non-linearity with the remaining \$18 million (31 December 2022: \$6 million) attributable to CPBB portfolios. As the non-linearity calculated for the CPBB portfolios at 31 December 2022 was relatively low, a judgemental post model adjustment of \$34 million was applied. Subsequent stand-back analysis was completed during the first half of 2023 to benchmark the ECL non-linearity calculated using the Monte Carlo model, which confirmed that the calculated non-linearity for CPBB portfolios was appropriate and the judgemental post model adjustment was released.

The impact of multiple economic scenarios on stage 1, stage 2 and stage 3 modelled ECL is set out in the table below, together with the management overlay and other judgemental adjustments.

	Base forecast \$million	Multiple economic scenarios ¹ \$million	Management overlays and other judgemental adjustments \$million	Total modelled ECL ² \$million
Total expected credit loss at 31 December 2023	1,071	44	165	1,280
Total expected credit loss at 31 December 2022	1,267	84	229	1,580

1 Includes judgemental post model adjustment of \$nil million (31 December 2022: \$34 million) relating to Consumer, Private and Business Banking

2 Total modelled ECL comprises stage 1 and stage 2 balances of \$1,105 million (31 December 2022: \$1,281 million) and \$193 million (31 December 2022: \$299 million) of modelled ECL on stage 3 loans

3 Includes ECL on Assets held for sale of \$37 million (31 December 2022: \$10 million)

The average expected credit loss under multiple scenarios is 4 per cent (2022: 7 per cent) higher than the expected credit loss calculated using only the most likely scenario (the Base Forecast). Portfolios that are more sensitive to non-linearity include those with greater leverage and/or a longer tenor, such as Project and Shipping Finance portfolios. Other portfolios display minimal non-linearity owing to limited responsiveness to macroeconomic impacts for structural reasons, such as significant collateralisation as with the CPBB mortgage portfolios.

Judgemental adjustments

As at 31 December 2023, the Group held judgemental adjustments for ECL as set out in the table below. All of the judgemental adjustments have been determined after taking account of the model performance post model adjustments reported on page 275. They are reassessed quarterly and are reviewed and approved by the IFRS 9 Impairment Committee and will be released when no longer relevant.

31 December 2023	Corporate, Commercial & Institutional Banking \$ million	Consumer, Private & Business Banking				Central & other \$ million	Total \$ million
		Mortgages \$ million	Credit Cards \$ million	Other \$ million	Total \$ million		
Judgemental post model adjustments	-	-	1	1	2	-	2
Judgemental management overlays:							
– China CRE	141	-	-	-	-	-	141
– Other	-	1	2	2	5	17	22
Total judgemental adjustments	141	1	3	3	7	17	165
Judgemental adjustments by stage:							
Stage 1	17	1	3	6	10	-	27
Stage 2	124	-	-	(3)	(3)	17	138
Stage 3	-	-	-	-	-	-	-

31 December 2022	Corporate, Commercial & Institutional Banking \$ million	Consumer, Private & Business Banking				Central & other \$ million	Total \$ million
		Mortgages \$ million	Credit Cards \$ million	Other \$ million	Total \$ million		
Judgemental post model adjustments	-	3	11	30	44	-	44
Judgemental management overlays:							
– China CRE	173	-	-	-	-	-	173
– Other	9	2	5	30	37	-	46
Total judgemental adjustments	182	5	16	60	81	-	263
Judgemental adjustments by stage:							
Stage 1	37	1	5	39	45	-	82
Stage 2	136	3	9	17	29	-	165
Stage 3	9	1	2	4	7	-	16

Judgemental post model adjustments

As at 31 December 2023, judgemental post model adjustments to increase ECL by a net \$2 million (31 December 2022: \$44 million increase) have been applied to certain CPBB models, primarily to adjust for temporary factors impacting modelled outputs. These will be released when these factors normalise. At 31 December 2022, \$34 million of the increase in ECL related to multiple economic scenarios, which was fully released in the first half of 2023 (see 'Impact of multiple economic scenarios').

Judgemental management overlays

China CRE

The real estate market in China has now been in a downturn since late 2021 as evidenced by continued decline in sales, and investments in the sector. Liquidity issues experienced by Chinese property developers continued into 2023 with more developers defaulting on their obligations both offshore and onshore. During 2023, authorities on the mainland have introduced a slew of policies to help revive the sector and restore buying sentiments. This has helped stabilise the market to an extent in some cities, but demand and home prices remain muted overall. Continued policy relaxations, including those related to house purchase restrictions, completion support for eligible projects from onshore financial institutions, relaxation in mortgage rates, and further support for affordable housing, are key for reversing the continued decline in sales and investments and ensuring a stable outlook for 2024.

The Group's loans and advances to China CRE clients was \$2.4 billion at 31 December 2023 (31 December 2022: \$3.2 billion). Client level analysis continues to be done, with clients being placed on purely precautionary or non-purely precautionary early alert, where appropriate, for closer monitoring. Given the evolving nature of the risks in the China CRE sector, a management overlay of \$141 million (31 December 2022: \$173 million) has been taken by estimating the impact of further deterioration to exposures in this sector. The decrease from 31 December 2022 was primarily driven by repayments and movement of some of the exposures to Stage 3.

Other

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

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

Stage 3 assets

Credit-impaired assets managed by Stressed Asset Group (SAG) incorporate forward-looking economic assumptions in respect of the recovery outcomes identified and are assigned individual probability weightings per IFRS 9. 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 first scenario, Global Stagflation, explores a temporary spike (relative to base) in commodity prices, inflation and interest rates in the near term from the ongoing war in Ukraine and conflicts in the Middle East. The second more severe scenario is based on the Bank of England's most recent Annual Cyclical Scenario (ACS), which explores a persistent rise in commodity prices, inflation and interest rates.

	Baseline		Global Stagflation		ACS	
	Five year average	Peak/Trough	Five year average	Peak/Trough	Five year average	Peak/Trough
China GDP	4.3	5.7 / 3.8	3.7	6.2 / (0.8)	2.2	3.9 / (3.4)
China unemployment	4.0	4.1 / 3.8	5.3	6.4 / 3.8	5.3	5.7 / 4.6
China property prices	4.6	7.2 / 1.5	4.4	15.9 / (17.5)	(5.5)	9.2 / (16.3)
Hong Kong GDP	2.5	3.8 / 1.5	1.8	5.6 / (1.4)	(0.6)	2.9 / (9.4)
Hong Kong unemployment	3.4	3.4 / 3.4	5.4	7.4 / 3.4	6.3	7.5 / 3.9
Hong Kong property prices	2.8	4.6 / (1.1)	1.6	9.4 / (3.8)	(9.7)	6.2 / (22.5)
US GDP	1.7	2.3 / 0.8	1.4	2.7 / (1.3)	0.1	1.5 / (4.8)
Singapore GDP	2.9	3.8 / 1.9	2.7	5.0 / (1.6)	1.2	5.9 / (8.7)
India GDP	6.2	9.1 / 4.4	4.9	6.6 / 0.6	4.2	7.3 / (0.7)
Crude oil	88.2	93.8 / 82.8	95.3	152.9 / 82.8	118	147.9 / 83.6

Period covered from Q1 2024 to Q4 2028

	Base (GDP, YoY%)					Global Stagflation					Difference from Base				
	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
China	4.8	4.5	4.3	4.0	3.8	1.5	1.6	4.8	5.7	4.8	(3.3)	(2.9)	0.5	1.7	1.0
Hong Kong	2.9	2.5	2.3	2.4	2.2	0.9	(1.0)	1.7	5.0	2.4	(2.0)	(3.5)	(0.6)	2.5	0.2
US	1.4	1.5	1.8	1.9	1.9	0.0	0.2	1.8	2.6	2.4	(1.5)	(1.3)	0.0	0.7	0.5
Singapore	2.6	3.1	3.3	2.8	2.6	0.3	0.6	3.7	4.8	4.0	(2.3)	(2.4)	0.4	2.0	1.3
India	6.0	5.5	6.5	6.4	6.6	2.6	3.9	5.6	6.5	5.7	(3.4)	(1.6)	(0.8)	0.1	(0.9)

Each year is from Q1 to Q4. For example 2024 is from Q1 2024 to Q4 2024.

	Base (GDP, YoY%)					ACS					Difference from Base				
	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
China	4.8	4.5	4.3	4.0	3.8	(0.9)	1.3	3.7	3.4	3.4	(5.6)	(3.2)	(0.5)	(0.6)	(0.4)
Hong Kong	2.9	2.5	2.3	2.4	2.2	(5.3)	(3.5)	2.6	1.8	1.5	(8.1)	(6.0)	0.3	(0.6)	(0.7)
US	1.4	1.5	1.8	1.9	1.9	(1.7)	(1.5)	1.0	1.3	1.3	(3.2)	(2.9)	(0.8)	(0.6)	(0.6)
Singapore	2.6	3.1	3.3	2.8	2.6	(3.8)	0.0	4.2	2.9	2.7	(6.4)	(3.1)	0.9	0.1	0.1
India	6.0	5.5	6.5	6.4	6.6	2.8	2.2	4.9	5.3	5.5	(3.2)	(3.3)	(1.6)	(1.1)	(1.2)

Each year is from Q1 to Q4. For example 2024 is from Q1 2024 to Q4 2024

The total modelled stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately \$153 million higher under the Global Stagflation scenario, and \$489 million higher under the ACS scenario than the baseline ECL provisions (which excluded the impact of multiple economic scenarios and management overlays which may already capture some of the risks in these scenarios). Stage 2 exposures as a proportion of stage 1 and 2 exposures would increase from 3.7 per cent in the base case to 4.1 per cent and 6.5 per cent respectively under the Global Stagflation and ACS scenarios. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults.

Under both scenarios, the majority of the increase in ECL in CCIB came from the main corporate and CRE portfolios. For the main corporate portfolios, ECL would increase by \$20 million and \$79 million for the Global stagflation and ACS scenarios respectively and the proportion of stage 2 exposures would increase from 5.5 per cent in the base case to 5.9 per cent and 8.2 per cent respectively.

For the CPBB portfolios, most of the increase in ECL came from the unsecured retail portfolios, with the Taiwan and Korea Personal Loans impacted. Under the Global Stagflation and ACS scenarios, Credit card ECL would increase by \$28 million and \$66 million respectively, largely in the Singapore and Hong Kong portfolios and the proportion of stage 2 credit card exposures would increase from 1.5 per cent in the base case to 2.1 per cent and 3.3 per cent for each scenario respectively, with the Singapore portfolio most impacted. Mortgages ECL would increase by \$1 million and \$45 million for each scenario respectively, with portfolios in Hong Kong and Korea most impacted and the proportion of stage 2 mortgages would increase from 1.2 per cent in the base case to 1.7 per cent and 14 per cent respectively, with the Hong Kong and Singapore portfolios most impacted.

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

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

	Gross as reported ¹ \$ million	ECL as reported ² \$ million	ECL Base case \$ million	ECL Global Stagflation \$ million	ECL ACS \$ million
Stage 1 modelled					
Corporate, Commercial & Institutional Banking	337,189	134	124	136	164
Consumer, Private & Business Banking	190,999	315	306	355	455
Ventures	1,015	15	15	15	15
Central & Other items	194,673	35	32	40	50
Total stage 1 excluding management judgements	723,876	499	477	546	684
Stage 2 modelled					
Corporate, Commercial & Institutional Banking	16,873	194	184	234	333
Consumer, Private & Business Banking	2,472	143	134	167	263
Ventures	54	21	21	21	21
Central & Other items	2,869	21	18	19	22
Total stage 2 excluding management judgements	22,268	379	357	441	639
Total Stage 1 & 2 modelled					
Corporate, Commercial & Institutional Banking	354,062	328	308	370	497
Consumer, Private & Business Banking	193,471	458	440	522	718
Ventures	1,069	36	36	36	36
Central & Other items	197,542	56	50	59	72
Total excluding management judgements	746,144	878	834	987	1,323
Stage 3 exposures excluding other assets	8,144	4,499			
Other financial assets³	111,478	59			
ECL from management judgements		165			
Total financial assets reported at 31 December 2023	865,766	5,601			

1 Gross balances includes both on- and off- balance sheet instruments; allocation between stage 1 and 2 will differ by scenario

2 Includes ECL for both on- and off- balance sheet instruments

3 Includes cash and balances at central banks, Accrued income, Other financial assets; and Assets held for sale

Significant increase in credit risk (SICR)

Quantitative criteria

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

Assets are considered to have experienced SICR if they have breached both relative and absolute thresholds for the change in the average annualised IFRS 9 lifetime probability of default (IFRS 9 PD) over the residual term of the exposure.

The absolute measure of increase in credit risk is used to capture instances where the IFRS 9 PDs on exposures are relatively low at initial recognition as these may increase by several multiples without representing a significant increase in credit risk. Where IFRS 9 PDs are relatively high at initial recognition, a relative measure is more appropriate in assessing whether there is a significant increase in credit risk, as the IFRS 9 PDs increase more quickly.

The SICR thresholds have been calibrated based on the following principles:

- Stability – The thresholds are set to achieve a stable stage 2 population at a portfolio level, trying to minimise the number of accounts moving back and forth between stage 1 and stage 2 in a short period of time

- Accuracy – The thresholds are set such that there is a materially higher propensity for stage 2 exposures to eventually default than is the case for stage 1 exposures
- Dependency from backstops – The thresholds are stringent enough such that a high proportion of accounts transfer to stage 2 due to movements in forward-looking IFRS 9 PDs rather than relying on backward-looking backstops such as arrears
- Relationship with business and product risk profiles – the thresholds reflect the relative risk differences between different products, and are aligned to business processes

For CCIB clients the quantitative thresholds are a relative 100 per cent increase in IFRS 9 PD and an absolute change in IFRS 9 PD of between 50 and 100 bps.

For Consumer and Business Banking clients, portfolio specific quantitative thresholds in Hong Kong, Singapore, Malaysia, UAE and Taiwan are applied for credit cards and one personal loan portfolio. The thresholds include relative and absolute increases in IFRS 9 PD with average lifetime IFRS 9 PD cut-offs for those exposures that are within a range of customer utilisation limits (for credit cards) and remaining tenor (for personal loans) and differentiate between exposures that are current and those that are 1 to 29 days past due.

The range of thresholds applied are:

Portfolio	Relative IFRS 9 PD increase (%)	Absolute IFRS 9 PD increase (%)	Customer utilisation (%)	Remaining tenor (%)	Average IFRS 9 PD (lifetime)
Credit cards – Current	50% – 150%	3.4% – 9.3%	15% – 90%	–	4.15% – 11.6%
Credit cards – 1-29 days past due	100% – 210%	3.5% – 6.1%	25% – 67%	–	1.5% – 18.5%
Personal loans – Current	–	3.5%	–	70%	2.8%
Personal loan – 1-29 days past due	25%	3%	–	75%	–

For all other Consumer and Business Banking portfolios, the quantitative SICR thresholds applied are a relative threshold of 100 per cent increase in IFRS 9 PD and an absolute change in IFRS 9 PD of between 100 and 350 bps depending on the product. Certain countries have a higher absolute threshold reflecting the lower default rate within their personal loan portfolios compared with the Group's other personal loan portfolios.

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

Qualitative criteria

Qualitative factors that indicate that there has been a significant increase in credit risk include processes linked to current risk management, such as placing loans on non-purely precautionary early alert.

Backstop

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

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

CCIB clients

Quantitative criteria

Exposures are assessed based on both the absolute and the relative movement in the IFRS 9 PD from origination to the reporting date as described above.

To account for the fact that the mapping between internal credit grades (used in the origination process) and IFRS 9 PDs is non-linear (e.g. a one-notch downgrade in the investment grade universe results in a much smaller IFRS 9 PD increase than in the sub-investment grade universe), the absolute thresholds have been differentiated by credit quality at origination, as measured by internal credit grades being investment grade or sub-investment grade.

Qualitative criteria

All assets of clients that have been placed on early alert (for non-purely precautionary reasons) are deemed to have experienced a significant increase in credit risk.

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

All client assets that have been assigned a CG12 rating, equivalent to 'Higher risk', are deemed to have experienced a significant increase in credit risk. Accounts rated CG12 are primarily managed by relationship managers in the CCIB unit with support from SAG for certain accounts. All CCIB clients are placed in CG12 when they are 30 DPD unless they are granted a waiver through a strict governance process.

Consumer and Business Banking clients

Quantitative criteria

Material portfolios (defined as a combination of country and product, for example Hong Kong mortgages, Singapore credit cards, Taiwan personal loans) for which a statistical model has been built, are assessed based on both the absolute and relative movement in the IFRS 9 PD from origination to the reporting date as described previously in page 273. For these portfolios, the original lifetime IFRS 9 PD term structure is determined based on the original Application Score or Risk Segment of the client.

Qualitative and backstop criteria

Accounts that are 30 DPD that have not been captured by the quantitative criteria are considered to have experienced a significant increase in credit risk. For less material portfolios, which are modelled based on a roll-rate or loss-rate approach, SICR is primarily assessed through the 30 DPD trigger. In addition, SICR is also assessed for where specific risk elevation events have occurred in a market that are not yet reflected in modelled outcomes or in other metrics. This is applied collectively either to impacted specific products/customer cohorts or across the overall consumer banking portfolio in the affected market.

Private Banking clients

For Private Banking clients, SICR is assessed by referencing the nature and the level of collateral against which credit is extended (known as 'Classes of Risk').

Qualitative criteria

For all Private Banking classes, in line with risk management practice, an increase in credit risk is deemed to have occurred where margining or loan-to-value covenants have been breached.

For Class I assets (lending against diversified liquid collateral), if these margining requirements have not been met within 30 days of a trigger, a significant increase in credit risk is assumed to have occurred.

For Class I and Class III assets (real-estate lending), a significant increase in credit risk is assumed to have occurred where the bank is unable to 'sell down' the applicable assets to meet revised collateral requirements within five days of a trigger.

Class II assets are typically unsecured or partially secured, or secured against illiquid collateral such as shares in private companies. Significant credit deterioration of these assets is deemed to have occurred when any early alert trigger has been breached.

Debt securities

Quantitative criteria

For debt securities originated before 1 January 2018, the bank is utilising the low Credit Risk simplified approach, where debt securities with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other debt securities are allocated to stage 2. Debt securities originated after 1 January 2018 are assessed based on the absolute and relative movements in IFRS 9 PD from origination to the reporting date using the same thresholds as for Corporate, Commercial and Institutional Banking clients.

Qualitative criteria

Debt securities utilise the same qualitative criteria as the Corporate, Commercial and Institutional Banking client segments, including being placed on non-purely precautionary early alert or being classified as CG12.

Assessment of credit-impaired financial assets

Consumer and Business Banking clients

The core components in determining credit-impaired expected credit loss provisions are the value of gross charge-off and recoveries. Gross charge-off and/or loss provisions are recognised when it is established that the account is unlikely to pay through the normal process. Recovery of unsecured debt post credit impairment is recognised based on actual cash collected, either directly from clients or through the sale of defaulted loans to third-party institutions. Release of credit impairment provisions for secured loans is recognised if the loan outstanding is paid in full (release of full provision), or the provision is higher than the loan outstanding (release of the excess provision).

CCIB and Private Banking clients

Credit-impaired accounts are managed by the Group's specialist recovery unit, Stressed Asset Group (SAG), which is independent from its main businesses. Where a portion of exposure is considered not recoverable, 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 Upside, Downside and Likely recovery outcomes). Where the exposure is secured by collateral, the values used will incorporate the impact of forward-looking economic information on the value recoverable collateral and time to realise the same.

The individual circumstances of each client are considered when SAR estimates future cashflows and the timing of future recoveries which involves significant judgement. All available sources, such as cashflow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Write-offs

Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

Governance and application of expert credit judgement in respect of expected credit losses

The Group's Credit Policy and Standards framework details the requirements for continuous monitoring to identify any changes in credit quality and resultant ratings, as well as ensuring a consistent approach to monitoring, managing and mitigating credit risks. The framework aligns with the governance of ECL estimation through the early recognition of significant deteriorations in ratings which drive stage 2 and 3 ECL.

The models used in determining expected credit losses are reviewed and approved by the Group Credit Model Assessment Committee (CMAC), which is appointed by the Model Risk Committee. CMAC has the responsibility to assess and approve the use of models and to review all IFRS 9 interpretations related to models. CMAC also provides oversight on operational matters related to model development, performance monitoring and model validation activities, including standards and regulatory matters.

Prior to submission to CMAC for approval, the models are validated by GMV, a function which is independent of the business and the model developers. GMV's analysis comprises review of model documentation, model design and methodology, data validation, review of the model development and calibration process, out-of-sample performance testing, and assessment of compliance review against IFRS 9 rules and internal standards.

A quarterly model monitoring process is in place that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds. Where a model's performance breaches the monitoring thresholds, an assessment of whether a PMA is required to correct for the identified model issue is completed.

Key inputs into the calculation and resulting expected credit loss provisions are subject to review and approval by the IFRS 9 Impairment Committee (IIC) which is appointed by the Group Risk Committee. The IIC consists of senior representatives from Risk, Finance, and Group Economic Research. It meets at least twice every quarter; once before the models are run to approve key inputs into the calculation, and once after the models are run to approve the expected credit loss provisions and any judgemental overrides that may be necessary.

The IFRS 9 Impairment Committee:

- Oversees the appropriateness of all Business Model Assessment and Solely Payments of Principal and Interest (SPPI) tests
- Reviews and approves expected credit loss for financial assets classified as stages 1, 2 and 3 for each financial reporting period
- Reviews and approves stage allocation rules and thresholds
- Approves material adjustments in relation to expected credit loss for fair value through other comprehensive income (FVOCI) and amortised cost financial assets
- Reviews, challenges and approves base macroeconomic forecasts and the multiple macroeconomic scenarios approach that are utilised in the forward-looking expected credit loss calculations

The IFRS 9 Impairment Committee is supported by an Expert Panel which also reviews and challenges the base case projections and multiple macroeconomic scenarios. The Expert Panel consists of members of Enterprise Risk Management (which includes the Scenario Design team), Finance, Group Economic Research and country representatives of major jurisdictions.

PMAs may be applied to account for identified weaknesses in model estimates. The processes for identifying the need for, calculating the level of, and approving PMAs are prescribed in the Credit Risk IFRS 9 ECL Model Family Standards, which are approved by the Global Head, Model Risk Management. PMA calculation methodologies are reviewed by GMV and submitted to CMAC as the model approver or the IIC. All PMAs have a remediation plan to fix the identified model weakness, and these plans are reported to and tracked at CMAC.

In addition, Risk Event Overlays account for events that are sudden and therefore not captured in the Base Case Forecast or the resulting ECL calculated by the models. All Risk Event Overlays must be approved by the IIC having considered the nature of the event, why the risk is not captured in the model, and the basis on which the quantum of the overlay has been calculated. Risk Event Overlays are subject to quarterly review and re-approval by the IIC and will be released when the risks are no longer relevant.

Traded Risk

Traded Risk is the potential for loss resulting from activities undertaken by the Group in financial markets. Under the Enterprise Risk Management Framework, the Traded Risk Framework brings together Market Risk, Counterparty Credit Risk and Algorithmic Trading. Traded Risk Management is the core risk management function supporting market-facing businesses, predominantly Financial Markets and Treasury Markets.

Market Risk (audited)

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

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

A summary of our current policies and practices regarding Market Risk management is provided in the Principal Risks section (page 323).

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

	2023				2022			
	Average \$million	High \$million	Low \$million	Year End \$million	Average \$million	High \$million	Low \$million	Year End \$million
Trading¹ and non-trading²	53.3	65.5	44.2	44.5	52.5	64.1	40.3	55.8
Interest Rate Risk	39.5	54.1	23.2	30.5	278	42.1	21.0	24.7
Credit Spread Risk	33.8	48.0	25.0	31.7	34.2	47.1	20.3	32.9
Foreign Exchange Risk	7.0	12.2	4.2	7.4	6.5	10.3	4.8	6.8
Commodity Risk	5.8	9.7	3.7	4.3	7.0	11.9	3.5	8.3
Equity Risk	0.1	0.4	–	–	0.1	0.2	–	0.1
Diversification effect	(32.9)	N/A	N/A	(29.4)	(23.1)	N/A	N/A	(17.0)
Total	53.3	65.5	44.2	44.5	52.5	64.1	40.3	55.8
Trading¹	2023				2022			
	Average \$million	High \$million	Low \$million	Year End \$million	Average \$million	High \$million	Low \$million	Year End \$million
Interest Rate Risk	13.1	20.4	7.7	11.6	8.1	11.7	5.3	9.0
Credit Spread Risk	9.4	12.4	7.4	9.4	9.5	14.9	5.0	8.7
Foreign Exchange Risk	7.0	12.2	4.2	7.4	6.5	10.3	4.8	6.8
Commodity Risk	5.8	9.7	3.7	4.4	7.0	11.9	3.5	8.3
Equity Risk	–	–	–	–	–	–	–	–
Diversification effect	(13.8)	N/A	N/A	(11.5)	(13.1)	N/A	N/A	(11.0)
Total	21.5	30.6	14.7	21.3	18.0	24.4	12.6	21.8

The primary categories of Market Risk for the Group are:

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

Market risk movements (audited)

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

The average level of total trading and non-trading VaR in 2023 was \$53.3 million, 1.5 per cent higher than 2022 (\$52.5 million). The year end level of total trading and non-trading VaR in 2023 was \$44.5 million, 20.2 per cent lower than 2022 (\$55.8 million), due to a reduction in non-trading positions.

For the trading book, the average level of VaR in 2023 was \$21.5 million, 19.4 per cent higher than 2022 (\$18.0 million). Trading activities have remained relatively unchanged, and client driven.

Non-trading ²	2023				2022			
	Average \$million	High \$million	Low \$million	Year End \$million	Average \$million	High \$million	Low \$million	Year End \$million
Interest Rate Risk	34.2	43.6	19.7	23.9	26.3	44.5	18.1	23.5
Credit Spread Risk	28.3	40.1	21.5	24.4	28.8	37.8	18.7	29.2
Equity Risk	0.1	0.4	-	-	0.1	0.2	-	0.1
Diversification effect	(18.6)	N/A	N/A	(12.7)	(10.6)	N/A	N/A	(11.5)
Total	44.0	53.4	32.0	35.6	44.6	52.5	35.1	41.3

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

	2023				2022			
	Average \$million	High \$million	Low \$million	Year End \$million	Average \$million	High \$million	Low \$million	Year End \$million
Trading¹ and non-trading²	53.3	65.5	44.2	44.5	52.5	64.1	40.3	55.8
Trading¹								
Macro Trading ³	13.8	20.2	9.2	15.4	12.8	17.4	10.2	16.9
Global Credit	12.8	18.2	8.5	10.1	10.1	15.7	4.2	8.4
XVA	4.8	7.0	3.4	4.5	3.9	5.0	2.4	4.6
Diversification effect	(9.9)	N/A	N/A	(8.7)	(8.8)	N/A	N/A	(8.1)
Total	21.5	30.6	14.7	21.3	18	24.4	12.6	21.8
Non-trading²								
Treasury ⁴	43.4	50.2	31.1	34.9	38.7	47.5	29.7	40.3
Global Credit	3.9	13.6	2.0	4.0	3.4	5.0	2.3	3.5
Listed Private Equity	0.1	0.4	0.0	0.0	0.1	0.2	-	0.1
Diversification effect	(3.4)	N/A	N/A	(3.3)	2.4	N/A	N/A	(2.6)
Total	44.0	53.4	32.0	35.6	44.6	52.5	35.1	41.3

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

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

3 Macro Trading comprises the Rates, FX and Commodities businesses

4 Treasury comprises Treasury Markets and Treasury Capital Management businesses

Risks not in VaR

In 2023, the main market risks not reflected in VaR were:

- Basis risks for which the historical market price data is limited and is therefore proxied, giving rise to potential proxy basis risk that is not captured in VaR
- Potential depeg risk from currencies currently pegged or managed, as the historical one-year VaR observation period does not reflect the possibility of a change in the currency regime, such as sudden depegging
- Volatility skew risk due to movements in options volatilities at different strikes while VaR reflects only movements in at-the-money volatilities
- Deal contingent risk where a client is granted the right to cancel a hedging trade contingent on conditions not being met within a time window

Additional capital is set aside to cover such 'risks not in VaR'.

Backtesting

In 2023, there were five regulatory backtesting negative exceptions at Group level (in 2022 there were eight regulatory backtesting negative exceptions at Group level). Group exceptions occurred on:

- 16 March: After the US authorities put Silicon Valley Bank and Signature Bank into administration there were strong market reactions, including notable interest rate yield rises on 16 March
- 1 June: After announcement of planned potential economic reforms in Nigeria, there were sharp movements in the offshore Naira FX market in anticipation of Naira devaluation
- 12 June: After the governor of the Central Bank of Nigeria was removed there were further sharp movements in the offshore Naira FX market
- 1 November and 3 November: After the Nigerian government announced on 30 October that it plans to target an exchange rate of 750 Naira per dollar, the onshore spot market became more volatile on low volumes.

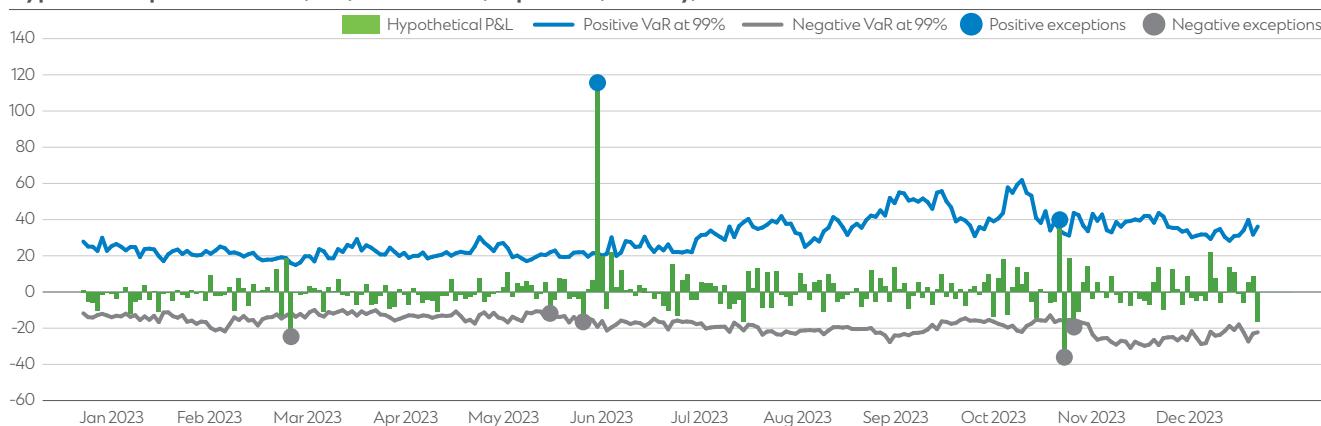
The VaR model is currently being enhanced to increase its responsiveness to abrupt upturns in market volatility.

There have been five Group exceptions in the previous 250 business days. This is within the ‘amber zone’ applied internationally to internal models by bank supervisors (Basel Committee on Banking Supervision, Supervisory framework for the use of backtesting in conjunction with the internal models approach to market risk capital requirements, January 1996).

The graph below illustrates the performance of the VaR model used in capital calculations. It compares the 99 percentile profit and loss confidence level given by the VaR model with the hypothetical profit and loss of each day given the actual market movement without taking into account any intra-day trading activity.

2023 Backtesting chart

**Internal model approach regulatory trading book at Group level
Hypothetical profit and loss (P&L) versus VaR (99 per cent, one day)**



Trading loss days

	2023	2022
Number of loss days reported for Financial Markets trading book total product income ¹	16	15

¹ Includes credit valuation adjustment (CVA) and funding valuation adjustment (FVA), and excludes Treasury Markets business (non-trading), periodic valuation changes for Capital Markets, expected loss provisions, overnight indexed swap (OIS) discounting and accounting adjustments such as debit valuation adjustments

Average daily income earned from Market Risk-related activities¹ (audited)

The average level of total trading daily income in 2023 was \$12 million, 14 per cent lower than 2022 (\$14 million). The decrease is largely attributable to lower income in Commodities in 2023 on the back of lower volatility and falling crude oil prices. Additionally, the decrease in FX business was on the back of lower cross-border flows and muted FX volatility.

The average level of total non-trading daily income in 2023 was -\$0.7 million, 217 per cent lower than 2022 (\$0.6 million). The decrease is primarily attributable to lower income from the Credit Solutions business.

Trading	2023 \$million	2022 \$million
Interest Rate Risk	4.5	5.0
Credit Spread Risk	1.2	1.4
Foreign Exchange Risk	5.5	6.3
Commodity Risk	0.8	1.3
Equity Risk	-	-
Total	12.0	14.0

Non-trading	\$million	\$million
Interest Rate Risk	(0.1)	—
Credit Spread Risk	(0.7)	0.6
Equity Risk	0.1	—
Total	(0.7)	0.6

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

Structural foreign exchange exposures

The table below sets out the principal structural foreign exchange exposures (net of investment hedges) of the Group.

	2023 \$million	2022¹ \$million
Hong Kong dollar	4,662	3,333
Renminbi	3,523	3,497
Indian rupee	3,309	4,396
Singapore dollar	2,415	1,888
Korean won	2,114	2,409
Malaysian ringgit	1,540	1,571
Taiwanese dollar	1,222	1,055
Euro	1,125	893
Bangladeshi Taka	1,007	832
Thai baht	782	782
UAE dirham	709	670
Pakistani rupee	306	352
Indonesian rupiah	293	261
Other	3,206	3,233
	26,213	25,172

1 Prior year has been represented to provide granular currency details

As at 31 December 2023, the Group had taken net investment hedges using derivative financial instruments to partly cover its exposure to the Hong Kong dollar of \$5,603 million (31 December 2022: \$6,236 million), Korean won of \$2,884 million (31 December 2022: \$3,330 million), Indian rupee of \$1,809 million (31 December 2022: \$620 million), Renminbi of \$1,516 million (31 December 2022: \$1,608 million), UAE dirham of \$1,470 million (31 December 2022: \$1,334 million), Singapore dollar of \$1,047 million (31 December 2022: \$1,608 million), Taiwanese dollar of \$1,025 million (31 December 2022: \$1,075 million) and South African rand of \$64 million (31 December 2022: \$nil million). An analysis has been performed on these exposures to assess the impact of a 1 per cent fall in the US dollar exchange rates, adjusted to incorporate the impacts of correlations of these currencies to the US dollar. The impact on the positions above would be an increase of \$260 million (31 December 2022: \$421 million). Changes in the valuation of these positions are taken to reserves. For analysis of the Group's capital position and requirements, refer to the Capital Review (page 338).

Counterparty Credit Risk

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

Derivative financial instruments Credit Risk mitigation

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

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

Liquidity and Funding Risk

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

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

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

Despite the challenging macroeconomic environment, the Group has maintained resilience and retained a robust liquidity position. The Group continues to focus on improving the quality and diversification of its funding mix and remains committed to supporting its clients.

Primary sources of funding (audited)

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

The Group's assets are funded predominantly by customer deposits, supplemented with wholesale funding, which is diversified by type and maturity.

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

In 2023, the Group issued approximately \$8.1 billion of securities, all in the form of senior debt, from its holding company (HoldCo) Standard Chartered PLC (2022 \$5.2 billion of senior debt securities, \$0.75 billion of subordinated debt securities and \$1.25 billion of Additional Tier 1 securities). In the next 12 months, approximately \$8.5 billion of the Group's senior debt, subordinated debt and Additional Tier 1 securities in total are either falling due for repayment contractually or callable by the Group.

Group's composition of liabilities and equity 31 December 2023



Geographic distribution of customer accounts 31 December 2023



Liquidity and Funding Risk metrics

The Group continually monitors key liquidity metrics, both on a country basis and consolidated across the Group.

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

Liquidity coverage ratio (LCR)

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

The Group monitors and reports its liquidity positions under the Liquidity Coverage Ratio per PRA rulebook and has maintained its LCR above the prudential requirement. The Group maintained strong liquidity ratios despite a challenging macroeconomic and geopolitical environment.

At the reporting date, the Group LCR was 145 per cent (31 December 2022: 147 per cent), with a surplus to both Board-approved Risk Appetite and regulatory requirements.

Adequate liquidity was held across our footprint to meet all local prudential LCR requirements where applicable.

	2023 \$million	2022 \$million
Liquidity buffer	185,643	177,037
Total net cash outflows	128,111	120,720
Liquidity coverage ratio	145%	147%

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.

Our approach to managing liquidity and funding is reflected in the Board-level Risk Appetite Statement which includes the following:

"The Group should have sufficient stable and diverse sources of funding to meet its contractual and contingent obligations as they fall due."

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

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

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

Stress testing results show that a positive surplus was maintained under all scenarios at 31 December 2023, and respective countries were able to survive for a period of time as defined under each scenario. The results take into account currency convertibility and portability constraints while calculating the liquidity surplus at Group level.

Standard Chartered Bank's credit ratings as at 31 December 2023 were A+ with stable outlook (Fitch), A+ with stable outlook (S&P) and A1 with stable outlook (Moody's). As of 31 December 2023, the estimated contractual outflow of a three-notch long-term ratings downgrade is \$1.1 billion.

External wholesale borrowing

A risk limit is set to prevent excessive reliance on wholesale borrowing. Within the definition of wholesale borrowing, limits are applied to all branches and operating subsidiaries in the Group and as at the reporting date, the Group remained within the Risk Appetite.

Advances-to-deposits ratio

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

The Group's advances-to-deposits ratio has decreased by 4.1 per cent to 53.3 per cent, driven by an increase in customer deposits of 3 per cent and with a reduction of 5 per cent in customer loans and advances. Deposits from customers as at 31 December 2023 are \$486,666 million (31 December 2022: \$473,383 million).

	2023 \$million	2022 \$million
Total loans and advances to customers ^{1,2}	259,481	271,897
Total customer accounts ³	486,666	473,383
Advances-to-deposits ratio	53.3%	57.4%

1 Excludes reverse repurchase agreement and other similar secured lending of \$13,996 million and includes loans and advances to customers held at fair value through profit and loss of \$7,212 million

2 Loans and advances to customers for the purpose of the advances-to-deposits ratio excludes \$20,710 million of approved balances held with central banks, confirmed as repayable at the point of stress (31 December 2022: \$20,798 million)

3 Includes customer accounts held at fair value through profit or loss of \$17,248 million (31 December 2022: \$11,706 million)

Net stable funding ratio (NSFR)

The NSFR is a PRA regulatory requirement that stipulates institutions to maintain a stable funding profile in relation to an assumed duration of their assets and off-balance sheet activities over a one-year horizon. It is the ratio between the amount of available stable funding (ASF) and the amount of required stable funding (RSF). ASF factors are applied to balance sheet liabilities and capital, based on their perceived stability and the amount of stable funding they provide. Likewise, RSF factors are applied to assets and off-balance sheet exposures according to the amount of stable funding they require. The regulatory requirements for NSFR are to maintain a ratio of at least 100 per cent. The average ratio for the past four quarters is 136 per cent.

Liquidity pool

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was \$186 billion. The figures in the table below account for haircuts, currency convertibility and portability constraints per PRA rules for transfer restrictions, and therefore are not directly comparable with the consolidated balance sheet. A liquidity pool is held to offset stress outflows as defined in the LCR per PRA rulebook.

	2023			
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million
Level 1 securities				
Cash and balances at central banks	32,504	2,456	46,715	81,675
Central banks, governments/public sector entities	54,562	1,363	15,843	71,768
Multilateral development banks and international organisations	5,202	961	10,754	16,917
Other	130	–	1,161	1,291
Total Level 1 securities	92,398	4,780	74,473	171,651
Level 2A securities	6,194	128	6,946	13,268
Level 2B securities	348	–	376	724
Total LCR eligible assets	98,940	4,908	81,795	185,643
2022				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Total \$million
Level 1 securities				
Cash and balances at central banks	34,101	1,066	36,522	71,689
Central banks, governments/public sector entities	50,881	2,712	23,680	77,273
Multilateral development banks and international organisations	3,510	837	10,843	15,190
Other	37	7	1,430	1,474
Total Level 1 securities	88,529	4,622	72,475	165,626
Level 2A securities	4,044	139	6,033	10,216
Level 2B securities	71	21	1,103	1,195
Total LCR eligible assets	92,644	4,782	79,611	177,037

Liquidity analysis of the Group's balance sheet (audited)

Contractual maturity of assets and liabilities

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

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

As at the reporting date, assets remain predominantly short-dated, with 63 per cent maturing in less than one year. The less than six-month cumulative net funding gap improved by \$35 billion as of 31 December 2023 compared to 31 December 2022.

	2023								
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
Assets									
Cash and balances at central banks	63,752	-	-	-	-	-	-	6,153	69,905
Derivative financial instruments	12,269	10,632	6,910	3,611	2,921	4,650	6,038	3,403	50,434
Loans and advances to banks ¹²	28,814	23,384	10,086	4,929	5,504	1,583	2,392	1,098	77,790
Loans and advances to customers ¹²	86,695	55,009	25,492	15,392	14,537	25,987	26,545	95,829	345,486
Investment securities ¹	12,187	28,999	17,131	18,993	20,590	24,244	44,835	50,168	217,147
Other assets ¹	17,611	31,729	1,286	409	587	67	93	10,300	62,082
Total assets	221,328	149,753	60,905	43,334	44,139	56,531	79,903	166,951	822,844
Liabilities									
Deposits by banks ¹³	26,745	1,909	1,398	503	778	1,326	2,848	2	35,509
Customer accounts ¹⁴	384,444	47,723	28,288	13,647	11,806	7,787	38,578	2,349	534,622
Derivative financial instruments	13,111	12,472	6,655	4,001	3,433	5,142	6,932	4,315	56,061
Senior debt ⁵	130	1,111	1,537	1,389	624	11,507	20,127	14,443	50,868
Other debt securities in issue ¹	3,123	5,822	6,109	3,235	3,037	492	482	195	22,495
Other liabilities	14,929	26,447	1,695	544	883	1,830	1,809	12,763	60,900
Subordinated liabilities and other borrowed funds	980	68	19	172	453	312	1,936	8,096	12,036
Total liabilities	443,462	95,552	45,701	23,491	21,014	28,396	72,712	42,163	772,491
Net liquidity gap	(222,134)	54,201	15,204	19,843	23,125	28,135	7,191	124,788	50,353

1 Loans and advances, investment securities, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 13 Financial instruments

2 Loans and advances include reverse repurchase agreements and other similar secured lending of \$97.6 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of \$5.6 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of \$48.0 billion

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

	2022								
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
Assets									
Cash and balances at central banks	49,097	-	-	-	-	-	-	9,166	58,263
Derivative financial instruments	15,558	12,030	8,352	4,446	3,602	6,026	8,410	5,293	63,717
Loans and advances to banks ^{1,2}	24,135	15,293	11,595	4,971	4,138	2,608	1,022	687	64,449
Loans and advances to customers ^{1,2}	96,351	58,605	27,751	12,540	13,444	19,150	33,413	96,476	357,730
Investment securities ¹	14,175	26,008	23,364	13,024	12,891	22,805	41,217	52,756	206,240
Other assets ¹	15,210	31,276	1,341	181	698	89	23	20,705	69,523
Total assets	214,526	143,212	72,403	35,162	34,773	50,678	84,085	185,083	819,922
Liabilities									
Deposits by banks ^{1,3}	29,733	2,042	2,245	871	349	1,432	144	7	36,823
Customer accounts ^{1,4}	402,069	49,769	25,110	15,961	15,216	7,830	2,451	1,823	520,229
Derivative financial instruments	15,820	15,810	8,645	5,002	4,102	6,795	7,904	5,784	69,862
Senior debt ⁵	204	342	509	963	711	5,855	19,673	12,086	40,343
Other debt securities in issue ¹	2,758	5,504	8,732	7,316	2,935	1,088	870	268	29,471
Other liabilities	19,857	24,725	1,616	521	503	902	1,043	10,296	59,463
Subordinated liabilities and other borrowed funds	2,004	105	22	248	25	1,882	2,045	7,384	13,715
Total liabilities	472,445	98,297	46,879	30,882	23,841	25,784	34,130	37,648	769,906
Net liquidity gap	(257,919)	44,915	25,524	4,280	10,932	24,894	49,955	147,435	50,016

1 Loans and advances, investment securities, other assets, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 13 Financial instruments

2 Loans and advances include reverse repurchase agreements and other similar secured lending of \$90 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of \$7.0 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of \$46.8 billion

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

Behavioural maturity of financial assets and liabilities

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

Maturity of financial liabilities on an undiscounted basis (audited)

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

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

	2023								
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
Deposits by banks	26,759	1,921	1,417	513	790	1,328	2,848	4	35,580
Customer accounts	385,361	48,140	28,763	14,049	12,190	8,118	39,000	3,036	538,657
Derivative financial instruments	53,054	517	46	44	103	202	887	1,208	56,061
Debt securities in issue	3,507	6,995	8,015	5,070	4,002	13,663	23,413	16,396	81,061
Subordinated liabilities and other borrowed funds	1,043	134	46	208	570	395	2,389	14,367	19,152
Other liabilities	12,200	26,291	1,560	515	884	1,832	1,810	11,513	56,605
Total liabilities	481,924	83,998	39,847	20,399	18,539	25,538	70,347	46,524	787,116

	2022								
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million	Total \$million
Deposits by banks	29,742	2,048	2,275	876	362	1,455	144	8	36,910
Customer accounts	401,893	49,196	24,713	15,614	15,283	8,280	5,937	2,591	523,507
Derivative financial instruments	65,912	48	12	116	213	940	1,185	1,436	69,862
Debt securities in issue	3,060	5,912	9,631	8,574	3,979	7,844	22,259	18,465	79,724
Subordinated liabilities and other borrowed funds	2,097	165	44	273	28	2,029	2,610	14,004	21,250
Other liabilities	17,275	25,751	1,517	504	496	895	901	9,669	57,008
Total liabilities	519,979	83,120	38,192	25,957	20,361	21,443	33,036	46,173	788,261

Interest Rate Risk in the Banking Book

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

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

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

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

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

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

Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:

	2023						
	USD bloc \$million	HKD bloc \$million	SGD bloc \$million	KRW bloc \$million	CNY bloc \$million	Other currency bloc \$million	Total \$million
+ 50 basis points	90	10	50	10	30	160	350
- 50 basis points	(150)	(30)	(50)	(20)	(40)	(180)	(470)
+ 100 basis points	180	10	100	20	60	320	690
- 100 basis points	(280)	(40)	(100)	(40)	(80)	(350)	(890)

Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:

	2022						
	USD bloc \$million	HKD bloc \$million	SGD bloc \$million	KRW bloc \$million	CNY bloc \$million	Other currency bloc \$million	Total \$million
+ 50 basis points	80	20	40	50	30	150	370
- 50 basis points	(80)	(20)	(40)	(60)	(30)	(140)	(370)
+ 100 basis points	160	40	90	100	50	300	740

As at 31 December 2023, the Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 50 basis points to increase projected NII by \$350 million. The equivalent impact from a parallel decrease of 50 basis points would result in a reduction in projected NII of \$470 million. The Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 100 basis points to increase projected NII by \$690 million.

The equivalent impact from a parallel decrease of 100 basis points would result in a reduction in projected NII of \$890 million.

The benefit from rising interest rates is primarily from reinvesting at higher yields and from assets re-pricing faster and to a greater extent than deposits. NII sensitivity in falling rate scenarios has increased versus 31 December 2022, due to changes in modelling assumptions to reflect expected re-pricing activity on Retail and Transaction Banking current accounts and savings accounts in the current interest rate environment.

Over the course of 2023 the size of the interest rate swaps and HTC-accounted bond portfolios used to programmatically hedge the behavioural lives of structural equity and CASA balances increased from \$31 billion to \$47 billion. The portfolios had a weighted average maturity of 2.9 years, which reflects the behaviouralised lives of the rate-insensitive deposit and equity balances that they hedge, and a yield of 3.1%, as at 31 December 2023.

Operational and Technology Risk

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

Operational and Technology risk profile

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

The Group has demonstrated progress on ensuring visibility of risks and risk management through implementation of a standardised risk taxonomy. Standardising the risk taxonomy enables improved risk aggregation and reporting as well as providing opportunities for simplifying the process of risk identification and assessment. A revised process universe along with taxonomies for causes and controls have been designed and will be implemented in 2024, with control categories supporting the streamlining and removal of duplicate controls, reducing complexity, and improving

risk and control management. Macro processes will provide a client-centric view and enable clearer accountability for delivery as well as management of risks in line with business objectives.

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

Operational and Technology risk events and losses

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

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

Distribution of Operational Losses by Basel business line

Agency Services	1.8%	3.0%
Asset Management	0.1%	0.8%
Commercial Banking	8.4%	8.9%
Corporate Finance	7.6%	1.1%
Corporate Items	35.5%	2.5%
Payment and Settlements	17.6%	42.9%
Retail Banking	20.3%	25.5%
Retail Brokerage	0.0%	0.0%
Trading and Sales	8.5%	15.2%

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

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

Distribution of Operational Losses by Basel event type

	% Loss	2023	2022 ¹
Business disruption and system failures	6.0%	3.5%	
Clients' products and business practices	3.6%	7.1%	
Damage to physical assets	0.0%	0.0%	
Employment practices and workplace safety	0.6%	0.2%	
Execution delivery and process management	75.0%	79.6%	
External fraud	14.6%	8.6%	
Internal fraud	0.2%	0.9%	

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

Other principal risks

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

Climate Risk

Managing the financial and non-financial risks from climate change

Disclaimer

For the avoidance of doubt, this 'Climate Risk' section is subject to the statements included in (i) the 'Forward-Looking Statements' section; and (ii) the 'Basis of Preparation and Caution Regarding Data Limitations' section provided under 'Important Notices' at page 519.

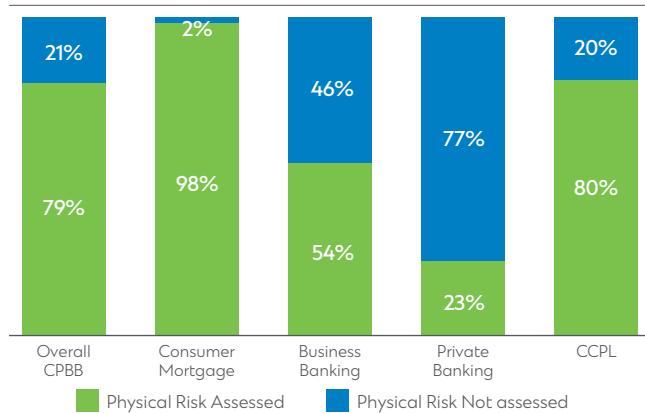
Credit Risk

We have developed a climate risk management framework, which provides a baseline level of effective risk mitigation.

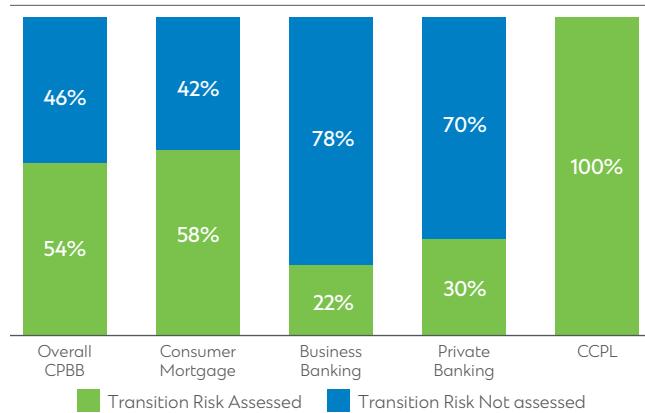
Consumer, Private and Business Banking (CPBB) Credit Risk

As of September 2023, we have assessed the physical risk for 79 per cent and transition risk for 54 per cent of our CPBB portfolio.

Physical Risk Measuring and Monitoring in CPBB (as of September 2023)



Transition Risk Measuring and Monitoring in CPBB (as of September 2023)



For our secured portfolio, assessments are based on the underlying physical collateral for our residential and commercial portfolios where we continue to leverage Munich Re's Risk Suite (Natural Hazards Edition) to measure acute and chronic physical risk impacting each asset. For our unsecured portfolios, such as credit cards and personal loans, we recognise that physical risk is likely to have a more pronounced second order impact that may indirectly affect our customers' ability to repay. We have further expanded our scope of risk measurement and monitoring to cover these products in 2023, albeit using proxies based on the location of bank branches.

We assess the exposure concentrations to high physical risk across acute and chronic hazards quarterly, and report these at risk management committees at Group, Region and Country, with a stronger focus on flood risk and rising sea levels. During 2023, the physical risk profile across products and markets has remained stable, apart from slight variations in exposure to high flood risk levels due to enhancements in Munich Re's flood risk model.

Assessment of Acute and Chronic Physical Risk for Top 10 Markets' Exposures backed by Property Collateral, indicating Exposure Concentration Subjected to Very High Gross Risk (as of September 2023)

Physical risk event	Global			Korea			Hong Kong			Taiwan		
	Q3-22	Q3-23	Trend	Q3-22	Q3-23	Trend	Q3-22	Q3-23	Trend	Q3-22	Q3-23	Trend
Flood Risk	24.80%	24.20%	↔	14.00%	12.30%	↓	44.60%	44.90%	↔	11.90%	11.00%	↓
Sea-level rise (Year 2100, RCP 8.5)	2.10%	2.20%	↔	0.01%	0.60%	↑	3.40%	3.60%	↑	0.04%	0.03%	↔
Physical risk event	India			Singapore			Malaysia			UAE		
	Q3-22	Q3-23	Trend	Q3-22	Q3-23	Trend	Q3-22	Q3-23	Trend	Q3-22	Q3-23	Trend
Flood Risk	30.20%	22.30%	↓	3.50%	3.40%	↔	6.50%	5.30%	↓	29.50%	26.50%	↓
Sea-level rise (Year 2100, RCP 8.5)	1.10%	0.90%	↓	0.08%	0.06%	↓	0.20%	0.30%	↑	36.80%	36.10%	↔
Physical risk event	Jersey			Vietnam			China					
	Q3-22	Q3-23	Trend	Q3-22	Q3-23	Trend	Q3-22	Q3-23	Trend	Q3-22	Q3-23	Trend
Flood Risk	1.90%	1.60%	↓	63.90%	60.40%	↓	67.70%	67.10%	↔			
Sea-level rise (Year 2100, RCP 8.5)	-	-	-	1.80%	1.00%	↓	8.30%	8.30%	↔			

Note: Movements are called out for markets showing a change of >5 per cent year-on-year change in flood risk exposure concentration.

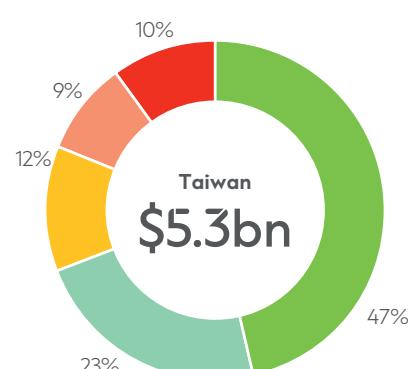
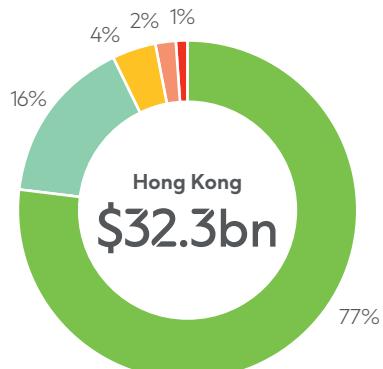
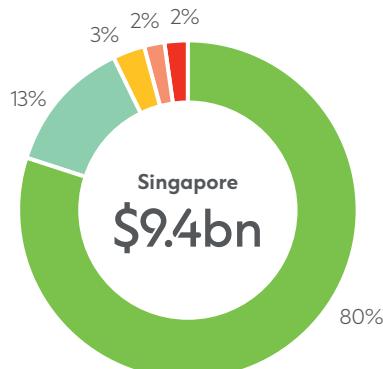
Our key residential mortgage markets have not implemented minimum building energy efficiency standards. As such, in 2023 we took an alternative approach towards assessing the transition risk impact on our borrowers, by quantifying the robustness of their repayment capability, rather than accounting for valuation related risks of property collateral. We used a combination of internal and external data, including results from our net zero financed emissions calculations and our initial analysis shows that the transition risk levels appear to be low across key residential mortgage markets. These results will be refined along with revisions in exposure concentrations, as the data landscape matures over time and as we improve upon the initial approach.

Approaches to Measure Transition Risk



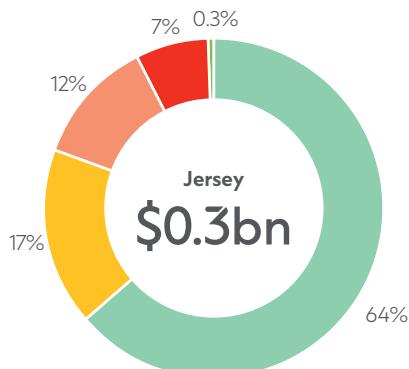
Transition Risk Ratings using SCB CPBB Approach, by Exposure Concentration (as of December 2022)

Very high (Red) | High (Orange) | Medium (Yellow) | Low (Green) | Very Low (Dark Green)



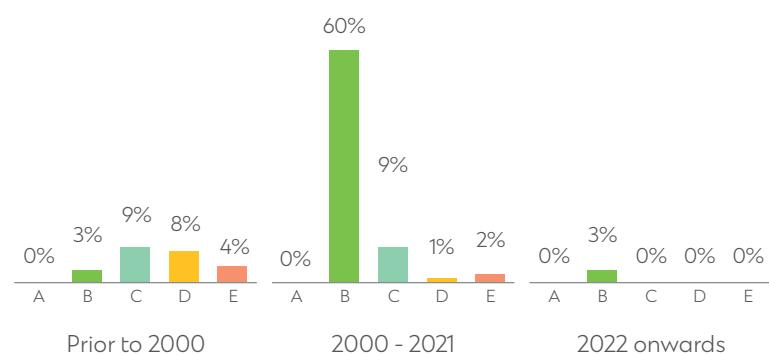
For the Jersey residential mortgage portfolio, we used EPC (Energy Performance Certificate) data to assess the energy efficiency distribution, with results indicating that more than 80 per cent of the portfolio is rated at C or better.

Transition Risk Ratings for Residential Mortgages in Jersey using EPC Ratings by Exposure



■ A
■ B
■ C
■ D
■ E

EPC Ratings for Residential Mortgages in Jersey by Count (as of August 2023)



We aim to continue to explore ways to enhance our assessment approaches across both secured and unsecured CPBB portfolios through improved methodologies and data. This will enable us to better assess the susceptibility to and readiness of our clients in managing climate-driven risks, whilst also enabling us to identify opportunities to assist them in their transition towards a low-carbon economy. Options we are considering include expanding the scope of our existing credit origination process to cover Climate-related considerations in segments such as Medium Enterprises.

Corporate, Commercial and Institutional Banking (CCIB) Credit Risk

This section covers details of how we assess climate risk for our corporate clients, including insights gained from our client level assessments and progress made to further strengthen our framework for climate and credit related portfolio and risk management. The figure below outlines our process in assessing climate risk.



1. Identify risks and mitigation plans

Our client-level Climate Risk Questionnaire (CRQ) aims to help assess the potential financial risks from climate change using quantitative and qualitative information. The assessment presents a consolidated view across five pillars of how exposed and ready for transition or adaptation our clients may be.

Governance & Disclosures	Gross Physical Risk	Physical Risk Adaptation	Gross Transition Risk	Transition Risk Mitigation
Intent, commitment and reporting <ul style="list-style-type: none"> Reporting of Climate targets Board responsibility and accountability Management incentives to manage climate risk within the organisation 	Exposure to acute and chronic events <ul style="list-style-type: none"> Asset locations exposed to physical risk events (Floods, Storms, Droughts etc) Model output to assess current and future risk to client's operating location 	Mitigations to acute and chronic events <ul style="list-style-type: none"> Assessment of client's adaptation plans to its operating locations and supply chain Insurance coverage to protect against physical risk 	Relative emissions for sector and region <ul style="list-style-type: none"> Reliance on fossil fuel/carbon products Policy environmental/ impact due to sovereign decarbonisation policy in sector Potential financial impact from various climate scenarios 	Decarbonisation plan and emission targets <ul style="list-style-type: none"> Assess client's plans and its credibility to transition its business and supply chain Emissions reporting targets and plan to achieve them Capex in low carbon technologies, internal carbon pricing scenarios

The CRQ helps us to form a view of the overall climate risk profile of our clients and supports the underlying themes that feed into our broader scenario analysis and corporate planning exercises. In 2023, we completed an exhaustive review of the CRQ based on historical data, including rationalising questions, introducing a methodological differentiation in assessing corporates against projects, introducing sector-specific questions, and building stronger linkages to our net zero and credible transition plan workstreams.

Coverage of our analysis

In 2023 we completed CRAs for c.4,100 clients, which is c.85-90 per cent of our corporate client limits and is a significant improvement from c.2,200 clients assessed in the year before.

How do different regions in our footprint compare?

Overall, while the levels and consistency in the availability of climate information from public disclosures has increased, this is still a developing aspect in our markets, which highlights the importance of engaging our clients on this topic.

Client-level Climate Risk assessment scores by region

2023 YTD Assessment*	Number of clients	Overall score across the five pillars	1. Governance & disclosures	2. Gross Physical Risk	3 Physical Risk adaptation	4. Gross Transition Risk	5. Transition Risk Mitigation
Asia	2,709	46%	44%	69%	27%	48%	41%
Africa & Middle East	409	36%	27%	69%	13%	46%	25%
Europe & Americas	1,018	64%	75%	78%	53%	50%	65%
Total	4,136	49%	50%	71%	32%	48%	45%

* Data assessed is as of September 2023

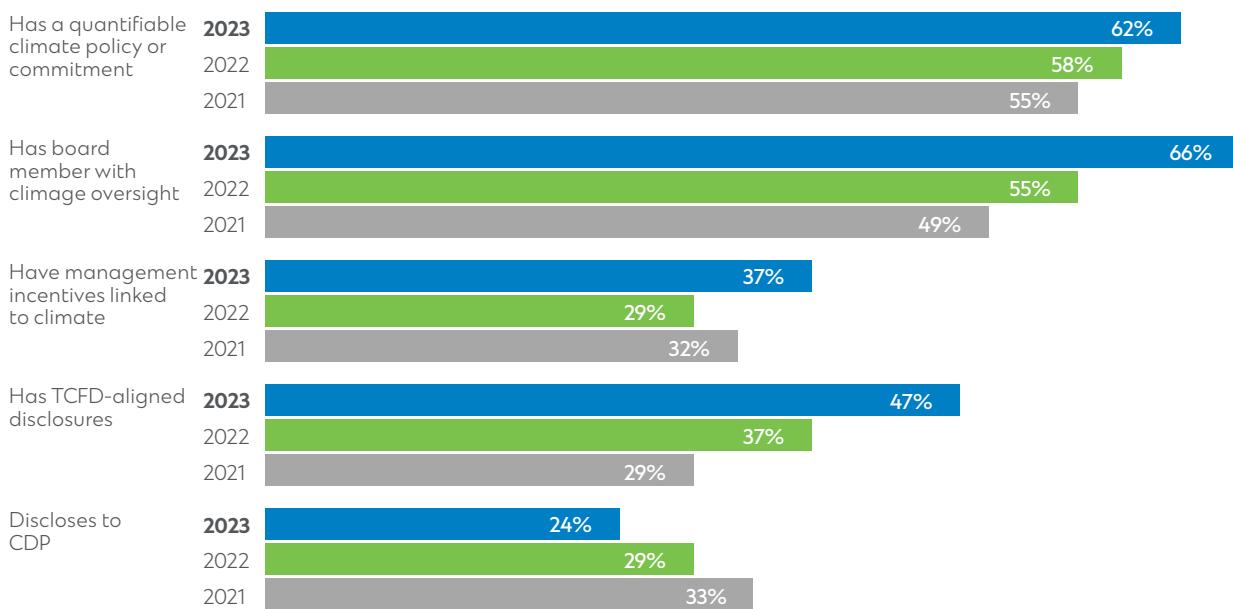
- We continue to see better transition risk mitigation and physical risk adaptation scores for corporates domiciled in Europe and Americas, where disclosure levels are highest and the plans to effectively manage climate risk are being put in place.
- Physical risk adaptation levels remain an area of risk for most of our markets, with the lowest absolute scores in Africa and the Middle East.
- Asia constitutes c.65 per cent of our total volume of clients assessed in 2023 (2022: c.63 per cent) followed by Europe and Americas, which represents c.25 per cent of the clients and the largest increase in share (2022: 18 per cent)

Insights from these assessments for the pillars mentioned previously are provided below.

Governance and disclosures

We have seen a gradual increase in the number of clients reporting quantifiable climate change related commitments over 2022 and 2023 driven by an improvement in climate risk transition plans being put in place across our markets but this does not necessarily come via 'Carbon Disclosures Project', which remains more a developing market disclosure across our client footprint. Key risk remains on management incentives linked to climate change; an area where we are actively engaging with clients.

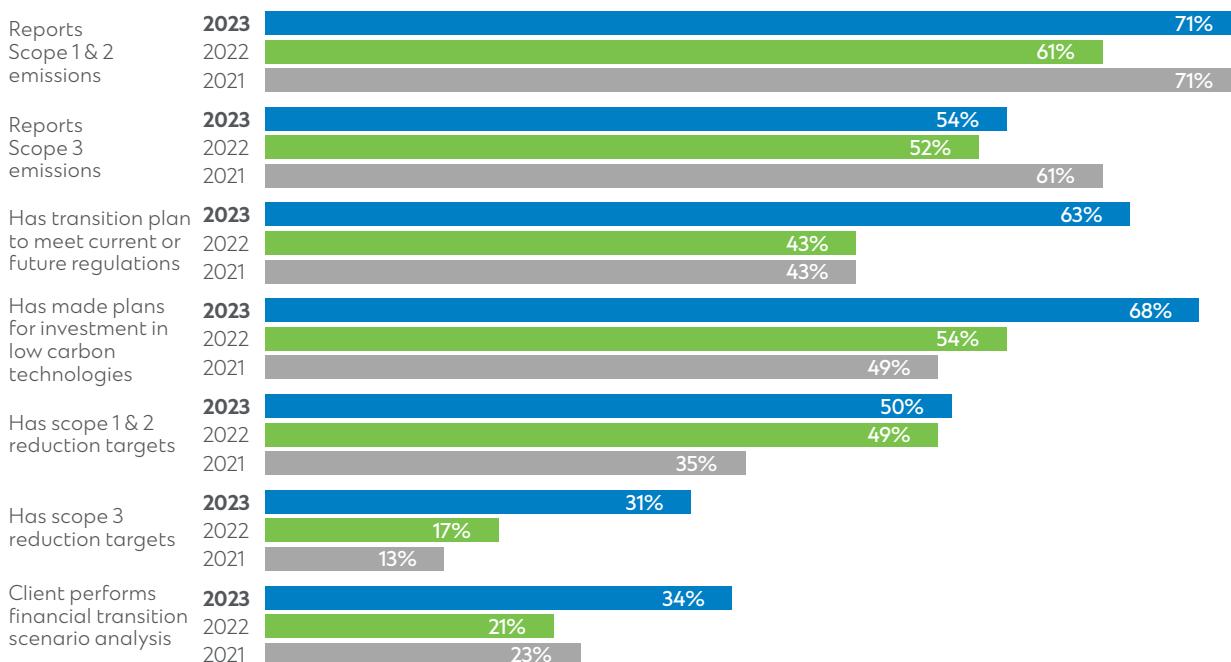
Percentage of clients in scope



Transition risk mitigation levels

Over the last two years, there has been a material increase in both the number of clients putting in place a transition plan and those planning investments to move to low carbon technologies, driven by increasing regulatory pressure and enhanced transition risk commitments in some of our key markets. While the number of clients reporting Scope 1, 2 and 3 emissions has not increased in the last two years, we have seen an increase in clients that report Scope 1, 2 and 3 emissions reduction targets. However, the ability to set quantifiable targets to achieve broader commitments is still lagging when looked at on an absolute basis and the scale of the transition needed.

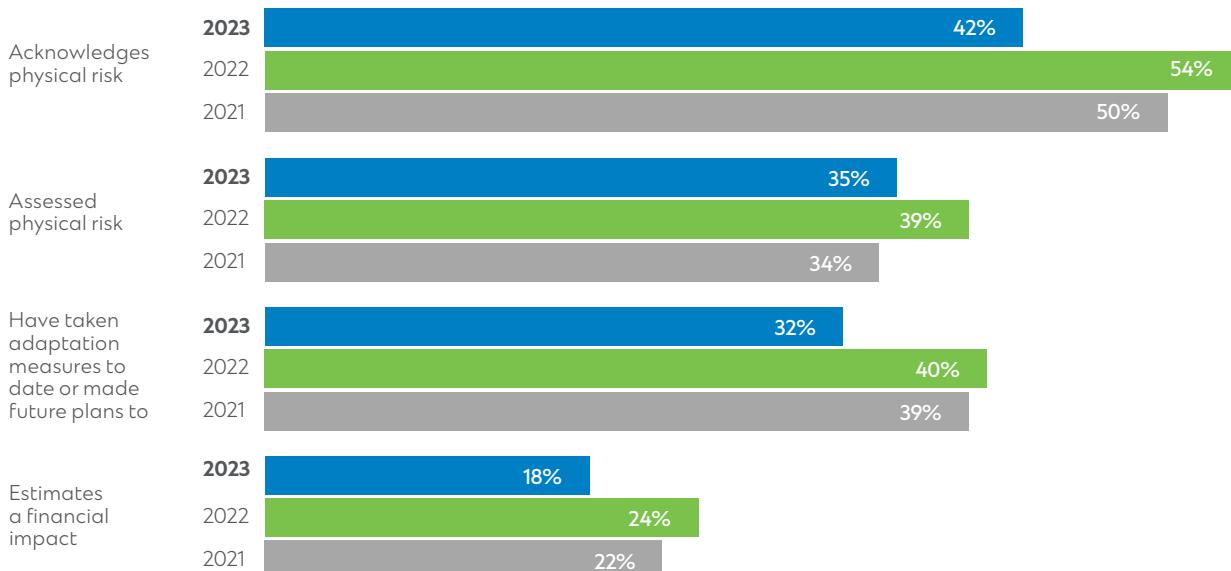
Percentage of clients in scope



Physical risk readiness

Physical risk adaptation remains an area of concern and we have seen downward trends across our portfolio of clients due to an increase in the number of assessments (from c.2,200 - 4,100) captured in our coverage, which now better reflects our overall corporate portfolio. This reflects the nature of many of our footprint markets, where physical risk adaptation and associated levels of disclosures are in nascent stages.

Percentage of clients in scope



Transition risk – Gross Risk and Transition Plan levels for key sectors

For four key sectors that have high transition risk i.e. Commercial Real Estate (CRE), O&G Producers, Metals and Mining Producers and Utilities, we have assessed the risk against the level of transition plans and how it varies across our key markets.

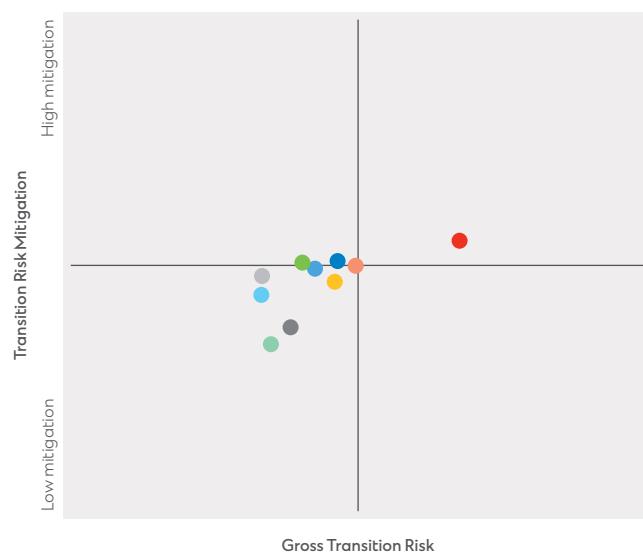
CRE: Companies across our key markets are close together with respect to their transition scores, reflecting the policy environment in the building sector, which is broadly similar across major markets. Key factors which determine the transition risk grading for a building are its location, which helps ascertain the intensity of the power grid supplying electricity to the asset, the property type, and its energy efficiency.

Power: Clients in the UAE are slightly behind some of their global peers, although this is driven in part by a lower level of disclosures and higher transition risk as a result of fossil fuel intensive business models.

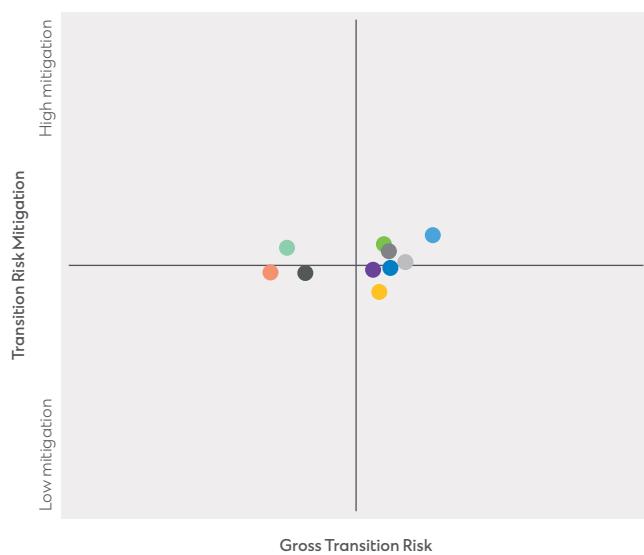
O&G: This sector has been gradually preparing for the transition to lower carbon intensive fuels over the last few years. While there is a lot more to do in terms of transitioning, the improved transition risk understanding and associated disclosures lead to on average better mitigation scores in this sector.

Mining: Almost 50 per cent of the Metals and Mining clients in our portfolio, ranging from Steel to Cement to Aluminium producers are based in China and India. Effective decarbonisation in this sector is reliant on the power grid decarbonising, improved energy efficiency in overall operations, including heating, as well as managing process level emissions.

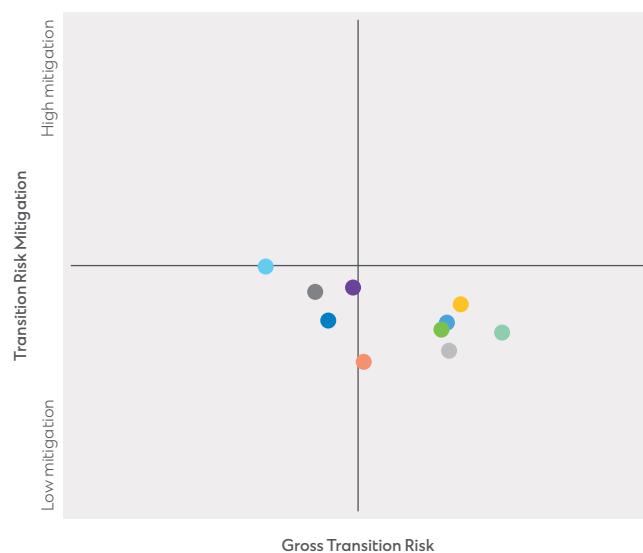
CRE



Utilities



O&G Producer



Metals & Mining Producers



● China ● Hong Kong ● India ● Singapore ● UK ● USA ● UAE ● South Africa ● Korea ● Rest of Middle East ● Europe



2. Analysing the climate risk grading

Each client is assigned a climate risk grading (BRAG) computed based on the gross transition risk and transition risk mitigation. Owing to physical risk data being less robust, we have to date focused only on transition risk drivers to compute the climate risk grading. However, as highlighted in the section above, we have seen a steady improvement in the coverage of physical risk data in the last two years. During 2024, we plan to develop a methodology to incorporate both physical and transition risk drivers in the computation of BRAG which will holistically represent the extent of climate risk faced by a client.

There are currently four types of BRAG ratings assigned to clients – black, red, amber, green.

Black	Clients are deemed to have very high exposure to Transition Risk with little or no mitigation plans
Red	Clients are deemed to have very high exposure to Transition Risk but with acceptable or good mitigation plans
Amber	Clients are deemed to have high exposure to Transition Risk but with acceptable or good mitigation plans.
Green	Clients are deemed to have low or limited exposure to Transition Risk



3. Evaluating the risk (linkage to credit process)

Once a climate risk grading is assigned to a client, the impacts from climate-related risks are integrated into the existing credit approval process qualitatively and/or quantitatively through inclusion within the business risk analysis and financial modelling. If the risks are deemed material and not adequately represented via the existing credit rating of the client, subjective warning signals may be added to influence the credit rating. Additionally, risk triggers are added to monitor risks that are not adequately mitigated and to seek additional information from the client where applicable.



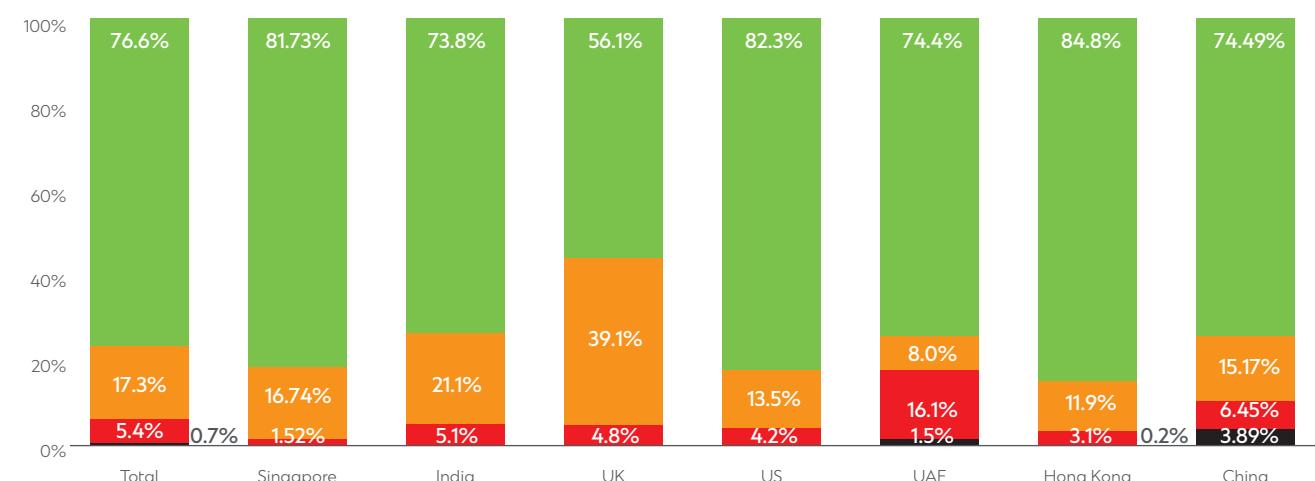
4. Portfolio management and monitoring

Concentration of black and red graded clients remains within proposed Risk Appetite levels at 6 per cent within our key markets; some of the more developed markets have the highest proportion of green clients, which reflects the higher level of climate risk disclosures and governance established by companies in this region. Amongst our key markets, the UAE currently has the highest proportion of red and black clients, driven by a combination of clients that had fewer disclosures and high transition risk, particularly fossil fuel led utility providers.

During 2023 we have embedded qualitative and quantitative climate considerations into the Group's credit underwriting principles for O&G, Mining, Shipping and CRE sectors for which we have industry specific origination teams. This included introducing portfolio level caps for black and red rated clients and lower preference for emission intensive transactions. It is important to note that underlying principles vary depending on the sector, to help steer the portfolio in the desired direction over the medium term, and also consider the Group's 2030 financed emission targets. We have also initiated work to assess risks to underlying collateral from physical and transition risk specifically for our CRE and Shipping portfolios.

A key strategic focus area going forward is to embed climate risk and net zero targets into business and credit decisions. To enable this, we have established a Net Zero Climate Risk Working Forum where discussions on account plans on high climate risk and net zero divergent clients are held.

Portfolio distribution across key markets





5. Controls and assurance

Independent control checks by first line of defence and assurance reviews by second line of defence on integrating climate risk within the credit process are carried out quarterly to improve the quality and effectiveness of assessing climate risk. The results of the assurance testing and steps to address gaps are periodically shared with impacted stakeholders and as part of governance updates to risk committees.

Credibility of transition plans

We aim to actively manage our exposure by shifting to lower emissions-intensive clients and working closely with our existing clients to develop credible transition plans that are consistent with our net zero commitments. To help us identify such clients, we draw on our existing CRQ framework to finalise a methodology to assess the Credibility of Transition Plan (CTP) by analysing client commitments to transition their business to a low carbon economy. We leverage the data captured in the CRQ and assign a credibility rating to the clients' transition plan based on an in-house scoring methodology that draws on the UK Transition Planning Taskforce and Glasgow Financial Alliance for Net Zero guidance on net zero transition plans.

The current methodology will be periodically reviewed as the level of client climate-related disclosure steps up across our footprint, to ensure it remains fit for purpose and in line with industry best practices, stakeholder expectations and regulatory requirements. The CTP has been embedded into the Version 3 CRQ that was implemented in January 2024.

Reputational and Sustainability Risk

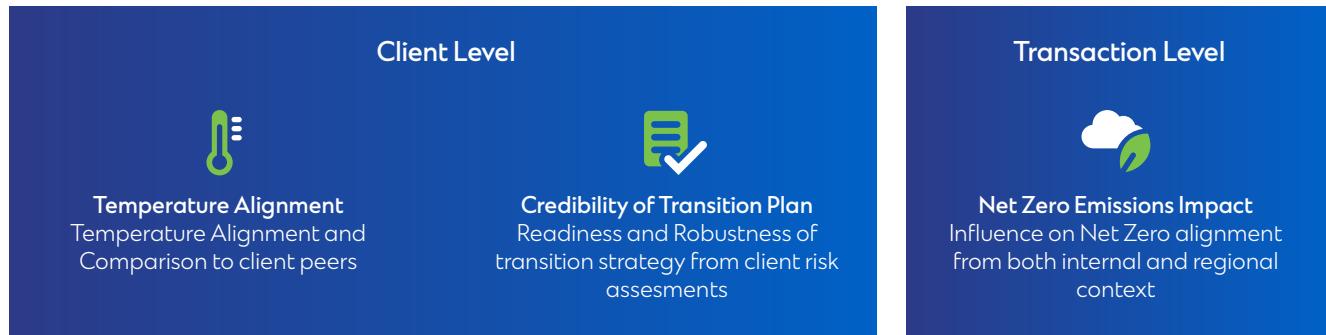
Climate risk is considered within the Reputational and Sustainability Risk framework, for our corporate clients, through an assessment of a client's ability to meet their own climate-related commitments, as well as meet the Group's aim to reach net zero GHG emissions by 2050.

We have continued to perform additional client level due diligence for (i) clients covered by the Group's net zero targets for high carbon sectors (O&G, Power, Steel, Aluminium, Cement, Automobiles, Shipping, Aviation and CRE), (ii) clients with a coal nexus² as well as (iii) those that have been assessed at client level as high climate risk. The assessment focuses on three pillars at covering both client and transaction level aspects:

Of the case reviews completed, an increase in Reputational and Sustainability Risk rating was suggested for c.24 per cent of transactions compared to c.17 per cent in 2022. These consisted of companies in Coal Production, O&G, Mining, Steel and Cement sectors, primarily from the South East Asia region, looking to procure coal or other high carbon emitting products for manufacturing, production, or wholesale purposes. In addition, some entities with high temperature alignment scores and no clear transition plan were raised as having additional risk and rating increases recommended.

The above-mentioned due diligence is in addition to management of environmental and social risk arising from the Group's client relationships and transactions. Further information is available in the Sustainability overview on pages 76 to 78 and Sustainability review on pages 125 to 129.

Temperature alignment is one way to consider a company's impact on climate change and an indicator of a client's progress towards a net zero economy. It is calculated based on historic emission intensities and volume of hydrocarbons produced to produce a forward-looking temperature alignment score. We assessed the weighted average temperature alignment (WATA) projected to 2030 of 3,661 corporate client entities (covering c.62 per cent of corporate client portfolio on a net nominal basis) by high carbon sector.

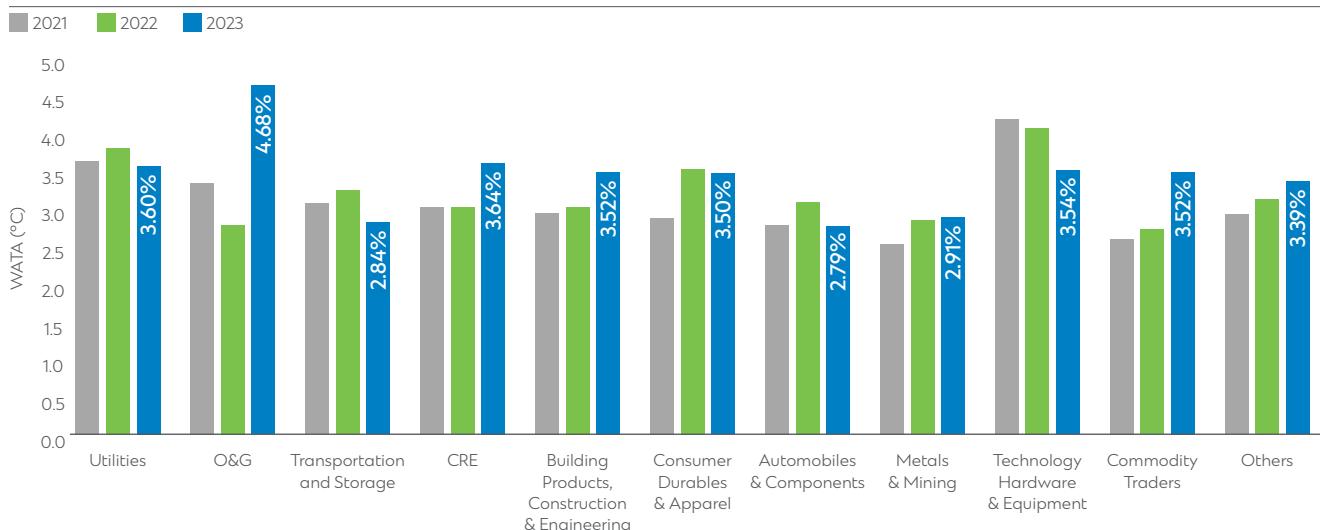


2 As defined by the Group's public Position Statement to only provide financial services to clients who by 2030, are less than 5 per cent dependent on thermal coal (based on percentage revenue).

Insights

- Portfolio average temperature alignment is 3.48°C. Compared to other sectors within our portfolio, O&G, CRE, Utilities and Construction have a higher temperature alignment given their dependence on high carbon emitting production.
- Compared to 2022, there was an increase in sector temperature alignment scores across O&G and Construction sectors driven by improvements in both coverage of the corporate clients assessed and emission data coverage for our clients (due to reduced use of proxies).

Weighted average temperature alignment (WATA) by client sectors (as of September 2023)



	Utilities	O&G	Transportation and Storage	CRE	Building Products, Construction & Engineering	Consumer Durables & Apparel	Automobiles & Components	Metals & Mining	Technology Hardware & Equipment	Commodity Traders	Others
Asia	3.7°C	4.9°C	2.7°C	3.6°C	3.5°C	3.2°C	2.7°C	3.2°C	3.9°C	3.5°C	3.6°C
Africa & Middle East	3.9°C	4.6°C	2.8°C	3.3°C	3.6°C	3.4°C	3.5°C	2.8°C	3.3°C	4.6°C	3.2°C
Europe & Americas	3.0°C	4.6°C	3.1°C	3.9°C	3.2°C	4.0°C	3.0°C	2.6°C	1.8°C	3.2°C	3.1°C

As part of our 2023 modelling roadmap, we initiated work on developing an in-house methodology to model temperature alignment for priority sectors (i.e. O&G, Steel and Automotive) as well as a sector-agnostic model to cover remaining corporate portfolios. This has helped to reduce reliance on third party modelling capabilities.

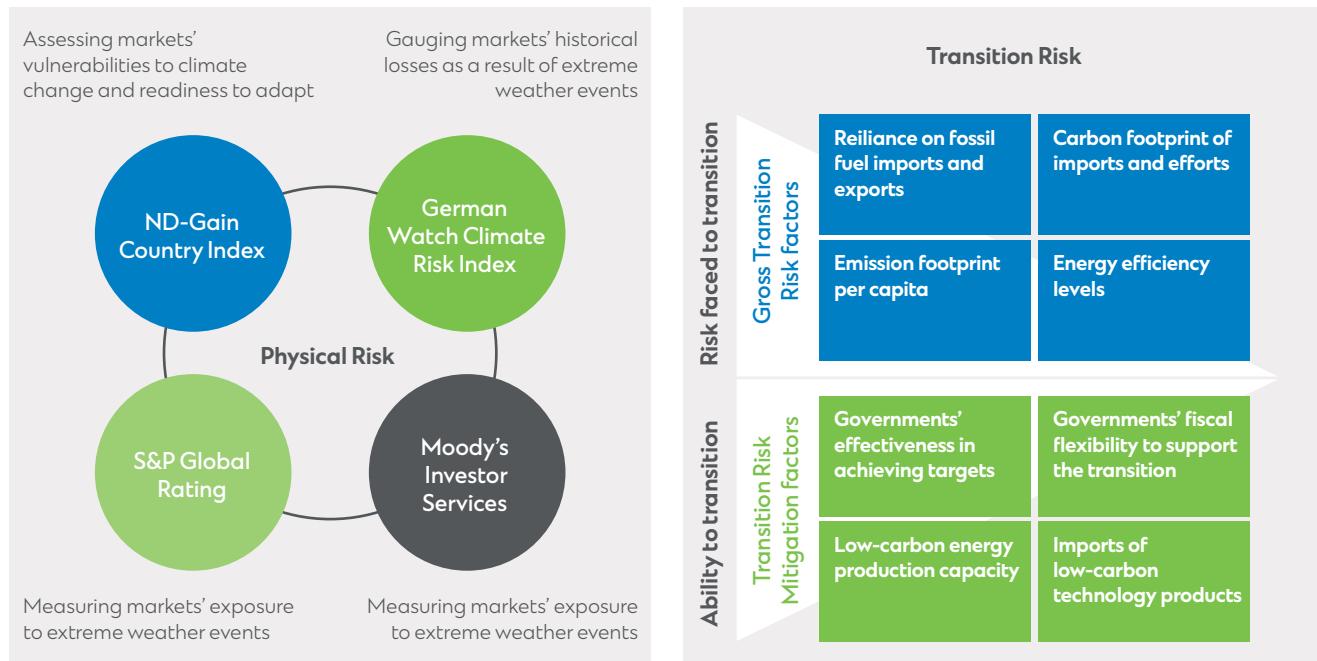
Temperature alignment is an emerging concept, and industry-wide standards on methodology are still evolving. We fully expect our approach to evolve in line with best practice. Client-level emissions are only available for c.55 per cent of corporate clients and sector average proxies are being used for the remainder. Improving such data gaps remains a key priority.

Country Risk

The Group uses a set of physical and transition risk rankings to identify the markets most vulnerable and least ready to adapt and mitigate climate-related physical and transition risks.

- The physical risk rankings are based on a set of publicly available scores such as ND-Gain Country Index and GermanWatch Climate Risk Index, as well as S&P Global Ratings and Moody's Investors Service.
- The transition risk rankings are based on an internally developed methodology which is a combination of climate and macroeconomic drivers.

Physical and Transition Risk rankings methodological deep dives



Based on their aggregated physical and transition risk scores, sovereigns are split into decile-based buckets ranging from 1 (low risk) to 10 (high risk). These rankings are a qualitative input to our internal Country Risk management process spanning annual sovereign credit grades and limits reviews, inputs to climate-related scenario analysis, and Risk Appetite.

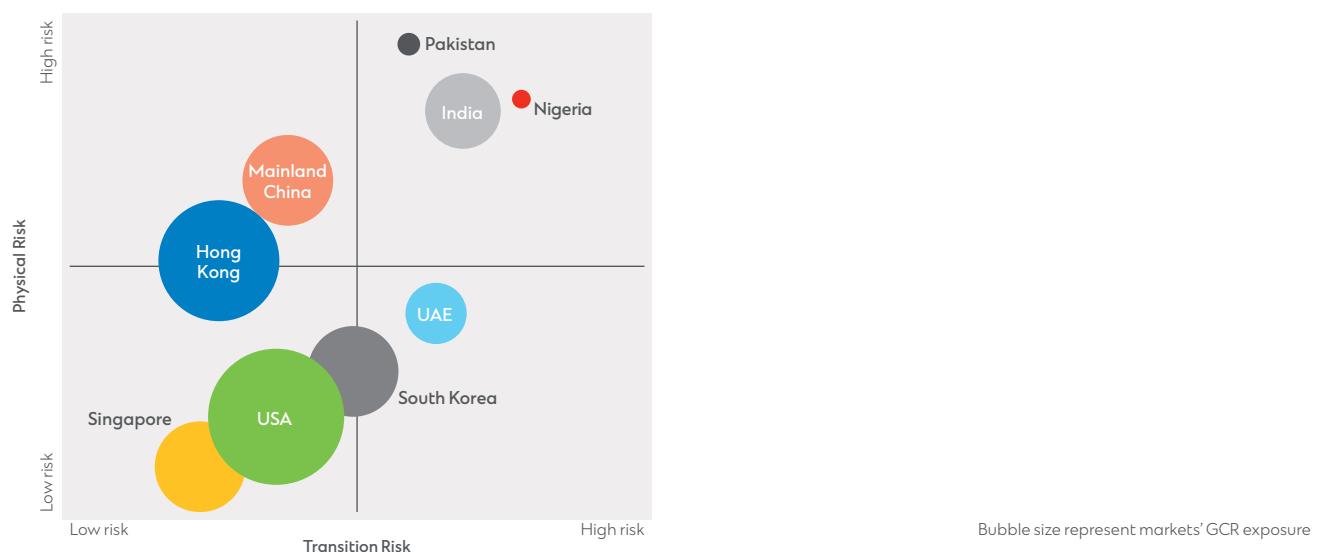
Gross Country Risk (GCR) exposure distribution as of 30 September 2023 across Physical Risk categories

Bucket	1(Best)	2	3	4	5	6	7	8	9	10 (Worst)
Exposures %	10.5	29.1	20.0	4.4	17.5	8.3	1.9	6.5	0.8	1.1

GCR exposure distribution as of 30 September 2023 across Transition Risk Categories

Bucket	1(Best)	2	3	4	5	6	7	8	9	10 (Worst)
Exposures %	2.7	14.4	12.0	36.0	18.6	4.3	3.8	7.3	0.7	0.1

Physical and Transition Risk rankings distribution for key markets¹: Key markets' climate risk bucket allocation (as of Sept 2023)



Insights

- For both physical and transition risk, our exposure to high-risk countries (buckets 9 and 10) remains well below Risk Appetite.
- The rankings are largely driven by the level of financial risk countries are exposed to and their ability to absorb these losses. As such, the rankings are largely dependent on countries' development stage, economy-wide diversification, in-country inequalities and gross exposure to physical and transition risk shocks.
- Additionally, we keep close track of transition risk events such as the establishment of the EU's Carbon Border Adjustment Mechanism (EU CBAM) and its potential impact on our key portfolios. Other markets with internal carbon pricing mechanisms (such as Singapore, South Korea, South Africa, etc) are also being monitored as part of country risk annual reviews. From a physical risk standpoint, the rise of El Niño season (expected to peak at the beginning of 2024) is likely to exacerbate climate conditions throughout the Group's footprint regions and we continue to monitor these as part of our annual reviews.

Limitations

- The computation inputs are based on latest available data which may be dated. Proxies have been used where data for the sovereign is not available.
- The ranking uses equally spaced decile scores and provides the results in an ordinal manner. While the simplicity helps in adoption and provides the relative position of the sovereigns, other systems may provide more information.

Operational and Technology Risk

Climate risk primarily impacts Operational and Technology risk as it manifests when physical risk disrupts our properties, data centres and third party arrangements. Thus far, our focus has been on physical risks, and we aim to explore transition risk elements in 2024. We continue exploring enhancements to our control framework across impacted areas. Whilst Continuity Plans for third party arrangements have been enhanced to include climate risk related considerations, we are targeting to gather our material vendors' operating site location data to assess their specific physical risk exposures, such that enhanced continuity plans can be developed.

We continue to assess the physical risk vulnerabilities of our own operating locations on a regular basis. Furthermore, we have expanded the assessment of physical risk exposure at onboarding to include data centres.

Assessment of gross Physical Risk at our own operating locations (as of September 2023)

Physical Risk event	Time horizon	Scenario	Asia	AME	E&A	Global
Flood (Acute)	2023	N/A	24%	8%	17%	20%
Wildfire (Acute)			0%	0%	0%	0%
Storm (Acute)			18%	1%	6%	14%
Sea-level rise (Chronic)	2100	RCP 8.5	1%	5%	0%	2%
Heat Stress (Chronic)	2050	RCP 8.5	24%	35%	0%	26%
Number of operating locations			714	239	35	988

Insights

- From an acute risk perspective, 20 per cent of the Group's locations globally are subjected to flood risk, 14 per cent with storm risk and none at risk from wildfire. Given our footprint, a higher proportion (24 per cent for flood, 18 per cent for storm) of the Group's locations in Asia are subject to acute risks and 17 per cent of locations in Europe and Americas are subjected to flood risks.
- In the locations where weather events such as storms or cyclones are frequent, the buildings are built in consideration of these risks in line with regional standards.
- From a chronic risk perspective, under RCP 8.5 for heat stress is at 26 per cent (35 per cent for AME, 24 per cent for Asia). Exposure to sea level rise remains below 5 per cent.
- A broad range of mitigation options are considered, such as property insurance, operating a diversified location strategy, splitting delivery and therefore reducing concentration risk.

Traded Risk

We manage the climate risk of traded risk exposures through the stress-testing framework. Climate risks are incorporated in the scenarios monitored against the traded risk stress Risk Appetite, covering all fair value exposures in the trading and banking books.

Climate-related stress scenarios are designed to include transition risk effects from climate change policies and shocks to markets due to supply and demand disruption from physical climate events. Three scenarios are currently in place: two physical and one transitional. The assumptions and results are subject to internal governance.

Our climate risk management for traded risk exposures is evolving and we are working closely with industry bodies and academics to better assess and monitor climate-related risks and opportunities.

Treasury Risk

From a capital perspective, climate risk considerations have been part of our Internal Capital Adequacy Assessment Process submissions since 2019. Our approach for assessing climate risk impact on capital adequacy has improved from qualitative judgements to quantitative simulations with the availability of tools and greater understanding of our portfolio.

As understanding of climate risk management and potential forward-looking scenarios develop, our approach and assessment will evolve, including using a wide range of scenario outcomes to determine any potential capital-related impact in the future.

From a liquidity risk perspective, we have started monitoring climate risk-related vulnerabilities and readiness of the top corporate client liquidity portfolios, leveraging the client outreach and data gathering exercise being undertaken on the asset side. The most recent exposure concentration in the ‘high transition risk and low readiness’ bucket is broadly comparable to what we see for our top corporate client exposures on the asset side. Liquidity providers with high transition risk and low readiness are from commodity traders and utilities sectors. The results of the analysis have been considered as part of our internal liquidity adequacy assessment process and we continue to monitor the profile.

Model Risk

Throughout 2023, we have been building our internal climate risk modelling capabilities to assess impacts from climate risk, through collaboration with various external vendors. These models have been independently validated by the second line of defence and approved by the Credit Model Assessment Committee, and were used to estimate climate impact on ECL for IFRS9. The amount of incremental ECL as a result of climate risk was below the Group’s materiality threshold and as such was not included as a quantitative post model adjustment. In future, the models will also be used for stress testing. The development of internal climate risk models has helped us to reduce reliance on external vendor models, and we will continue to enhance our internal capabilities by extending model coverage (e.g. to develop models to cover more portfolios, or to develop more granular sector-specific models) and incorporating model enhancements recommended by internal and external stakeholders.

For the corporate portfolios, we developed transition risk models that adopt the microeconomic theory of demand and supply to determine price changes based on sustainability transition costs in different sectors of the economy. The model accounts for several key market dynamics, such as sensitivities with respect to price, revenue, cost, and profit due to changes in carbon prices. The model is calibrated at portfolio level, covering priority sectors that are carbon-intensive and a generic model that covers non-priority sectors.

For retail mortgages, an asset haircut model was developed to assess physical climate risk impact by estimating the devaluation of property values along different climate pathways. The model takes input from the current and prospective risk profile of a property, which captures the evolution of various hazard types, including river floods and storms.

For sovereigns, the climate adjusted Probability of Defaults is derived by considering benchmarks from the Cambridge Paper (Klusak et al., 2021) and incorporating the country risk rankings currently used by the Group, which covers both physical and transition risks.

Apart from models that are used to estimate ECL, we have also developed temperature alignment models that assess implied temperature rise scores for corporate counterparties. The model methodology is forward-looking and compares the forecasted emissions of a counterparty to relevant benchmark scenarios. The cumulative difference in emissions between the counterparty’s forecast and the benchmark scenarios is converted into a temperature score. The output from temperature alignment models will support internal climate risk management processes. We have also partnered with external vendors for a scenario expansion model which has been used to for NGFS Version 3 scenarios.

Assessing the resilience of our strategy using scenario analysis

To assess climate-related risks and opportunities in the short, medium, and long-term we use scenario analysis to consider how risks and opportunities may evolve under different situations. Over two years, we have progressively strengthened our scenario analysis capabilities and developed our infrastructure and capabilities to incorporate climate risk into data, modelling, and analysis. We have expanded our portfolio coverage, built bespoke scenarios, and participated in several regulatory climate stress tests in 2023, including the Hong Kong Monetary Authority (HKMA) and the Central Bank United Arab Emirates stress tests.

Scenarios used at Standard Chartered

The table below summarises the climate risk scenarios used internally by the Group across risk types:

Risk Types	Scenario Family	Number of Scenarios	Risk Measure	Refer Page no
Credit Risk – Corporate, Commercial and Institutional Banking (CCIB)	Network for Greening the Financial System (NGFS) Version 3	3	ECL, RWA	311
Credit Risk – CCIB	Bespoke (Tail and Base)	3	ECL, RWA	311
Credit Risk – Consumer, Private and Business Banking (CPBB)	Intergovernmental Panel on Climate Change’s (IPCC) Representative concentration pathways (RCP) scenarios	3	Exposure Concentration to sea level rise risk	298
Operational and Technology Risk	IPCC’s RCP 8.5 scenario	1	Physical Risk Concentration for sea level rise risk and heat stress to our own operations	308
Reputational and Sustainability Risk	NGFS Version 3	2	Weighted Average Temperature Alignment	305
Traded Risk	Bespoke (two Physical scenarios and one Transition scenario)	3	Stressed Loss	308

In addition to the internal scenarios, Standard Chartered Bank (Hong Kong) Limited is responding to two HKMA mandated climate risk stress tests to (i) assess the impact on capital for short tenor scenarios across credit, traded and operational risks and (ii) a 30-year scenario based on NGFS Version 3 scenarios. The hybrid bespoke short-term five-year scenario has elements of a macro recession, transition, and physical risk events such as typhoons in Hong Kong, heatwave, and precipitation in China. We have used our existing stress testing models to model the credit risk impact with overlays provided for physical and transition risk using data on client transition mitigation readiness, climate adjusted asset level haircuts, assumptions on stranded assets for consumer mortgages and other available data. For Operational and Technology risk, we are assessing the impact of damage to our premises and business disruption.

Transition (T) and Physical (P) Risk scenarios

We adapted the following scenarios for our CCIB portfolio:

Scenario Family	Scenario Name	Key Features
NGFS v3	Net Zero 2050 (T)	Global warming limited to 1.5°C through stringent climate policies and innovation Global net zero CO ₂ emissions around 2050
	Delayed Transition (T)	Strong policies will be needed to limit warming to below 2°C Annual emissions do not decrease until 2030
	Current Policies (P+T)	No additional policies beyond those currently implemented, along with slow technology change Global temperature rises over 3 degrees by 2100
Bespoke	In-house Base Case (P+T)	Credibility assessment of countries' current sector targets in the short-term (2030) and a durability assessment of reduction commitments in the long-term (2050) Delayed transition to a low-carbon economy and a lack of early climate action resulting in a 2.5°C temperature rise by 2100
	'Green Trade War' Tail (T)	Impact to global trade due to introduction of Carbon Border Adjustment Mechanism leading to trade war escalation Explores risks which are not addressed by NGFS scenarios and may emerge over a short-term horizon
	'Migration' Tail (P)	Increasing severe acute weather events globally impact global food prices and drive migration and displacement

The scenarios used for CCIB clients are characterised by different levels of physical and transition risk, driven by various features in each scenario.

Carbon price: increase in carbon price puts additional cost pressure on clients, squeezes the profit margin, and thus helps to determine level of potential credit losses.

Oil price: increase (or lack thereof) in oil price impacts on clients' revenues and profitability and thus helps to determine level of potential credit losses.

Features of the NGFS and bespoke scenarios used in a Standard Chartered scenario analysis

Feature	Year	NGFS v3			Bespoke Scenarios	
		Net Zero 2050	Delayed Transition	Current policies	Tail Risk (Physical)	Tail Risk (Transition)
Temperature rise	2050	1.4°C	1.6°C	3°C+	NA	NA
Carbon price (\$2015/tCO ₂)	2030	124	6	6	61	66
	2050	487	416	7	70	90
Oil price (\$2015/boe)	2030	84	94	94	50	50
	2050	107	118	125	41	41
Gas price change (vs 2020, %)	2030	56%	43%	43%	15%	15%
	2050	52%	54%	80%	-14%	-14%
Power demand change (vs 2020, %)	2030	27%	35%	35%	20%	20%
	2050	120%	129%	106%	75%	75%
GDP baseline change (vs 2020, %)	2030	34%	36%	36%	-4%	-5%
	2050	111%	110%	118%	-2%	-5%

Physical risk scenarios

We adapted the following scenarios for our CPBB portfolio. The table below summarises acute and chronic hazards outputs we currently use in the Munich Re's Location Risk Intelligence Platform tool.

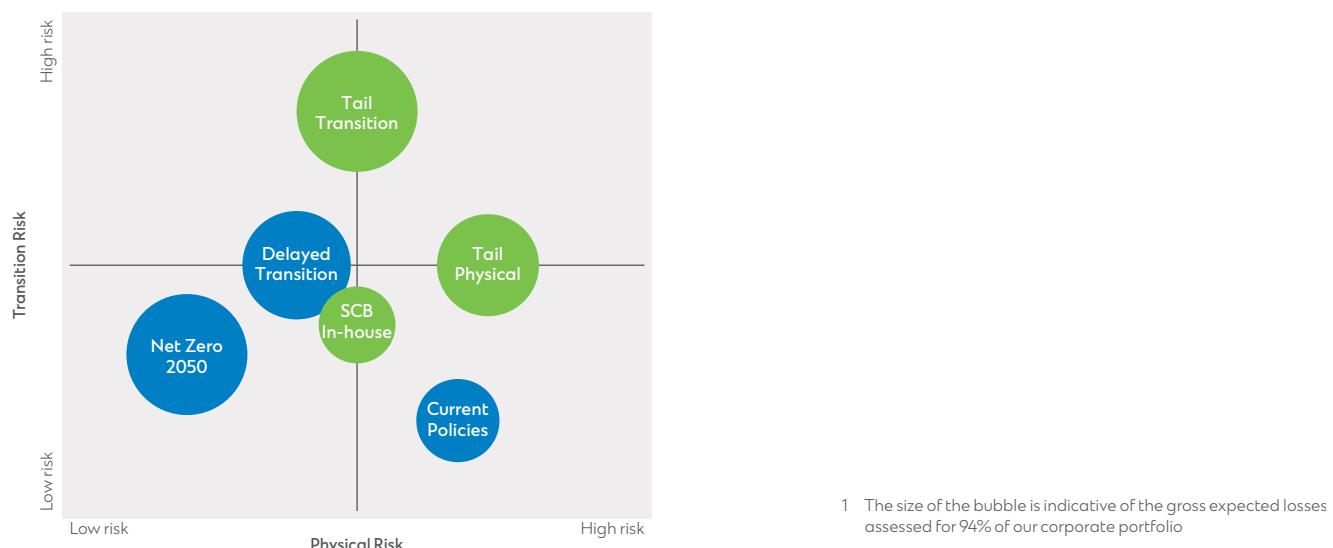
Scenario Family	Scenario Name	Key Features
IPCC (2050, 2100)	RCP 2.6 (P)	Pathways of Greenhouse gas (GHG) emissions and atmospheric concentrations, air pollutant emissions and land use to project their consequences for the climate system
	RCP 4.5 (P)	Current and Projected Hazard scores from Munich Re model:
	RCP 8.5 (P)	<ul style="list-style-type: none"> • Tropical cyclone zones • River flood zones • Sea level rise zones • Heat stress index based on range of high-temperature indicators • Precipitation stress index based on heavy- precipitation indicators • Climatological index for wildfire hazard • Drought stress index based on Standardised Precipitation- Evapotranspiration Index

Scenario analysis results for CCIB

We assessed the impact of climate-related risks on our corporate, sovereign, and financial institutions clients under different climate scenarios. This assessment, across the NGFS and bespoke scenarios, covered approximately 95 per cent of our CCIB portfolio for these clients, primarily reflective of the gross transition risks. While client-level transition plans were not factored into the modelling, they were referenced to draw additional insights for priority sectors.

Scenarios used in Standard Chartered Scenario Analysis¹:

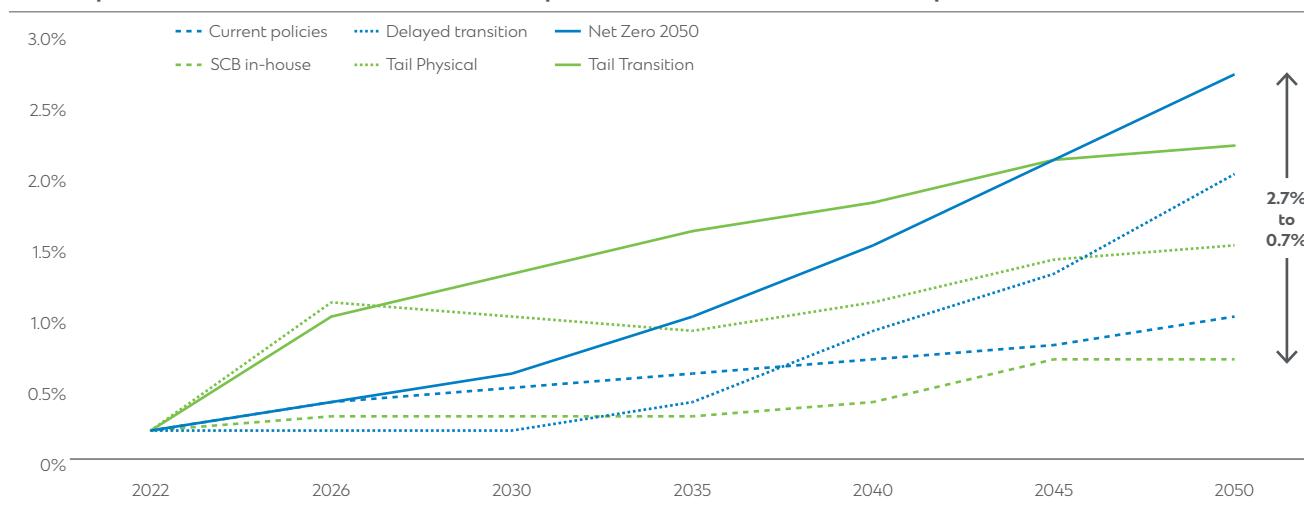
Loan impairment for corporate portfolio



The loan impairment (LI) intensity which measures the level of gross ECL against the exposure at default (EAD) enables us to assess the relative size of our exposure subject to potential losses from climate risks. As the graph below illustrates, LI intensities do not go beyond 3 per cent during the forecast horizon for the climate scenarios considered in our scenario analysis. We expect our LI intensity to rise the most in the NGFS Net Zero 2050 scenario. This is reflective of the high transition risks noted by higher carbon prices, coupled with the needs for greater investment to move to a low carbon economy. The NGFS Delayed Transition scenario also projects high LI intensity reflecting that such delayed transition will be equally disruptive due to lower levels of innovations that limits the ability to decarbonise effectively, and rising carbon prices that squeeze profit margins. Relatively lower LI intensity observed in the NGFS Current Policies scenario reflects the nascent modelling capabilities on assessing the physical risk impact to client asset locations and second-order impacts, such as that on the supply chain.

Among the bespoke scenarios, we expect our LI intensity to rise the most in the tail transition risk scenario. This is reflective of the potential risks to the global economy and subsequent increase in credit losses that may manifest due to the climate subsidy competition and introduction of carbon border adjustment mechanism. Overall, we believe that the level of potential credit losses can be mitigated by continuing to take necessary actions which the Group is already doing across sectors, engaging with our clients on this topic and supporting them in enhancing their climate transition plans.

Loan Impairment intensities for the NGFS and bespoke scenarios (December 2022 snapshot)



LI Intensity is calculated as gross ECL over EAD

For corporate clients, we focused on the below sectors that have been identified as more vulnerable to potential climate impacts. As of December 2022, these sectors represented 55 per cent of our corporate portfolio.

Loan Impairment intensities for key corporate sectors for the NGFS and bespoke scenarios

Long Term - 2050	EAD	NGFS Net Zero 2050	NGFS Delayed Transition	NGFS Current policies	Bespoke Baseline	Bespoke Tail Transition Risk	Bespoke Tail Physical Risk
Automobiles & Components	4%	Medium	Medium	Low	Low	Medium	Medium
Construction	7%	Medium	Medium	Low	Medium	Medium	Medium
Consumer Durables & Apparel	6%	Medium	Medium	Low	Low	Medium	Medium
CRE	8%	Low	Low	Low	Low	Medium	Low
Metal & Mining	5%	Medium	Medium	Low	Low	Medium	Low
O&G	11%	High	High	Low	Medium	High	Medium
Telecomms	2%	Medium	Medium	Low	Low	Low	Low
Transportation	9%	High	Medium	Medium	Medium	High	Medium
Utilities	3%	Medium	Low	Low	Low	Medium	Low
Total portfolio	100%	Medium	Medium	Low	Low	Medium	Medium

As observed in the table above, O&G and transportation sectors are most impacted by a higher LI intensity level across the scenarios. Higher carbon prices, decrease in O&G demand characterised in the NGFS Net Zero 2050 and NGFS Delayed Transition scenario are the main drivers for higher LI levels for these sectors. The extreme physical and transition risk events occurring in the short term and their longer term second order impacts on the global economy result in the higher LI Intensity levels for these sectors in 2050.

The results are used to assess the impact of climate change on our portfolio and provide the management information to monitor stressed Li over the next five-year horizon under plausible and extreme climate scenarios. The results also form part of our Climate Risk Assessments (CRAs). Whilst further enhancements are required to improve our modelling capabilities, the results of scenario analysis have provided further validation to the actions we are taking as a Group in terms of our net zero ambitions and strategy and qualitative management actions in terms of improving the data quality and building in-house modelling expertise. The results have been subject to internal governance, including review and challenge by an expert panel and discussion at the Climate Risk Management Committee and Board Risk Committee.

Scenario analysis results for CPBB

As part of our internal climate scenario analysis for CPBB, we carried out physical risk assessments for rising sea levels for our top 10 retail mortgage markets. The concentration of the Group's portfolio exposure exposed to extreme rising sea levels risk has been observed to remain stable at 2 per cent in the most extreme RCP 8.5 scenario.

 Further details on the metrics used in the climate scenario analysis for CPBB can be found in [pages 298 and 299](#)

We measured the impact of physical risk on ECL to the retail mortgage portfolio for four key markets (Hong Kong, China, Taiwan and Korea) as part of the HKMA stress test exercise. For our key residential mortgage markets, we have collaborated with our academic partner (Imperial College London) to develop an internal model for revaluing property valuations under different climate scenarios using the forward-looking risk indices from Munich Re. These revaluations are then used to inform haircuts on the property prices and arrive at climate adjusted ECL values for the mortgage book.

Limitations and next steps

Despite the efforts in gathering transition risk data relating to our CPBB credit portfolios, gaps still exist across our footprint markets, and we have not been able to run a forward-looking transition risk scenario for CPBB. We have a plan to address these data gaps by working with third parties, engaging clients to gather more information, and using appropriate proxies for remaining data gaps.

Many of the assumptions and methodologies that underpin the scenario analysis continue to rely significantly on nascent methodologies as well as a dependence on first generation models and data challenges. Many of these limitations are shared across the industry. Given the complexities of climate modelling, it should also be noted that the results do not include the real-world aspects such as the non-linear shifts and complex feedback loops. However, they are intended to provide a strategic direction of the sense of portfolio concentrations subject to potential climate losses.

As more solution providers become available and banks start extensively using them to build internal understanding and capabilities, the transparency and sophistication of modelling methodologies and assumptions will increase. Despite these limitations, our intention is to focus on how climate risk management can inform portfolio management and support opportunity identification with clients on their transition and adaptation pathways. Work is under way to build capability from a people, process, and technology perspective to support stress tests at country level, including in-house training and a plan to implement the in-house models in the Group infrastructure.

Enterprise Risk Management Framework

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

Effective risk management is essential in delivering consistent and sustainable performance for all our stakeholders and is a central part of the financial and operational management of the Group. The Group adds value to clients and the communities in which they operate by balancing risk and reward to generate returns for shareholders.

The Enterprise Risk Management Framework (ERMF) enables the Group to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite (RA). The ERMF is embedded across the Group, including its branches and subsidiaries¹, and is reviewed annually. The latest version is effective from January 2024.

Annual review

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

Risk culture

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

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

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

Strategic risk management

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

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

Roles and responsibilities

Senior Managers Regime²

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

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

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

² Senior managers refers to individuals designated as senior management functions under the FCA and PRA Senior Managers Regime.

The Risk function

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

- Determining the RA for approval by Group's Management Team (GMT) and the Board.
- 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 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 provides specialist capabilities relevant to risk management processes in the broader 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.

Three lines of defence model

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

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

Risk Appetite and profile

The Group recognises the following constraints which determine the risks that we are willing to take in pursuit of our strategy and the development of a sustainable business:

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

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

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

Risk Appetite Framework

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

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

Risk Appetite Statement

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

See Table 1 for the set of RA statements.

Risk identification and assessment

Identification and assessment of potentially adverse risk events is an essential first step in managing the risks of any business or activity. To ensure consistency in communication, we use PRTs to classify our risk exposures.

We also recognise the need to maintain a holistic perspective since:

- a single transaction or activity may give rise to multiple types of risk exposure;
- risk concentrations may arise from multiple exposures that are closely correlated; and
- a given risk exposure may change its form from one risk type to another.

There are also sources of risk that arise beyond our own operations, such as the Group's dependency on suppliers for the provision of services and technology.

As the Group remains accountable for risks arising from the actions of such third parties, failure to adequately monitor and manage these relationships could materially impact the Group's ability to operate.

The Group maintains a dynamic risk-scanning process with inputs on the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives. The Group maintains a taxonomy of the PRTs, and risk sub-types; as well as the Topical and Emerging Risks (TERs) inventory that includes near-term as well as longer-term uncertainties. Risk assessments of planned growth and strategic initiatives against the Group's RA is undertaken annually.

The GCRO and the Group Risk Committee (GRC) regularly review reports on the risk profile for the PRTs, adherence to Group RA and the Group risk inventory, including TERs. They use this information to escalate material developments and make recommendations to the Board annually on any potential changes to our Corporate Plan.

Stress testing

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

- does not have a portfolio with excessive risk concentration that could produce unacceptably high losses under severe but plausible scenarios;
- has sufficient financial resources to withstand severe but plausible scenarios;
- has the financial flexibility to respond to extreme but plausible scenarios;
- understands key business model risks and considers what kind of event might crystallise those risks – even if extreme and with a low likelihood of occurring;
- Identify, as required, actions to mitigate the likelihood or impact of those events;
- considers how the outcome of plausible stress events, including TERs, may impact availability of liquidity and regulatory capital; and
- has set RA metrics at appropriate levels.

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 the 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.

The Board delegates approval of the Bank of England (BoE) stress test submissions to the Board Risk Committee (BRC), which reviews the recommendations from the GRC. Based on the stress test results, the GCFO and GCRO can recommend strategic actions to the Board to ensure that the Group's strategy remains within RA.

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

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

Principal Risk Types

PRTs are those risks that are inherent in our strategy and business model and have been formally defined in the Group's ERMF. These risks are managed through distinct RTFs which are approved by the GCRO.

The PRTs and associated RA Statements are reviewed annually.

The table below shows the Group's current PRTs.

Table 1: Principal Risk Types Definition and RA Statement

Principal Risk Types	Definition	Risk Appetite Statement
Credit Risk	Potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Group.	The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.
Traded Risk	Potential for loss resulting from activities undertaken by the Group in financial markets.	The Group should control its financial markets and activities to ensure that market and counterparty credit risk losses do not cause material damage to the Group's franchise.
Treasury Risk	Potential for insufficient capital, liquidity, or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Group's pension plans.	The Group should maintain sufficient capital, liquidity and funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items does not cause material damage to the Group's franchise. In addition, the Group should ensure its pension plans are adequately funded.
Operational and Technology Risk	Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).	The Group aims to control operational and technology risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise.
Financial Crime Risk¹	Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering and anti-bribery and corruption, and fraud.	The Group has no appetite for breaches in laws and regulations related to Financial Crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.
Compliance Risk	Potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws, or regulations.	The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided.
Information and Cyber Security Risk	Risk to the Group's assets, operations, and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.	The Group aims to mitigate and control ICS risks to ensure that incidents do not cause the Bank material harm, business disruption, financial loss or reputational damage – recognising that whilst incidents are unwanted, they cannot be entirely avoided.
Reputational and Sustainability Risk	Potential for damage to the franchise (such as loss of trust, earnings or market capitalisation), because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct as we strive to do no significant environmental and social harm through our client, third party relationships, or our own operations.	The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed with the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct in striving to do no significant environmental and social harm.
Model Risk	Potential loss that may occur because of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation, or use of such models.	The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; whilst accepting some model uncertainty.

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

In addition to the PRTs, there is a RA statement for Climate Risk: "The Group aims to measure and manage financial and non-financial risks arising from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement."

ERMF effectiveness reviews

The GCRO is responsible for annually affirming the effectiveness of the ERMF to the BRC via an effectiveness review. This review uses evidence-based self-assessments for all the RTFs and relevant policies. A top-down review and challenge of the results is conducted by the GCRO with all RFOs and an opinion on the internal control environment is provided by Group Internal Audit.

The ERMF effectiveness review enables measurement of year-on-year progress. The key outcomes of the 2023 review are:

- Continued focus on embedding the ERMF across the organisation.
- Financial risks continue to be more effectively managed and the Group continues to make good progress in embedding non-financial risk management.
- Other aspects of the ERMF, including the key risk committees and key supporting standards, are established.
- Country-led self-assessments ensure adherence to the ERMF. Country and regional risk committees continue to play an active role in managing and overseeing material issues arising in countries.

Ongoing effectiveness reviews allow for a structured approach to identify improvement opportunities and build plans to address them.

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

Executive and Board risk oversight

Overview

The Board has ultimate responsibility for risk management and is supported by five core Board level committees. The Board approves the ERMF based on the recommendation from the BRC, which also recommends the Group RA Statement for all PRTs. In addition, the Culture and Sustainability Committee oversees the Group's culture and key sustainability priorities.

Board and Executive level risk committee governance structure

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



Group Risk Committee

The GRC, which derives its authority from the GCRO, is responsible for ensuring the effective management of risk throughout the Group in support of the Group's strategy. The GCRO chairs the GRC, whose members are drawn from the Group Management Team. The GRC oversees the effective implementation of the ERMF for the Group, including the delegation of any part of its authorities to appropriate individuals or sub-committees.

Group Risk Committee sub-committees

- The **Group Non-Financial Risk Committee (GNFRC)**, chaired by the Global Head, Risk, Functions and Operational Risk, governs the non-financial risks throughout the Group, in support of the ERMF and the Group's strategy. The GNFRC also reviews the adequacy of the internal control system across in-scope PRTs.
- The **Group Financial Crime Risk Committee (GFCRC)**, chaired by the Group Head, CFCC, governs the Financial Crime Risk Type (excluding Fraud Risk and Secondary Reputational Risk arising from Financial Crime Risk). The GFCRC ensures that the Financial Crime Risk profile is managed within RA and policies.

- The **Group Responsibility and Reputational Risk Committee (GRRRC)**, chaired by the Group Head, CFCC, ensures the effective management of Reputational and Sustainability Risk across the Group. This includes providing oversight of matters arising from clients, products, transactions and strategic coverage-related decisions and matters escalated by the respective RFOs.
- The International Financial Reporting Standards (**IFRS 9 Impairment Committee**), co-chaired by the Global Head Enterprise Risk Management (ERM) and Group Head, Central Finance, ensures the effective management of Expected Credit Loss (ECL) computations, as well as stage allocation of financial assets for quarterly financial reporting.
- The **Model Risk Committee**, chaired by the Global Head, ERM, ensures the effective measurement and management of Model Risk in line with internal policies and RA.
- The **Corporate, Commercial and Institutional Banking (CCIB) Risk Committee**, chaired by the Chief Risk Officer (CRO), CCIB and Europe and Americas, ensures the effective management of risk throughout CCIB in support of the Group's strategy.
- The **Consumer, Private and Business Banking (CPBB) Risk Committee**, chaired by the CRO, CPBB, ensures the effective management of risk throughout CPBB in support of the Group's strategy.
- The **Asia Risk Committee** and the **Africa and Middle East Risk Committee** are chaired by the CRO for the respective region. These committees ensure the effective management of risk in the regions in support of the Group's strategy.
- The **Investment Committee**, chaired by representatives from the Risk function (CRO, Stressed Asset Group (SAG), Chief Credit Officer), ensures the optimised wind-down of the Group's existing direct investment activities in equities, quasi-equities (excluding mezzanine), funds and other alternative investments (excluding debt/debt-like instruments). This includes equity or quasi-equity stakes obtained as a result of restructuring of distressed debt, non-core equities and limited partner investments in funds linked to CCIB and managed by the Credit and Portfolio Management.
- The **SC Ventures (SCV) Risk Committee**, chaired by the CRO, SCV, receives authority directly from the GCRO and oversees the effective management of risk throughout SCV and the portfolio of subsidiaries operating under SCV, in support of the Group's strategy.
- The **Climate Risk Management Committee (CRMC)**, chaired by the Global Head, ERM, oversees the effective implementation of the Group's Climate Risk Policy and workplan. This includes relevant regulatory requirements and covers Climate Risk related financial and non-financial risks.
- The **Regulatory Interpretation Committee**, co-chaired by the Global Head ERM and Group Head, Central Finance, provides oversight of material regulatory interpretations for the Capital Requirements Regulation (as amended by UK legislation), the Prudential Regulatory Authority (PRA) rulebook and other relevant regulations impacting Group regulatory capital calculations and reporting. The areas and risk types in scope are credit risk, traded risk, operational risk, large exposures, leverage ratio and securitisation.
- The **Digital Assets Risk Committee**, chaired by the Global Head, ERM, oversees effective risk management of the Digital Assets (DA) Risk profile of the Group. This includes providing oversight and subject matter expertise of DA Risk matters arising from DA-related activities across the PRTs.

Group Asset and Liability Committee

The Group Asset and Liability Committee (GALCO) is chaired by the GCFO. Its members are drawn principally from the Management Team. GALCO is responsible for determining the Group's balance sheet strategy and for ensuring that, in executing the Group's strategy, the Group operates within RA and regulatory requirements relating to capital, loss-absorbing capacity, liquidity, leverage, Interest Rate Risk in the Banking Book (IRRBB), Banking Book Basis Risk and Structural Foreign Exchange Risk. It also monitors the structural impact of decisions around sustainable finance, net zero and climate risk. GALCO is also responsible for ensuring that internal and external recovery planning requirements are met.

Principal risks

We manage and control our PRTs through distinct RTFs, policies and RA.

Credit Risk

The Group defines Credit Risk as the potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Group.

Risk Appetite Statement

The Group manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.

Roles and responsibilities

The Credit RTF for the Group are set and owned by the CROs for the respective business segments.

The Credit Risk control function is the second line of defence responsible for independent challenge, monitoring and oversight of the Credit Risk management practices of the first line of defence. In addition, they ensure that credit risks are properly assessed and transparent; and that credit decisions are controlled in accordance with the Group's RA, credit policies and standards.

Mitigation

Segment-specific policies for CCIB and CPBB are in place for the management of Credit Risk. The Credit Policy for CCIB Client Coverage sets the principles that must be followed for the end-to-end credit process, including credit initiation, credit grading, credit assessment, product structuring, credit risk mitigation, monitoring and control, and documentation.

The CPBB Credit Risk Management Policy sets the principles for the management of CPBB segments, for end-to-end credit process including credit initiation, credit assessment, documentation and monitoring for lending to these segments.

The Group also sets out standards for the eligibility, enforceability, and effectiveness of Credit Risk mitigation arrangements. Potential credit losses from a given account, client or portfolio are mitigated using a range of tools, such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

Risk mitigants are also carefully assessed for their market value, legal enforceability, correlation, and counterparty risk of the protection provider.

Collateral is valued prior to drawdown and regularly thereafter as required, to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of liquidation. The Group also seeks to diversify its collateral holdings across asset classes and markets.

Where guarantees, credit insurance, standby letters of credit or credit derivatives are used as Credit Risk mitigation, the creditworthiness of the protection provider is assessed and monitored using the same credit approval process applied to the obligor.

Governance committee oversight

At Board level, the BRC oversees the effective management of Credit Risk. At the executive level, the GRC oversees and appoints sub-committees for the management of all risk types including Credit Risk – in particular the CCIB Risk Committee, CPBB Risk Committee, Asia Risk Committee, and Africa and Middle East Risk Committee. The GRC also receives reports from other key Group Committees such as the Standard Chartered Bank Executive Risk Committee (in relation to Credit Risk).

These committees are responsible for overseeing all risk profiles including Credit Risk of the Group within the respective business areas and regions. Meetings are held regularly, and the committees monitor all material Credit Risk exposures, as well as key internal developments and external trends, ensuring that appropriate action is taken where necessary.

Decision-making authorities and delegation

The Credit RTF is the formal mechanism of delegating Credit Risk authorities cascading from the GCRO, as the Senior Manager of the Credit Risk PRT. The delegation is to individuals such as the business segments' CROs. Further delegation of credit authorities to individual credit officers may be undertaken based on risk-adjusted scales by customer type or portfolio.

Credit Risk authorities are reviewed at least annually to ensure that they remain appropriate. In CCIB Client Coverage, the individuals delegating the Credit Risk authorities perform oversight by reviewing a sample of the limit applications approved by the delegated credit officers periodically. In CPBB, where credit decision systems and tools (e.g. application scorecards) are used for credit decisioning, such risk models are subject to performance monitoring and periodic validation. Where manual or discretionary credit decisions are applied, the individuals delegating the Credit Risk authorities perform periodic quality control assessments and assurance checks.

Monitoring

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 political and economic trends across major portfolios and countries, portfolio delinquency and loan impairment performance.

In CCIB Client Coverage, clients and portfolios are subject to additional review when they display signs of actual or potential weakness; for example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, or non-performance of an obligation within the stipulated period. Such accounts are subject to a dedicated process overseen by the Credit Issues Committee in the relevant countries where client account strategies and credit grades are re-evaluated. In addition, remedial actions, including placing accounts on early alert for increased scrutiny, exposure reduction, security enhancement or exiting the account could be undertaken. Certain accounts could also be transferred into the control management of the SAG, which is our specialist recovery unit for CCIB Client Coverage that operates independently from our main business.

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

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

For CPBB, exposures and collateral monitoring are performed at the counterparty and/or portfolio level across different client segments to ensure transactions and portfolio exposures remain within RA. Portfolio delinquency trends are also monitored. Accounts that are past due (or perceived as high risk but not yet past due) are subject to collections or recovery processes managed by a specialist independent function. In some countries, aspects of collections and recovery activities are outsourced. For discretionary lending portfolios, similar processes to those of CCIB client coverage are followed.

In addition, an independent Credit Risk Review team (part of ERM function), performs judgement-based assessments of the Credit Risk profiles at various portfolio levels. They focus on selected countries and segments through deep dives, comparative analysis, and review and challenge of the basis of credit approvals. The review ensures that the evolving Credit Risk profiles of CCIB and CPBB are well managed within RA and policies, through forward-looking mitigating actions where necessary.

Credit rating and measurement

All credit proposals are subject to a robust credit risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability, and capacity to repay. The primary lending consideration is based on the client's credit quality and the repayment capacity from operating cashflows for counterparties, and personal income or wealth for individual borrowers. The risk assessment gives due consideration to the client's liquidity and leverage position.

Where applicable, the assessment includes a detailed analysis of the Credit Risk mitigation arrangements to determine the level of reliance on such arrangements as the secondary source of repayment in the event of a significant deterioration in a client's credit quality leading to default. Client income, net worth, and the liquidity of asset by class are considered for overall risk assessment for wealth lending. The availability of Wealth Lending credit limits is subject to the availability of qualified collateral.

Risk measurement plays a central role, along with judgement and experience, in informing risk-taking and portfolio management decisions. We adopt the Advanced Internal Ratings Based (AIRB) approach under the Basel regulatory framework to calculate Credit Risk capital requirements. The Group has also established a global programme to assess capital requirements necessary to be implemented to meet the latest revised Basel III finalisation (referred to as Basel 3.1 or Basel IV) regulations.

A standard alphanumeric Credit Risk grade system is used for CCIB Client Coverage. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower numeric credit grades are indicative of a lower likelihood of default. Credit grades 1 to 12 are assigned to performing customers, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

CPBB internal ratings-based portfolios use application and behavioural credit scores that are calibrated to generate a probability of default. The Risk Decision Framework uses a credit rating system to define the portfolio/new booking segmentation, shape and decision criteria for the unsecured consumer business segment.

AIRB models cover a substantial majority of our exposures and are used in assessing risks at a customer and portfolio level, setting strategy, and optimising our risk-return decisions. The Model Risk Committee approves material internal ratings-based risk measurement models. Prior to review and approval, all internal ratings based models are validated in detail by an independent model validation team. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process, which takes place between the annual validations.

Credit Concentration Risk

Credit Concentration Risk may arise from a single large exposure to a counterparty or a group of connected counterparties, or from multiple exposures across the portfolio that are closely correlated. Large exposure Concentration Risk is managed through concentration limits set for a counterparty or a group of connected counterparties based on control and economic dependence criteria. RA metrics are set at portfolio level and monitored to control concentrations, where appropriate, by industry, products, tenor, collateralisation level, top clients, and exposure to holding companies. Single name credit concentration thresholds are set by client group depending on credit grade, and by customer segment. For concentrations that are material at a Group level, breaches and potential breaches are monitored by the respective governance committees and reported to the GRC and BRC.

Credit impairment

ECL is determined for all financial assets that are classified as amortised cost or fair value through other comprehensive income. ECL is computed as an unbiased, probability-weighted provision determined by evaluating a range of plausible outcomes, the time value of money, and forward-looking information such as critical global or country-specific macroeconomic variables. For more detailed information on macroeconomic data feeding into IFRS 9 ECL calculations, please refer to the Risk profile section (pages 273 to 285).

At the time of origination or purchase of a non-credit impaired financial asset (Stage 1), ECL represents cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. ECL continues to be determined on this basis until there is a significant increase in the Credit Risk of the asset (Stage 2), in which case ECL is recognised for default events that may occur over the lifetime of the asset. If there is observed objective evidence of credit impairment or default (Stage 3), ECL continues to be measured on a lifetime basis. To provide the Board with oversight and assurance that the quality of assets originated are aligned to the Group's strategy, there is a RA metric to monitor Stage 1 and Stage 2 ECL from assets originated in the past 12 months.

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

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

Estimating the amount and timing of future recoveries involves significant judgement and considers the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market. The total amount of the Group's impairment provision is inherently uncertain, being sensitive to changes in economic and credit conditions across the regions in which the Group operates. For further details on sensitivity analysis of ECL under IFRS 9, please refer to the Risk profile section (pages 273 to 285).

Traded Risk

The Group defines Traded Risk as the potential for loss resulting from activities undertaken by the Group in financial markets.

Risk Appetite Statement

The Group should control its financial markets and activities to ensure that market and counterparty credit risk losses do not cause material damage to the Group's franchise.

Roles and responsibilities

The Traded RTF, which sets the roles and responsibilities in respect of Traded Risk for the Group, is owned by the Global Head, Traded Risk Management (TRM). The business, acting as first line of defence, is responsible for the effective management of risks within the scope of its direct organisational responsibilities set by the Board.

TRM is the second line control function that performs independent challenge, monitoring and oversight of the Traded Risk management practices of the first line of defence, predominantly Financial Markets and Treasury Markets.

Mitigation

The Traded RTF requires that Traded Risk limits be defined at a level appropriate to ensure that the Group remains within RA. All businesses incurring Traded Risk must comply with the Traded RTF. The Traded Risk Policy sets the principles that must be followed for the end-to-end traded risk management process, including limit setting, risk capture and measurement, limit monitoring and escalation, risk mitigation and stress testing. Policies and standards ensure that these Traded Risk limits are implemented. Policies are reviewed and approved by the Global Head, TRM periodically to ensure their ongoing effectiveness.

Governance committee oversight

At Board level, the BRC oversees the effective management of Traded Risk. At the executive level, the GRC delegates responsibilities to the CCIB Risk Committee to oversee the Traded Risk profile of the Group. For subsidiaries, the authority for setting Traded Risk limits is delegated from the local board to the local risk committee, Country CRO and Traded Risk managers. Meetings are held regularly, and the committees monitor all material Traded Risk exposures, as well as key internal developments and external trends, and ensure that appropriate action is taken.

Decision-making authorities and delegation

The Traded RTF is the formal mechanism which delegates Traded Risk authorities cascading from the GCRO, as the Senior Manager of the Traded Risk Type, to the Global Head, TRM who further delegates authorities to named individuals.

Traded Risk authorities are reviewed at least annually to ensure that they remain appropriate and to assess the quality of decisions taken by the authorised person. Key risk-taking decisions are made only by certain individuals with the skills, judgement, and perspective to ensure that the Group's control standards and risk-return objectives are met.

Market Risk

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

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

The Group applies two VaR methodologies:

- Historical simulation: this involves the revaluation of all existing positions to reflect the effect of historically observed changes in Market Risk factors on the valuation of the current portfolio. This approach is applied for general Market Risk factors and the majority of specific (credit spread) risk VaRs.
- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for some of the specific (credit spread) risk VaRs in relation to idiosyncratic exposures in credit markets.

A one-year historical observation period is applied in both methods.

As an input to regulatory capital, trading book VaR is calculated for expected movements over 10 business days and to a confidence level of 99 per cent. Some types of Market Risk are not captured in the regulatory VaR measure, and these Risks not in VaR are subject to capital add-ons.

An analysis of VaR results in 2023 is available in the Risk profile section (pages 286 to 289).

Counterparty Credit Risk

The Group uses a Potential Future Exposure (PFE) model to measure the credit exposure arising from the positive mark-to-market of traded products and future potential movements in market rates, prices, and volatilities. PFE is a quantitative measure of Counterparty Credit Risk that applies recent historical market conditions to estimate the potential future credit exposure that will not be exceeded in a set time period at a confidence level of 97.5 per cent. PFE is calculated for expected market movements over different time horizons based on the tenor of the transactions.

The Group applies two PFE methodologies: simulation based, which is predominantly used, and an add-on based PFE methodology.

Underwriting

The underwriting of securities and loans is in scope of the RA set by the Group for Traded Risk. Additional limits approved by the GCRO are set on the sectoral concentration, and the maximum holding period. The Underwriting Committee, under the authority of the GCRO, approves individual proposals to underwrite new security issues and loans for our clients.

Monitoring

TRM monitors the overall portfolio risk and ensures that it is within specified limits and therefore RA. Limits are typically reviewed twice a year. Most of the Traded Risk exposures are monitored daily against approved limits. Traded Risk limits apply at all times unless separate intra-day limits have been set. Limit excess approval decisions are based on an assessment of the circumstances driving the excess and of the proposed remediation plan. Limits and excesses can only be approved by a Traded Risk manager with the appropriate delegated authority.

Treasury Risk

The Group defines Treasury Risk as the potential for insufficient capital, liquidity, or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Group's pension plans.

Risk Appetite Statement

The Group should maintain sufficient capital, liquidity and funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items does not cause material damage to the Group's franchise. In addition, the Group should ensure its pension plans are adequately funded.

Roles and responsibilities

The Global Head, ERM is responsible for the RTF for Treasury Risk under the ERMF.

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

At Regional and Country level, Chief Executive Officers (CEOs) supported by Regional and Country level Finance and Treasury teams are responsible for managing Treasury Risk as the first line of defence. Regional Treasury CROs and Country CROs for Treasury Risk (except Pension Risk) and Head of Pensions (for Pension Risk) are responsible for overseeing and challenging the first line of defence.

Mitigation

The Group develops policies to address material Treasury Risks and aims to maintain its risk profile within RA. In order to do this, metrics are set against Capital Risk, Liquidity and Funding Risk and IRRBB. Where appropriate, RA metrics are cascaded down to regions and countries in the form of Limits and Management Action Triggers.

Capital Risk

In order to manage Capital Risk, strategic business, and capital plans (Corporate Plan) are drawn up covering a five-year horizon which are approved by the Board annually. The plan ensures that adequate levels of capital, including loss absorbing capacity, and an efficient mix of the different components of capital are maintained to support our strategy and business plans.

Treasury is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

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

Structural Foreign Exchange (FX) Risk

The Group's structural FX position results from the Group's non-US dollar investment in the share capital and reserves of subsidiaries and branches. The FX translation gains, or losses, are recorded in the Group's translation reserves with a direct impact on the Group's Common Equity Tier 1 ratio.

The Group contracts hedges to manage its structural FX position in accordance with the RA, and as a result the Group has taken net investment hedges to partially cover its exposure to certain non-US dollar currencies to mitigate the FX impact of such positions on its capital ratios.

Liquidity and Funding Risk

At Group, regional and country level we implement various business-as-usual and stress risk metrics to monitor and manage liquidity and funding risk. This ensures that the Group maintains an adequate and well-diversified liquidity buffer, as well as a stable funding base, and that it meets its liquidity and funding regulatory requirements. The approach to managing risks and the RA is assessed annually through the Internal Liquidity Adequacy Assessment Process. A funding plan is also developed for efficient liquidity projections to ensure that the Group is adequately funded in the required currencies, to meet its obligations and client funding needs. The funding plan is part of the overall Corporate Plan process aligning to the capital requirements.

Interest Rate Risk in the Banking Book

This risk arises from differences in the repricing profile, interest rate basis, and optionality of banking book assets liabilities and off-balance sheet items. IRRBB represents an economic and commercial risk to the Group and its capital adequacy. The Group monitors IRRBB against the RA.

Pension Risk

Pension Risk is the potential for loss due to having to meet an actuarially assessed shortfall in the Group's pension plans. Pension obligation risk to a firm arises from its contractual or other liabilities to or with respect to an occupational pension plan or other long-term benefit obligation. For a funded plan it represents the risk that additional contributions will need to be made because of a future shortfall in the funding of the plan. Or, for unfunded obligations, it represents the risk that the cost of meeting future benefit payments is greater than currently anticipated. The Pension Risk position against RA metric is reported to the GRC. This metric is calculated as the total capital requirement (including both Pillar 1 and Pillar 2A capital) in respect of Pension Risk, expressed as a number of basis points of RWA.

Recovery and Resolution Planning

In line with PRA requirements, the Group maintains a Recovery Plan which is a live document to be used by management in the event of stress in order to restore the Group to a stable and sustainable position. The Recovery Plan includes a set of recovery indicators, an escalation framework, and a set of management actions capable of being implemented during a stress. A Recovery Plan is also maintained within each major entity, and all recovery plans are subject to periodic fire-drill testing.

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

Governance committee oversight

At the Board level, the BRC oversees the effective management of Treasury Risk. At the executive level, the GALCO ensures the effective management of risk throughout the Group in support of the Group's strategy, guides the Group's strategy on balance sheet optimisation and ensures that the Group operates within the RA and other internal and external requirements relating to Treasury Risk (except Pension Risk). The GRC and Regional Risk Committees provide oversight for Pension Risk.

Regional and country oversight resides with regional and country Asset and Liability Committees. Regions and countries must ensure that they remain in compliance with Group Treasury policies and practices, as well as local regulatory requirements.

Decision-making authorities and delegation

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

Monitoring

On a day-to-day basis, Treasury Risk is managed by Treasury, Finance and Country CEOs. The Group regularly reports and monitors Treasury Risk inherent in its business activities and those that arise from internal and external events.

Internal risk management reports covering the balance sheet and the capital and liquidity position are presented to the relevant country Asset and Liability Committee. The reports contain key information on balance sheet trends, exposures against RA and supporting risk measures which enable members to make informed decisions around the overall management of the balance sheet.

In addition, an independent Treasury CRO as part of ERM reviews the prudence and effectiveness of Treasury Risk management.

Pension Risk is actively managed by the Head of Pensions and monitored by the Head of Country Risk, Scenario Analysis, Insurable and Pension Risk. The Head of Pensions ensures that accurate, complete, and timely updates on Pension Risk are shared with the Head of Country Risk, Scenario Analysis and Pension Risk, the Treasury CRO and the Global Head, ERM on a periodic basis.

Operational and Technology Risk

The Group defines Operational and Technology risk as the potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).

Risk Appetite Statement

The Group aims to control operational and technology risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise.

Changes to Third Party Risk

With effect from January 2024, the Group has removed the IRT classification and formally included Third Party Risk as a sub risk under Operational and Technology Risk. Third Party Risk is defined as the potential for loss or adverse impact due to the failure to manage the onboarding, lifecycle and exit strategy of a third party. The Third Party Risk Management Policy and Standard, in conjunction with the respective PRT policies and standards, holistically set out the Group's minimum controls requirements for the identification, mitigation and management of risks arising from the use of Third Parties.

Roles and responsibilities

The Operational and Technology RTF sets the roles and responsibilities in respect of Operational and Technology risk for the Group. The Operational and Technology RTF defines the Group's Operational and Technology risk sub-types and sets standards for the identification, control, monitoring and treatment of risks. These standards are applicable across all PRTs and risk sub-types in the Operational and Technology RTF. The list of risk sub-types includes Execution Capability, Governance, Reporting and Obligations, Legal Enforceability, and Operational Resilience (including client service, change management, people management, safety and security, and technology risk).

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

Mitigation

The Operational and Technology RTF sets out the Group's overall approach to the management of Operational and Technology risk in line with the Group's Operational and Technology RA. This is supported by the Risk and Control Self-Assessment (RCSA) which defines roles and responsibilities for the identification, control, and monitoring of risks (applicable to all PRTs, risk sub-types and IRTs).

The RCSA is used to determine the design strength and reliability of each process, and requires:

- the recording of processes run by client segments, products, and functions into a process universe;
- the identification of potential failures in these processes and the related risks of such failures;
- an assessment of the impact of the identified risks based on a consistent scale;
- the design and monitoring of controls to mitigate prioritised risks; and
- assessments of residual risk and timely actions for elevated risks.

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

Governance committee oversight

At Board level, the BRC oversees the effective management of Operational and Technology risk. At the executive level, the GRC is responsible for the governance and oversight of Operational and Technology risk for the Group. The GRC, supported by the GNFRIC, monitors the Group's Operational and Technology RA and relies on other key committees for the management of Operational and Technology risk.

Regional business segments and functional committees also provide governance oversight of their respective processes and related Operational and Technology risk. In addition, Country Non-Financial Risk Committees (CNFRICs) oversee the management of Operational and Technology Risk at the country (or entity) level. In smaller countries, the responsibilities of the CNFRIC may be exercised directly by the Country Risk Committee (for branches) or Executive Risk Committee (for subsidiaries).

Decision-making authorities and delegation

The GCRO has delegated the RFO responsibilities associated with the Operational and Technology RTF to the Global Head of Risk, Functions and Operational Risk (GHRFOR).

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

Monitoring

To deliver services to clients and to participate in the financial services sector, the Group runs processes which are exposed to Operational and Technology risks. The Group prioritises and manages risks which are significant to clients and to the financial services sectors. Control indicators are regularly monitored to determine the Group's exposure to residual risk.

The residual risk assessments and reporting of events form the Group's Operational and Technology Risk profile.

The completeness of the Operational and Technology Risk profile ensures appropriate prioritisation and timeliness of risk decisions, including risk acceptances with treatment plans for risks that exceed acceptable thresholds.

The Board Risk Committee is informed on adherence to Operational and Technology RA through metrics reported for selected risks. These metrics are monitored, and escalation thresholds are devised based on the materiality and significance of the risk. These Operational and Technology RA metrics are consolidated on a regular basis and reported at relevant Group committees. This provides senior management with the relevant information to inform their risk decisions.

Financial Crime Risk

The Group defines Financial Crime Risk as the potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering and anti-bribery and corruption, and fraud.

Risk Appetite Statement

The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.

Roles and responsibilities

The Group Head, CFCC has overall responsibility for Financial Crime Risk and is responsible for the establishment and maintenance of effective systems and controls to meet legal and regulatory obligations in respect of Financial Crime Risk. The Group Head, CFCC is the Group's Compliance and Money-Laundering Reporting Officer and performs the Financial Conduct Authority (FCA) controlled function and senior management function in accordance with the requirements set out by the FCA, including those set out in their handbook on systems and controls. As the first line of defence, the business process owners have responsibility for the application of policy controls and the identification and measurement of risks relating to financial crime. The business must communicate risks and any policy non-compliance to the second line of defence for review and approval following the model for delegation of authority.

Mitigation

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

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

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

- Group Risk Assessment: the Group monitors enterprise-wide Financial Crime Risks through the CFCC Risk Assessment process consisting of Financial Crime Risk and Compliance Risk assessments. The Financial Crime Risk assessment is a Group-wide risk assessment undertaken annually to assess the inherent Financial Crime Risk exposures and the associated processes and controls by which these exposures are mitigated.
- Financial Crime Surveillance: risk-based systems and processes to prevent and detect financial crime.

The strength of controls is tested and assessed through the Group's Operational and Technology RTF, in addition to oversight by CFCC Assurance.

Governance committee oversight

Financial Crime Risk within the Group is governed by the GFCRC and the GNFRC for Fraud Risk.

The GFCRC is responsible for ensuring effective oversight for operational risk relating to Financial Crime Risk. Board Level oversight of Financial Crime risk is performed by the Audit Committee and the BRC.

Decision-making authorities and delegation

The Financial Crime RTF is the formal mechanism through which the delegation of Financial Crime Risk authorities is made. The Group Head, CFCC is the RFO for Financial Crime Risk under the Group's ERMF. Certain aspects of Financial Crime Compliance, second line of defence oversight and challenge, are delegated within the CFCC function. Approval frameworks are in place to allow for risk-based decisions on client onboarding, potential breaches of sanctions regulation or policy, situations of potential money laundering (and terrorist financing), bribery and corruption or internal and external fraud.

Monitoring

The Group monitors Financial Crime Risk compliance against a set of RA metrics. These metrics are reviewed periodically and reported regularly to the GFCRC, GNFRC, BRC, GRC, and relevant Board committees.

Compliance Risk

The Group defines Compliance Risk as the potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws, or regulations.

Risk Appetite Statement

The Group has no appetite for breaches in laws and regulations related to regulatory non-compliance; recognising that whilst incidents are unwanted, they cannot be entirely avoided.

Roles and responsibilities

The Group Head, CFCC as RFO for Compliance Risk provides support to senior management on regulatory and compliance matters by:

- providing interpretation and advice on CFCC regulatory requirements and their impact on the Group; and
- setting enterprise-wide standards for management of compliance risks through the establishment and maintenance of the Compliance RTF.

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

All activities that the Group engages in must be designed to comply with the applicable laws and regulations in the countries in which we operate. The CFCC function provides second line of defence oversight and challenge of the first line of defence risk management activities that relate to Compliance Risk. Where Compliance Risk arises, or could arise, from failure to manage another PRT or sub-type, the Compliance RTF outlines that the responsibility rests with the respective RFO or control function to ensure that effective oversight and challenge of the first line of defence can be provided by the appropriate second line of defence function.

Each of the assigned second line of defence functions have responsibilities, including monitoring relevant regulatory developments from Non-Financial Services regulators at both Group and country levels, policy development, implementation, and validation as well as oversight and challenge of first line of defence processes and controls. In addition, the remit of CFCC has been further clarified in 2023 in relation to Compliance risk and the boundary of responsibilities with other PRTs.

Mitigation

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

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

Governance committee oversight

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

Whilst not a formal governance committee, the CFCC Oversight Group provides oversight of CFCC risks including the effective implementation of the Compliance RTF. The Regulatory Change Oversight Forum provides visibility and oversight of material and/or complex large-scale regulatory change emanating from Financial Services regulators impacting Non-Financial Risks. The CFCC Policy Council provides oversight, challenge and direction to Compliance and FCC Policy Owners on material changes and positions taken in CFCC-owned policies, including issues relating to regulatory interpretation and Group's CFCC RA.

Decision-making authorities and delegation

The Compliance RTF is the formal mechanism through which the delegation of Compliance Risk authorities is made. The Group Head, CFCC has the authority to delegate second line of defence responsibilities within the CFCC function to relevant and suitably qualified individuals.

Monitoring

The monitoring of controls designed to mitigate the risk of regulatory non-compliance in processes is governed in line with the Operational and Technology RTF. The Group has a monitoring and reporting process in place for Compliance Risk, which includes escalation and reporting to Risk and CFCC Non-Financial Risk Committee, GNFRC, GRC, BRC, and relevant Board committees.

Information and Cyber Security (ICS) Risk

The Group defines ICS Risk as the risk to the Group's assets, operations, and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.

Risk Appetite Statement

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

Roles and responsibilities

The Group's ICS RTF defines the roles and responsibilities of the first and second lines of defence in managing and governing ICS Risk across the Group. It emphasises business ownership and individual accountability.

The Group Chief Transformation, Technology & Operations Officer (CTTO) has the first line of defence responsibility for ICS Risk and is accountable for the Group's ICS strategy. The Group Chief Information Security Officer (CISO) leads the development and execution of the ICS strategy. The first line of defence also manages all key ICS Risks, breaches and risk treatment plans. ICS Risk profile, RA breaches and remediation status are reported at Board and Executive committees, alongside business, function and country governance committees.

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

Mitigation

ICS Risk is managed through the ICS RTF, comprising a risk assessment methodology and supporting policy, standards, and methodologies. These are aligned to industry recommended practice. We undertake an annual ICS Effectiveness Review to evaluate ICS Risk management practices in alignment with the ERMF.

Governance committee oversight

The BRC oversees the effective management of ICS Risk. The GRC has delegated authority to the GNFRC to ensure effective implementation of the ICS RTF. The GRC and GNFRC are responsible for oversight of ICS Risk profile and RA breaches. Sub-committees of the GNFRC have oversight of ICS Risk management arising from the businesses, countries and functions.

Decision-making authorities and delegation

The ICS RTF defines how the Group manages ICS Risk. The Group CISRO delegates authority to designated individuals through the ICS RTF, including at a business, function, region and country level.

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

Monitoring

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

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

During these reviews, the status of each risk is assessed against the Group's controls to identify any changes to impact and likelihood, which affects the overall risk rating.

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

Reputational and Sustainability Risk

The Group defines Reputational and Sustainability Risk as the potential for damage to the franchise (such as loss of trust, earnings, or market capitalisation), because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct as we strive to do no significant environmental and social harm through our client, third party relationships or our own operations.

Risk Appetite Statement

The Group aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed with the appropriate level of management and governance oversight. This includes a potential failure to uphold responsible business conduct in striving to do no significant environmental and social harm.

Roles and responsibilities

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

Our Reputational and Sustainability RTF allocates responsibilities in a manner consistent with the three lines of defence model.

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

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

Mitigation

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

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

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 the 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.

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

Governance committee oversight

At Board level, the Culture and Sustainability Committee provides oversight for our Sustainability strategy while the BRC oversees Reputational and Sustainability Risk as part of the ERMF. The GRC provides executive level committee oversight and delegates the authority to ensure effective management of Reputational and Sustainability Risk to the GRRRC.

The GRRRC's remit is to:

- Challenge, constrain and, if required, stop business activities where Reputational and Sustainability risks are not aligned with the Group's RA;
- Make decisions on Reputational and Sustainability Risk matters assessed as high or very high based on the Group's Reputational and Sustainability Risk Materiality Assessment Matrix, and matters escalated from the regions or client businesses;
- Provide oversight of material Reputational and Sustainability Risk and/or thematic issues arising from the potential failure of other risk types;
- Identify TERs, as part of a dynamic risk scanning process;
- Monitor existing or new regulatory priorities.

The Sustainable Finance Governance Committee, appointed by the GRRRC, provides leadership, governance, and oversight for delivering the Group's sustainable finance offering.

This includes:

- Reviewing and supporting the Group's frameworks for Green and Sustainable Products, and Transition Finance for approval of GRRRC. These frameworks set out the guidelines for approval of products and transactions which carry the sustainable finance and/or transition finance label;
- Decision-making authority on the eligibility of a sustainable asset for any RWA relief;
- Approving sustainable finance and transition finance labels for products in addition to regular product management and governance;
- Reviewing the reputational risks arising from greenwashing claims related to Sustainable Finance products and services.

The GNFRC has oversight of the control environment and effective management of Reputational Risk incurred when there are negative shifts in stakeholder perceptions of the Group due to failure of other PRTs. The regional and client-business risk committees provide oversight on the Reputational and Sustainability Risk profile within their remit. The CNFRC provides oversight of the Reputational and Sustainability Risk profile at a country level.

Decision-making authorities and delegation

The Global Head, ERM delegates risk acceptance authorities for stakeholder perception risks to designated individuals in the first line and second line or to committees such as the GRRRC via risk authority matrices.

These risk authority matrices are tiered at country, regional, business segment or Group levels and are established for risks incurred in strategic coverage, clients, products, or transactions. For environmental and social risks, the ESRM team reviews and supports the risk assessments for clients and transactions and escalates to the Group ESG and Reputational Risk team as required.

Monitoring

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

Exposure to Sustainability Risk is monitored through triggers embedded within the first line of defence processes.

The Environmental and Social Risks are considered for clients and transactions via the environmental and social risk assessments and for vendors in our supply chain through the Modern Slavery questionnaires.

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

Model Risk

The Group defines Model Risk as potential loss that may occur because of decisions or the risk of mis-estimation that could be principally based on the output of models due to errors in the development, implementation, or use of such models.

Risk Appetite Statement

The Group has no appetite for material adverse implications arising from misuse of models or errors in the development or implementation of models; whilst accepting some model uncertainty.

Roles and responsibilities

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

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

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

The Group adopts an industry standard model definition as specified in the Group Model Risk Policy, together with a scope of applicability represented by defined model family types as detailed within the Model Risk Framework. Model Owners are accountable for ensuring that all models under their purview have been independently validated by GMV. Models are validated before use and then on an ongoing basis, with schedule determined by the perceived level of model risk associated with the model, or more frequently if there are specific regulatory requirements.

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

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

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

Mitigation

The Model Risk policy and standards define requirements for model development and validation activities, including regular model performance monitoring. Any model issues or deficiencies identified through the validation process are mitigated through model monitoring, model overlays and/or a model redevelopment plan, which undergoes robust review, challenge, and approval. Operational controls govern all Model Risk-related processes, with regular risk assessments performed to assess appropriateness and effectiveness of those controls, in line with the Operational and Technology RTF, with remediation plans implemented where necessary.

Governance committee oversight

At Board level, the BRC exercises oversight of Model Risk within the Group. At the executive level, the GRC has appointed the Model Risk Committee to ensure effective measurement and management of Model Risk. Sub-committees such as the Credit Model Assessment Committee, Traded Risk Model Assessment Committee and Financial Crime Compliance Model Assessment Committee oversee their respective in-scope models and escalate material Model Risks to the Model Risk Committee. In parallel, business and function-level risk committees provide governance oversight of the models used in their respective processes.

Decision-making authorities and delegation

The Model RTF is the formal mechanism through which the delegation of Model Risk authorities is made.

The Global Head, ERM delegates authorities to designated individuals or Policy Owners through the Model RTF. The second line of defence ownership for Model Risk at country level is delegated to Country CROs at the applicable branches and subsidiaries.

The Model Risk Committee is responsible for approving models for use. Model approval authority is also delegated to the Credit Model Assessment Committee, Traded Risk Model Assessment Committee, Financial Crime Compliance Model Assessment Committee, and individual designated model approvers for less material models.

Monitoring

The Group monitors Model Risk via a set of RA metrics. Adherence to Model RA and any threshold breaches are reported to the BRC, GRC and Model Risk Committee. These metrics and thresholds are reviewed twice per year to ensure that threshold calibration remains appropriate, and the themes adequately cover the current risks.

Models undergo regular monitoring based on their level of perceived Model Risk, with monitoring results and breaches presented to Model Risk Management and delegated model approvers.

Model Risk Management produces Model Risk reports covering the model landscape, which include performance metrics, identified model issues and remediation plans. These are presented for discussion at the Model Risk governance committees on a regular basis.

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

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

Risk Appetite Statement

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

Roles and responsibilities

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

Mitigation

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

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

Governance committee oversight

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

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

Decision-making authorities and delegation

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

Monitoring

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

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

Digital Assets Risk

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

Risk Appetite Statement

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

Roles and responsibilities

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

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

Mitigation

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

Governance committee oversight

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

Decision-making authorities and delegation

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

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

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

Monitoring

DA Risks are monitored through the existing Group RA metrics across the PRTs. In addition, specific DA Risk Management Monitoring level metrics are reviewed and monitored by the relevant individual PRTs. DA risk decisions relating to other PRTs are taken within the authorities for the respective PRT.

Capital review

The Capital review provides an analysis of the Group's capital and leverage position, and requirements.

Capital summary

The Group's capital, leverage and minimum requirements for own funds and eligible liabilities (MREL) position is managed within the Board-approved risk appetite. The Group is well capitalised with low leverage and high levels of loss-absorbing capacity.

	2023	2022
CET1 capital	14.1%	14.0%
Tier 1 capital	16.3%	16.6%
Total capital	21.2%	21.7%
Leverage ratio	4.7%	4.8%
MREL ratio	33.3%	32.1%
Risk-weighted assets (RWA) \$million	244,151	244,711

The Group's capital, leverage and MREL positions were all above current requirements and Board-approved risk appetite. For further detail see the Capital section in the Standard Chartered PLC Pillar 3 Disclosures for FY 2023. The Group's CET1 capital increased 10 basis points to 14.1 percent of RWA since FY2022. Profits, gains from the aviation leasing sale, movements in FVOCI and RWA optimisations were partly offset by distributions (including ordinary share buybacks of \$2.0 billion during the year), impairments of the Group's investment in Bohai, lower FX translation reserves and an increase in regulatory deductions.

The PRA updated the Group's Pillar 2A requirement during Q4 2023. As at 31 December 2023 the Group's Pillar 2A was 3.8 percent of RWA, of which at least 2.1 per cent must be held in CET1 capital. The Group's minimum CET1 capital requirement was 10.5 per cent at 31 December 2023. The UK countercyclical buffer increased to 2.0 per cent which impacts Group CET1 minimum requirement by approximately 8 basis points from July 2023.

The Group CET1 capital ratio at 31 December 2023 reflects the share buy-backs of \$2 billion completed during the year. The CET1 capital ratio also includes an accrual for the FY 2023 dividend. The Board has recommended a final dividend for FY 2023 of \$560 million or 21 cents per share resulting in a full year 2023 dividend of 27 cents per share, a 50 percent increase on the 2022 dividend. In addition, the Board has announced a further share buy-back of \$1 billion, the impact of this will reduce the Group's CET1 capital by around 40 basis points in the first quarter of 2024.

The Group expects to manage CET1 capital dynamically within our 13-14 per cent target range, in support of our aim of delivering future sustainable shareholder distributions.

The Group's MREL requirement as at 31 December 2023 was 27.4 per cent of RWA. This is composed of a minimum requirement of 23.5 per cent of RWA and the Group's combined buffer (comprising the capital conservation buffer, the G-SII buffer and the countercyclical buffer). The Group's MREL ratio was 33.3 per cent of RWA and 9.6 per cent of leverage exposure at 31 December 2023.

During 2023, the Group successfully raised \$8.1 billion of MREL eligible securities from its holding company, Standard Chartered PLC. Issuance was entirely in callable senior debt.

The Group is a G-SII, with a 1.0 per cent G-SII CET1 capital buffer. The Standard Chartered PLC G-SII disclosure is published at: sc.com/en/investors/financial-results.

Capital base¹ (audited)

	2023 \$million	2022 \$million
CET1 capital instruments and reserves		
Capital instruments and the related share premium accounts	5,321	5,436
Of which: share premium accounts	3,989	3,989
Retained earnings ²	24,930	25,154
Accumulated other comprehensive income (and other reserves)	9,171	8,165
Non-controlling interests (amount allowed in consolidated CET1)	217	189
Independently audited year-end profits	3,542	2,988
Foreseeable dividends	(768)	(648)
CET1 capital before regulatory adjustments	42,413	41,284
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	(730)	(854)
Intangible assets (net of related tax liability)	(6,128)	(5,802)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(41)	(76)
Fair value reserves related to net losses on cash flow hedges	(91)	564
Deduction of amounts resulting from the calculation of excess expected loss	(754)	(684)
Net gains on liabilities at fair value resulting from changes in own credit risk	(100)	63
Defined-benefit pension fund assets	(95)	(116)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(116)	(90)
Exposure amounts which could qualify for risk weighting of 1,250%	(44)	(103)
Other regulatory adjustments to CET1 capital ³	-	(29)
Total regulatory adjustments to CET1	(8,099)	(7,127)
CET1 capital	34,314	34,157
Additional Tier 1 capital (AT1) instruments	5,512	6,504
AT1 regulatory adjustments	(20)	(20)
Tier 1 capital	39,806	40,641
Tier 2 capital instruments	11,965	12,540
Tier 2 regulatory adjustments	(30)	(30)
Tier 2 capital	11,935	12,510
Total capital	51,741	53,151
Total risk-weighted assets (unaudited)	244,151	244,711

1 Capital base is prepared on the regulatory scope of consolidation

2 Retained earnings includes IFRS9 capital relief (transitional) of nil (2022: \$106 million)

3 Other regulatory adjustments to CET1 capital includes insufficient coverage for non-performing exposures of nil (2022: \$(29) million)

Movement in total capital (audited)

	2023 \$million	2022 \$million
CET1 at 1 January	34,157	38,362
Ordinary shares issued in the period and share premium	–	–
Share buy-back	(2,000)	(1,258)
Profit for the period	3,542	2,988
Foreseeable dividends deducted from CET1	(768)	(648)
Difference between dividends paid and foreseeable dividends	(372)	(301)
Movement in goodwill and other intangible assets	(326)	(1,410)
Foreign currency translation differences	(477)	(1,892)
Non-controlling interests	28	(12)
Movement in eligible other comprehensive income	464	(1,224)
Deferred tax assets that rely on future profitability	35	74
Increase in excess expected loss	(70)	(104)
Additional value adjustments (prudential valuation adjustment)	124	(189)
IFRS 9 transitional impact on regulatory reserves including day one	(106)	(146)
Exposure amounts which could qualify for risk weighting of 1,250%	59	(67)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(26)	(30)
Others	50	14
CET1 at 31 December	34,314	34,157
AT1 at 1 January	6,484	6,791
Net issuances (redemptions)	(1,000)	241
Foreign currency translation difference and others	8	9
Excess on AT1 grandfathered limit (ineligible)	–	(557)
AT1 at 31 December	5,492	6,484
Tier 2 capital at 1 January	12,510	12,491
Regulatory amortisation	1,416	778
Net issuances (redemptions)	(2,160)	(1,098)
Foreign currency translation difference	146	(337)
Tier 2 ineligible minority interest	19	102
Recognition of ineligible AT1	–	557
Others	4	17
Tier 2 capital at 31 December	11,935	12,510
Total capital at 31 December	51,741	53,151

The main movements in capital in the period were:

- CET1 capital increased by \$0.2 billion as retained profits of \$3.5 billion, movement in FVOCI of \$0.6bn were partly offset by share buy-backs of \$2.0 billion, distributions paid and foreseeable of \$1.1 billion, foreign currency translation impact of \$0.5 billion and an increase in regulatory deductions and other movements of \$0.3bn.
- AT1 capital decreased by \$1.0 billion following the redemption of \$1.0 billion of 7.75 per cent securities.
- Tier 2 capital decreased by \$0.6 billion due to the redemption of \$2.2 billion of Tier 2 during the year partly offset by the reversal of regulatory amortisation and foreign currency translation impact.

Risk-weighted assets by business

	2023			
	Credit risk \$million	Operational risk \$million	Market risk \$million	Total risk \$million
Corporate, Commercial & Institutional Banking	102,675	18,083	21,221	141,979
Consumer, Private & Business Banking	42,559	8,783	–	51,342
Ventures	1,885	35	3	1,923
Central & Other items	44,304	960	3,643	48,907
Total risk-weighted assets	191,423	27,861	24,867	244,151

	2022			
	Credit risk \$million	Operational risk \$million	Market risk \$million	Total risk \$million
Corporate, Commercial & Institutional Banking	110,103	17,039	16,440	143,582
Consumer, Private & Business Banking	42,091	8,639	–	50,730
Ventures	1,350	6	2	1,358
Central & Other items	43,311	1,493	4,237	49,041
Total risk-weighted assets	196,855	27,177	20,679	244,711

Risk-weighted assets by geographic region

	2023 \$million	2022 \$million
Asia	155,995	150,816
Africa & Middle East	38,393	40,716
Europe & Americas	46,106	50,174
Central & Other items	3,657	3,005
Total risk-weighted assets	244,151	244,711

Movement in risk-weighted assets

	Credit risk							
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & Other items \$million	Total \$million	Operational risk \$million	Market risk \$million	Total risk \$million
At 31 December 2021	125,813	42,731	756	50,288	219,588	27,116	24,529	271,233
At 1 January 2022	125,813	42,731	756	50,288	219,588	27,116	24,529	271,233
Assets growth & mix	(13,213)	(985)	594	(10,033)	(23,637)	–	–	(23,637)
Asset quality	(4,258)	431	–	7,344	3,517	–	–	3,517
Risk-weighted assets efficiencies	–	–	–	–	–	–	–	–
Model Updates	4,329	1,420	–	–	5,749	–	(1,000)	4,749
Methodology and policy changes	2,024	85	–	93	2,202	–	1,500	3,702
Acquisitions and disposals	–	–	–	–	–	–	–	–
Foreign currency translation	(4,883)	(1,591)	–	(3,376)	(9,850)	–	–	(9,850)
Other, Including non-credit risk movements	291	–	–	(1,005)	(714)	61	(4,350)	(5,003)
At 31 December 2022	110,103	42,091	1,350	43,311	196,855	27,177	20,679	244,711
Assets growth & mix	(4,424)	728	535	1,183	(1,978)	–	–	(1,978)
Asset quality	(391)	390	–	2,684	2,683	–	–	2,683
Risk-weighted assets efficiencies	–	–	–	(688)	(688)	–	–	(688)
Model Updates	(597)	(151)	–	(151)	(899)	–	500	(399)
Methodology and policy changes	–	(196)	–	–	(196)	–	(800)	(996)
Acquisitions and disposals	(1,630)	–	–	–	(1,630)	–	–	(1,630)
Foreign currency translation	(386)	(303)	–	(2,035)	(2,724)	–	–	(2,724)
Other, Including non-credit risk movements	–	–	–	–	–	684	4,488	5,172
At 31 December 2023	102,675	42,559	1,885	44,304	191,423	27,861	24,867	244,151

Movements in risk-weighted assets

RWA decreased by \$0.6 billion, or 0.2 per cent from 31 December 2022 to \$244.2 billion. This was due to a decrease in Credit Risk RWA of \$5.4 billion, an increase in Market Risk RWA of \$4.2 billion and an increase in Operational Risk RWA of \$0.7 billion.

Corporate, Commercial & Institutional Banking

Credit Risk RWA decreased by \$7.4 billion, or 6.7 per cent from 31 December 2022 to \$102.7 billion mainly due to:

- \$4.4 billion decrease from changes in asset growth & mix of which:
 - \$10.3 billion decrease from optimisation actions including reduction in lower returning portfolios
 - \$5.9 billion increase from asset balance growth across the rest of the portfolio
- \$1.6 billion decrease from sale of Aviation business
- \$0.9 billion decrease from industry-wide regulatory changes to align IRB model performance
- \$0.4 billion decrease from foreign currency translation
- \$0.4 billion decrease from asset quality movements, reflecting client upgrades in Asia, Europe & Americas, partially offset by sovereign downgrades in Africa & Middle East
- \$0.3 billion increase from model changes in Financial Markets and Lending

Consumer, Private & Business Banking

Credit Risk RWA increased by \$0.5 billion, or 1.1 per cent from 31 December 2022 to \$42.6 billion mainly due to:

- \$0.7 billion increase from changes in asset growth and mix, mainly from Asia
- \$0.4 billion increase due to deterioration in asset quality mainly in Asia
- \$0.3 billion decrease from foreign currency translation
- \$0.2 billion decrease from methodology change relating to an unsecured lending portfolio in Africa & Middle East
- \$0.1 billion decrease from industry-wide regulatory changes to align IRB model performance

Ventures

Ventures is comprised of Mox Bank Limited, Trust Bank and SC Ventures. Credit Risk RWA increased by \$0.5 billion, or 39.7 per cent from 31 December 2022 to \$1.9 billion from asset balance growth, mainly from SC Ventures.

Central & Other items

Central & Other items RWA mainly relate to the Treasury Markets liquidity portfolio, equity investments and current & deferred tax assets.

Credit Risk RWA increased by \$1 billion, or 2.3 per cent from 31 December 2022 to \$44.3 billion mainly due to:

- \$2.7 billion increase due to deterioration in asset quality mainly from sovereign downgrades in Africa & Middle East
- \$1.2 billion increase from changes in asset growth & mix
- \$2.0 billion decrease from foreign currency translation
- \$0.7 billion decrease from RWA efficiencies
- \$0.2 billion decrease from model changes in Treasury Markets

Market Risk

Total Market Risk RWA increased by \$4.2 billion, or 20.3 per cent from 31 December 2022 to \$24.9 billion due to:

- \$2.4 billion increase in Standardised Approach (SA) RWA driven by higher Specific Interest Rate Risk relating to the traded credit portfolio, offset by lower net Structural FX positions
- \$2.1 billion increase in Internal Models Approach (IMA) RWA due to increased positions and increased market volatility
- \$0.5 billion increase in IMA RWA due to introduction of a new VaR model to address the rise in VaR backtesting exceptions in 2022
- \$0.8 billion decrease in IMA RWA due to reduction in the IMA multiplier with fewer VaR backtesting exceptions in 2023 than in 2022

Operational Risk

Operational Risk RWA increased by \$0.7 billion, or 2.5 per cent from 31 December 2022 to \$279 billion, mainly due to a marginal increase in average income as measured over a rolling three-year time horizon for certain products.

Leverage ratio

The Group's UK leverage ratio, which excludes qualifying claims on central banks was 4.7 per cent, which is above the current minimum requirement of 3.7 per cent. The leverage ratio was 6 basis points lower than FY22. Tier 1 Capital decreased by \$0.8 billion as CET1 capital increased by \$0.2 billion and was more than offset by the redemption of \$1 billion 7.75 per cent AT1 securities. Leverage exposure decreased by \$7.2 billion benefiting from an increase in deduction for central bank claims of \$19.6 billion, a decrease in securities financing transactions and add-on of \$1.3 billion, partly offset by increase in Other Assets of \$7.2 billion, Off-balance sheet items of \$4.5 billion and Derivatives of \$2 billion.

Leverage ratio

	2023 \$million	2022 \$million
Tier 1 capital	39,806	40,641
Derivative financial instruments	50,434	63,717
Derivative cash collateral	10,337	12,515
Securities financing transactions (SFTs)	97,581	89,967
Loans and advances and other assets	664,492	653,723
Total on-balance sheet assets	822,844	819,922
Regulatory consolidation adjustments¹	(92,709)	(71,728)
Derivatives adjustments		
Derivatives netting	(39,031)	(47,118)
Adjustments to cash collateral	(9,833)	(10,640)
Net written credit protection	1,359	548
Potential future exposure on derivatives	42,184	35,824
Total derivatives adjustments	(5,321)	(21,386)
Counterparty risk leverage exposure measure for SFTs	6,639	15,553
Off-balance sheet items	123,572	119,049
Regulatory deductions from Tier 1 capital	(7,883)	(7,099)
Total exposure measure excluding claims on central banks	847,142	854,311
Leverage ratio excluding claims on central banks (%)	4.7%	4.8%
Average leverage exposure measure excluding claims on central banks	853,968	864,605
Average leverage ratio excluding claims on central banks (%)	4.6%	4.7%
Countercyclical leverage ratio buffer	0.1%	0.1%
G-SII additional leverage ratio buffer	0.4%	0.4%

1 Includes adjustment for qualifying central bank claims and unsettled regular way trades

Financial statements

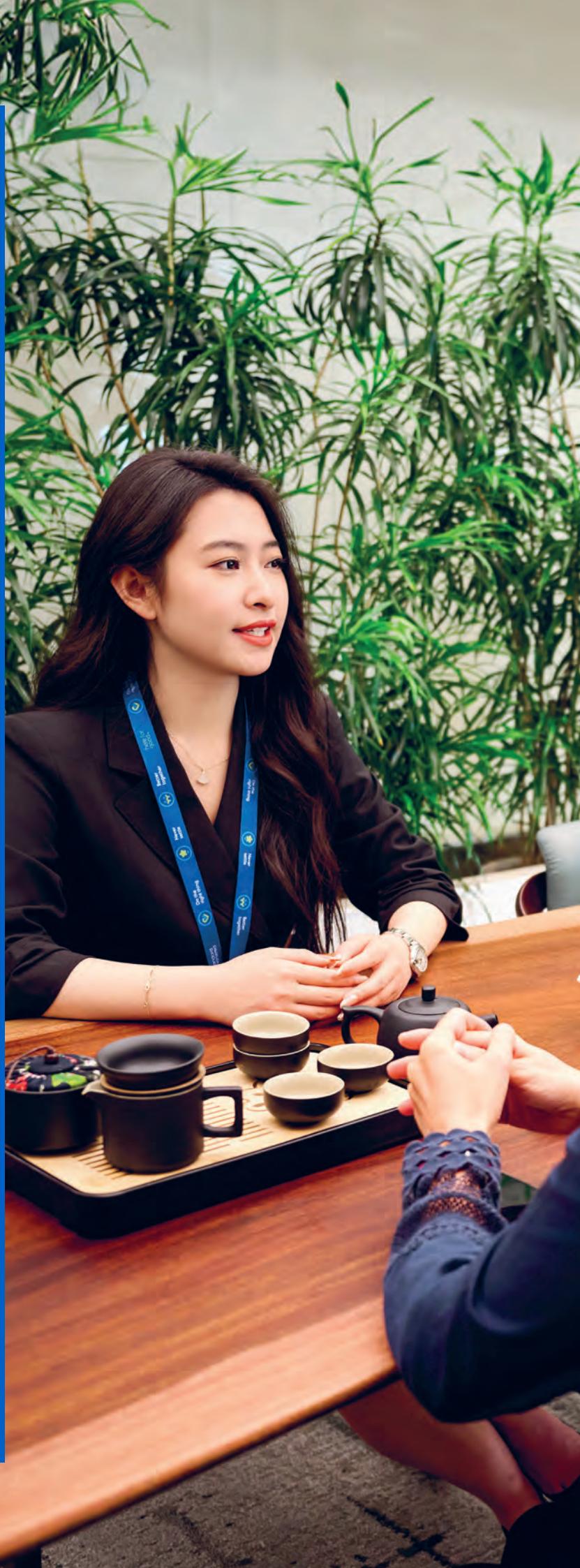
- 346 Independent Auditor's report
- 359 Consolidated income statement
- 360 Consolidated statement of comprehensive income
- 361 Consolidated balance sheet
- 362 Consolidated statement of changes in equity
- 363 Cash flow statement
- 364 Company balance sheet
- 365 Company statement of changes in equity
- 366 Notes to the financial statements

► Bolstering the client experience for affluent clients in Asia ◀

To enrich client experiences with holistic wealth advice for affluent clients, we opened two new Private Banking Centres in India as well as two Priority Private Centres for high-net-worth (HNW) clients in Shanghai and Hong Kong. The hubs offer bespoke services to HNW and Ultra HNW clients and form part of our continuing growth in the affluent sector. We also introduced an enhanced Priority Private value proposition for HNW clients during the launch of the Shanghai centre. In addition to the new openings, we also renovated and rebranded 17 branches across Asia, the Middle East and Africa, creating additional Priority Centres.



Read more on our new centres in India at
sc.com/privatebankingcentres





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

Opinion

In our opinion:

- the financial statements of Standard Chartered PLC (the 'Company' or the 'Parent Company'), its subsidiaries, interests in associates and jointly controlled entities (together with the Company, the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS);
- the Company financial statements have been properly prepared in accordance with UK adopted IAS as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Group and the Company for the year ended 31 December 2023 which comprise:

Group	Company
Consolidated income statement for the year ended 31 December 2023;	Balance sheet as at 31 December 2023;
Consolidated statement of comprehensive income for the year then ended;	Cash flow statement for the year then ended;
Consolidated balance sheet as at 31 December 2023;	Statement of changes in equity for the year then ended; and
Consolidated statement of changes in equity for the year then ended;	Related notes 1 to 40, where relevant to the financial statements, including material accounting policy information.
Consolidated cash flow statement for the year then ended;	
Related notes 1 to 40 to the financial statements, including material accounting policy information;	
Information marked as 'audited' within the Directors' remuneration report from page 182 to 216; and	
Risk Review and Capital Review disclosures marked as 'audited' from page 232 to 343.	

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

Basis for opinion

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

Independence

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

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

Conclusions relating to going concern

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

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the impact of external risks such as geopolitical risk.
- Assessing the directors' going concern assessment including the Group's forecast capital, liquidity, and leverage ratios over the period of twelve months from 23 February 2024 to evaluate the headroom against the minimum regulatory requirements and the risk appetite set by the directors.
- Engaging internal valuation and economic specialists to assess and challenge the reasonableness of assumptions used to develop the forecasts in the Corporate Plan and evaluating the accuracy of historical forecasting.
- Assessing the Group's funding plan and repayment plan for funding instruments maturing over the period of twelve months from 23 February 2024.
- Understanding and evaluating credit rating agency ratings and actions.
- Engaging internal prudential regulatory specialists to assess the results of management's stress testing, including consideration of principal and emerging risks, on funding, liquidity, and regulatory capital.
- Reviewing correspondence with prudential regulators and authorities for matters that may impact the going concern assessment; and
- Evaluating the going concern disclosure included in note 1 to the financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period of twelve months from 23 February 2024.

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

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

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> We performed an audit of the complete financial information of 10 components in 8 countries and audit procedures on specific balances for a further 17 components in 14 countries. In addition to the above, the Primary Audit Team also performed full-scope audit procedures on components related to the Group consolidation process. The components where we performed full or specific audit procedures accounted for 78% of the absolute profit before tax (PBT), 87% of absolute operating income and 94% of Total assets.
Key audit matters	<ul style="list-style-type: none"> Credit impairment Basis of accounting and impairment assessment of China Bohai Bank (interest in associate) Privileged Access Management Impairment of goodwill and investments in subsidiary undertakings Valuation of financial instruments held at fair value with higher risk characteristics
Materiality	<ul style="list-style-type: none"> Overall group materiality of \$274m which represents 5% of Adjusted PBT.

An overview of the scope of the parent company and group audits

Tailoring the scope

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 346 reporting units of the Group, we selected 66 reporting units which represent 27 components in 21 countries: Bahrain, Bangladesh, Hong Kong, India, Indonesia, Japan, Jersey, Kenya, Mainland China, Malaysia, Nigeria, Pakistan, Republic of Ireland, Republic of Korea, Singapore, Sri Lanka, Taiwan, United Arab Emirates, United Kingdom, United States of America, and Zambia.

The definition of a component is aligned with the structure of the Group's consolidation system, typically these are either a branch, group of branches, group of subsidiaries (or associates), or a subsidiary.

We took a centralised approach to auditing certain processes and controls, as well as the substantive testing of specific balances. This included audit work over Group's Global Business Services shared services centre (SSC), Commercial, Corporate and Institutional Banking SSC, Credit Impairment SSC and Technology, as well as certain other matters audited centrally by the Primary Audit Team.

Of the 27 components selected in 21 countries, we performed an audit of the complete financial information of 10 components ("full scope components") which were selected based on their size or risk characteristics. For 14 components ("specific scope components") we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements either because of the size of these accounts or their risk profile. We also instructed 3 locations to perform specified procedures over certain aspects of credit impairment risk.

	Group's Absolute PBT		Group's Total assets		Group's Absolute Operating Income	
	2023	2022	2023	2022	2023	2022
Full scope components	62%	72%	87%	87%	72%	79%
Specific scope components	15%	10%	7%	8%	14%	10%
Specified procedures	1%	0%	0.10%	0%	1%	0%
Total	78%	82%	94%	95%	87%	89%

Of the remaining reporting units that together represent 22% of the Group's absolute PBT, none are individually greater than 2.3% of the Group's absolute PBT. For the components represented by these reporting units, we performed other procedures at the Group level which included: performing analytical reviews at the Group financial statement line item level, evaluating entity level controls, performing audit procedures on the centralised shared service centres, testing of consolidation journals and intercompany eliminations, inquiring with selected overseas EY teams on the outcome of prior year local statutory audits (where audited by EY) to identify any potential risks of material misstatement to the Group financial statements.

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

Absolute profit before tax



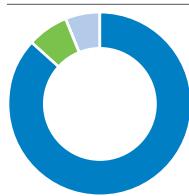
■ 62% Full scope components (2022: 72%)
■ 15% Specific scope components (2022: 10%)
■ 1% Specified procedures (2022: 0%)
■ 22% Other procedures (2022: 18%)

Absolute operating income



■ 72% Full scope components (2022: 79%)
■ 14% Specific scope components (2022: 10%)
■ 1% Specified procedures (2022: 0%)
■ 13% Other procedures (2022: 11%)

Total assets



■ 87% Full scope components (2022: 87%)
■ 7% Specific scope components (2022: 8%)
■ 0.1% Specified procedures (2022: 0%)
■ 6% Other procedures (2022: 5%)

Changes from the prior year

We assessed our 2023 audit scope with consideration of history or expectation of unusual or complex transactions and potential for material misstatements. We also kept our audit scope under review throughout the year.

Three components in Cameroon, Republic of Ireland, and South Africa, which were included in prior year audit scope and assigned specific scope, were excluded from the Group audit scope in the current year based on our updated risk assessment. These components represent individually no more than 0.1% of Group absolute PBT, 0.4% of the Group's absolute operating income and 0.3% of the Group's Total assets respectively in the current year. No component which was full scope in the prior year, has been excluded from Group audit scope for the 2023 audit.

For Germany, Australia, Ghana and Cameroon, the Primary Audit Team performed certain procedures centrally over the cash balances as at 31 December 2023. Taiwan, Malaysia, Indonesia, Pakistan and Kenya were full scope components in the prior year but were designated as specific scope components in the current year based on our updated risk assessment.

In 2023, we assigned a specific scope to Bahrain and United Kingdom (Jersey) components that are significant based on risk, and specified procedures to Taiwan (Taipei Branch). These components were not in-scope in the prior year.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team (the "Primary Audit Team"), or by component auditors from other firms operating under our instruction. All of the direct components of the Group (full, specific or specified procedures) were audited by EY global network firms. There were two non-EY component teams auditing a single component in a single location, which were instructed by a direct component of the Group.

Of the 10 full scope components, audit procedures were performed on 3 of these (including the audit of the Company) directly by the Primary Audit Team (EY London) in the United Kingdom. For 1 specific scope component, the audit procedures were performed by the Primary Audit Team. Where components were audited by the Primary Audit Team, this was under the direction and supervision of the Senior Statutory Auditor. For the 23 remaining components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

In addition to the above, the Primary Audit Team also performed full-scope audit procedures on components related to the Group consolidation process.

In addition, the Group has centralised processes and controls over key areas in its shared service centres. Members of the Primary Audit Team undertook direct oversight, review and coordination of our shared service centre audits.

The Primary Audit Team continued to follow a programme of planned visits to component teams and shared service centres. During the current year's audit cycle, visits were undertaken by the Primary Audit Team to the component teams in the following locations:

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

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

In addition to the site visits, the Primary Audit Team interacted regularly with the component and SSC audit teams where appropriate during various stages of the audit, reviewed relevant working papers and deliverables to the Primary Audit Team, and were responsible for the scope and direction of the audit process.

The Primary Audit Team also undertook video conference meetings with component and SSC audit teams and management. These virtual meetings involved discussing the audit approach and any issues arising from their work, as well as performing remote reviews of key audit workpapers.

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

Climate change

Stakeholders are increasingly interested in how climate change will impact the economy, including the banking sector, and further how this may consequently impact the valuation of assets and liabilities held on bank balance sheets. The Group manages climate risk according to the characteristics of the impacted risk types and is embedding climate-risk considerations into relevant frameworks, including principal risk type frameworks, and processes. The assessment of the risk by the Group is explained on pages 336 and 298-313 in the "Risk review: Climate Risk" section, and on pages 90-133 in the "Sustainability review" section of the Annual Report, where the Group has also explained their climate commitments.

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

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

The Group has explained in the "Sustainability review" section of the Annual Report how they have reflected the impact of climate change in their financial statements, including how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050. Significant judgements and estimates relating to climate change are included in the section "Climate impact on the Group's balance sheet" of note 1 to the financial statements. As stated in these disclosures, the Group has considered Climate to be an area of significant accounting estimate and judgement through the uncertainty of future events and the impact of that uncertainty on the Group's assets and liabilities. The Group has concluded that whilst it is not currently quantitatively material, it considers climate to be qualitatively material.

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

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

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

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

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
1. Credit Impairment Refer to the Audit Committee Report (page 163); Accounting policies (page 380); Note 8 of the financial statements; and relevant credit risk disclosures (including pages 238 and 274) At 31 December 2023, the Group reported total credit impairment balance sheet provision of \$5,601 million (2022: \$6,075 million). Management's judgements and estimates are highly subjective as a result of the significant uncertainty associated with the estimation of expected future credit losses that are dependent upon several hard to estimate factors. Assumptions with increased complexity in respect of the timing and measurement of expected credit losses (ECL) include: <ul style="list-style-type: none">• Staging – the determination of what constitutes significant increase in credit risk and consequent timely allocation of qualifying assets to the appropriate stage in accordance with IFRS 9;• Model output and adjustments – Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL, including the appropriateness, completeness and valuation of post-model adjustments applied to model output to address identified model deficiencies or risks not fully captured by the models;• Economic scenarios – Significant judgements involved in the determination of the appropriateness of economic variables, the future forecasting of these variables and the parameters used in the Monte Carlo Simulation. The assessment of non-linearity produced by the Monte Carlo simulation, the benchmarking of the output and the evaluation of the need for any Post Model adjustments;• Management overlays – Appropriateness, completeness and valuation of risk event overlays to capture risks not identified by the credit impairment models, including the consideration of the risk of management override; and• Individually assessed ECL allowances<ul style="list-style-type: none">– Measurement of individual provisions including the assessment of probability weighted recovery scenarios, exit strategies, collateral valuations, expected future cashflows and the timing of these cashflows.	We evaluated the design of controls relevant to the Group's systems and processes over material ECL balances, including the judgements and estimates noted, involving EY specialists to assist us in performing our procedures where relevant. Based on our evaluation we selected the controls upon which we intended to rely and tested those for operating effectiveness. We increased the extent of our reliance on controls over model governance and in certain locations of the stage 3 exposures. We performed an overall stand-back assessment of the ECL allowance in total and by stage to determine if the ECL was reasonable. We considered the overall credit quality of the Group's portfolios, risk profile, the impact of sovereign downgrades and challenges facing the China Commercial Real Estate sector. We performed peer benchmarking to the extent that this was considered relevant and investigated and sought explanations for any areas noted as being outliers. Our assessment also included the evaluation of the macroeconomic environment by considering trends in the economies and countries to which the Group is exposed. Staging – We evaluated the criteria used to determine significant increase in credit risk including quantitative backstops with the resultant allocation of financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of financial assets and assessed the reasonableness of staging downgrades applied by management. To test the completeness of the identification of significant increase in credit risk, we challenged the risk ratings (including appropriate operation of quantitative backstops) for a sample of performing accounts and other accounts exhibiting risk characteristics such as financial difficulties, deferment of payment, late payment and watchlist. We also considered whether vulnerable and cyclical sectors (as defined on page 265 in the annual report) resulted in a significant increase in credit risk at a sector level.	We highlighted the following matters to the Audit Committee: <ul style="list-style-type: none">• We increased the extent of our reliance of controls over model governance and stage 3 exposures in certain locations;• Our evaluation of the appropriateness of the significant increase in credit risk triggers, and the results of our sensitivity analysis and recalculation of the staging.• Our assessment of the assumptions used to determine the Stage 3 ECL with a focus on sponsor and developers exposed to China Commercial Real Estate and the appropriateness of the management overlay applied to the sector's modelled ECL;• Our assessment of the completeness and measurement of post model adjustments and overlays.• Our assessment of the quantum of the non-linearity adjustment produced by the Monte Carlo model including the comparison to the non-linearity produced by running narrative discrete scenarios.• Our assessment of the appropriateness of the Group's models to generate the ECL and staging outcomes including the appropriateness and validity of the data used in the models and to generate the staging and consequent ECL.• Our evaluation of management's enhanced modelling approach to the assessment of the potential impact on ECL from climate change; We concluded that management's methodology, judgements and assumptions used in calculating credit impairment are materially in accordance with the accounting standard.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>1. Credit Impairment continued</p> <p>In 2023, the most material factors impacting the ECL were in relation to the China Commercial Real Estate (CRE) portfolio, sovereign downgrades impacted by dollar availability, the continuing impact of higher interest rates and inflation and geopolitical uncertainty. In addition, where relevant we considered the impact of climate on the impairment provisions. Overall, these factors were prevalent in the prior year, and consequently the risk of a material misstatement to the ECL remained consistent with that of the prior year.</p>	<p>Modelled output and adjustments – We performed a risk assessment on models involved in the ECL calculation using EY independently determined quantitative and qualitative criteria to select a sample of models to test. Based on this risk assessment, we engaged our modelling specialists to evaluate a sample of ECL models by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design, formulae and algorithms, alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default parameters. Together with our modelling specialists, we also assessed material post-model adjustments which were applied as a response to risks not fully captured by the models or for known model deficiencies. This included the completeness and appropriateness of these adjustments. In response to new or enhanced models implemented this year to address known weaknesses in previous models, we performed substantive testing procedures as defined by our model inherent risk assessment process, including code review and implementation testing. We did not rely on controls over model monitoring and therefore adopted a substantive approach comprising reperformance of model monitoring procedures for models classified as higher risk in accordance with our EY independent risk assessment. To evaluate data quality, we agreed a sample of ECL calculation data points to source systems, including, among other data points, balance sheet data used to run the models. We also tested a sample of the ECL data points from the calculation engine through to the general ledger and disclosures.</p> <p>Economic scenarios – In collaboration with our economists and modelling specialists, we challenged the completeness and appropriateness of the macroeconomic variables used as inputs to the ECL models. Additionally, we involved our economic specialists to assist us in evaluating the reasonableness of the base forecast for sample of macroeconomic variables most relevant for the Group's ECL calculation influenced by the above assessment. Procedures performed included benchmarking the forecast for a sample of macroeconomic variables to a variety of global external sources. We reviewed and challenged the appropriateness of the underlying coding and assumptions used in the Monte Carlo simulation.</p>	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
1. Credit Impairment continued	<p>We assessed the reasonableness of the non-linearity impact on ECL allowances. We engaged our economists and modelling specialists, to assess and challenge the Group's choice of discrete scenarios to benchmark the output from the Monte Carlo model and determine the sensitivity analysis as set out on page 280 in the annual report. This challenge included the choice of narrative scenarios and we independently challenged the output from these scenarios using independently determined EY weights for each scenario. We also performed a stand-back assessment by benchmarking the resulting non-linearity up-lift and overall ECL charge and provision coverage to peers.</p> <p>Management overlays – We challenged the completeness and appropriateness of overlays used for risks not captured by the models. We focussed our challenge on China Commercial Real Estate, sovereign risks and the sustained impact of higher interest rates and inflation. Our procedures included assessing the need for management overlays, evaluating the assumptions and judgments used to determine each overlay taking current market conditions into account. We computed a range of EY independently determined outcomes for the China Commercial Real Estate overlay.</p> <p>Individually assessed ECL allowances – Our procedures included challenging management's forward-looking economic assumptions of the recovery outcomes identified, cashflow profile and timing, individual probability weightings for each scenario, and recalculating a sample of individually assessed provisions. We also engaged our valuation specialists to test the value of the collateral used in management's calculations. Our sample was based on quantitative thresholds and qualitative factors, including exposure to vulnerable sectors. We have independently assessed all material China CRE developers in Stage 3 including challenging the plausibility of the applied scenarios, the corresponding weights assigned to work out scenarios and engaging local EY Real Estate specialists to validate the collateral values. We also considered whether planned exit strategies were viable.</p>	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>2. Basis of accounting and impairment assessment of China Bohai Bank (Interest in Associate)</p> <p>Refer to the Audit Committee Report (page 163); Accounting policies (page 452); and Note 32 of the financial statements</p> <p>Interest in Associate – China Bohai Bank \$700 million (2022: \$1,421million).</p> <p>Other impairment – China Bohai Bank – \$850 million (2022: \$308 million).</p> <p>At 31 December 2023, the Group's share of China Bohai Bank's market capitalisation was \$282m lower than the carrying value of \$700m.</p> <p>We focused on judgements and estimates, including the appropriateness of the equity accounting treatment under IAS 28 and the assessment of whether the investment was impaired.</p>	<p>Basis of accounting</p> <p>We evaluated the facts and circumstances that the Group presented to demonstrate that it exercises significant influence over China Bohai Bank, through Board representation, membership of Board Committees and sharing of technical advice.</p>	<p>On the basis of the evidence, we concluded that the Group continues to maintain significant influence over China Bohai Bank as at 31 December 2023.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>3. Impairment assessment of goodwill and investments in subsidiary undertakings</p> <p>a) Impairment of Goodwill: Accounting policies (page 424); and Note 17 of the financial statements. Refer to the Audit Committee Report (page 164).</p> <p>b) Impairment of investments in subsidiary undertakings: Accounting policies (page 452); and Note 32 of the financial statements. Refer to the Audit Committee Report (page 164).</p> <p>At 31 December 2023, the Group reported a goodwill balance of \$2,429 million (2022: \$2,471 million). During the year no impairment was recognised for goodwill (2022: \$14million). In the Parent Company financial statements, the investment in subsidiary undertakings balance was \$60,791 million (2022: \$60,975 million).</p> <p>On an annual basis, management is required to perform an impairment assessment for goodwill, and to assess for indicators of impairment in respect of investments in subsidiary undertakings. Where indicators of impairment are identified, the recoverable amount of the investment should be estimated. The impairment assessment of goodwill is performed by calculating a value in use ('VIU') as the recoverable amount of the related cash generating unit ('CGU').</p> <p>The Group identified indicators of impairment of investments in subsidiary undertakings, including macroeconomic and geopolitical factors which have an impact on the financial position and performance of the subsidiaries.</p> <p>In assessing for indicators of impairment, among other procedures, management compares the Net Asset Value ('NAV') of the subsidiary to the carrying value of each direct subsidiary of the Parent Company. Where the net assets do not support the carrying value, the recoverable amount is estimated by determining the higher of VIU or fair value less cost to sell.</p> <p>Where the recoverable amount is based on the VIU, this is modelled by reference to future cashflow forecasts (profit forecast including a regulatory capital haircut adjustment), discount rates and macroeconomic assumptions such as long-term growth rates.</p> <p>There is a risk that if the judgements and assumptions underpinning the impairment assessments are inappropriate, then the goodwill and investments in subsidiaries balances may be misstated.</p> <p>The level of risk remains consistent with the prior year.</p>	<p>We obtained an understanding of management's process and evaluated the design of controls. Our audit strategy was fully substantive.</p> <p>We assessed the appropriateness of the Group's methodology for testing the impairment of goodwill and investments in subsidiary undertakings for compliance with accounting standards.</p> <p>For goodwill, we assessed the appropriateness of the cash generating units identified by management.</p> <p>We agreed the inputs in the VIU model to their source and tested the mathematical accuracy of the VIU model. We engaged EY specialists to support the audit team in assessing reasonableness of the regulatory haircut adjustment to future profitability forecasts and calculating an independent range for assumptions underlying the VIU calculations, such as the discount rate and long-term growth rate for each cash generating unit.</p> <p>We also reconciled the future profitability forecasts of each CGU to the Group's approved Corporate Plan ('the Plan'). We engaged our specialist team to determine the reasonableness of the forward macroeconomic inputs used in the Plan.</p> <p>We performed audit procedures to assess the reasonableness of the forecasts by understanding the Group Strategy, challenging key assumptions underpinning the Plan, assessing the feasibility of management actions necessary to achieve the Plan and testing the reliability of the Group's historical forecasting by comparing with the actual performance.</p> <p>We performed a stand back assessment to evaluate the appropriateness of the audit evidence obtained and our conclusion in relation to these estimates.</p> <p>We agreed the NAV of the subsidiaries to their carrying value to confirm impairment or reversal of impairment recognised in the Parent's Company financial results.</p> <p>We assessed the appropriateness of disclosures for impairment of goodwill and investments in subsidiary undertakings in accordance with IAS 36.</p>	<p>We concluded that the goodwill balance as at 31 December 2023 and the related disclosures, are not materially misstated.</p> <p>We concluded that the disclosures in the annual report appropriately reflect the sensitivity of the carrying value of goodwill to reasonably possible changes in key assumptions, noting that these downside scenarios could necessitate an adjustment to the carrying amount of goodwill in future.</p> <p>We also concluded that the investments in subsidiary undertakings balance reported in the Parent Company financial statements and the associated disclosures, are not materially misstated as at 31 December 2023.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
4. Valuation of financial instruments held at fair value with higher risk characteristics	<p>Refer to the Audit Committee Report (page 163); Accounting policies (page 390); and Note 13 of the financial statements.</p> <p>At 31 December 2023, the Group reported financial assets measured at fair value of \$301,976 million (2022: \$282,263 million), and financial liabilities at fair value of \$139,157 million (2022: \$149,765 million), of which financial assets of \$6,714 million (2022: \$5,865 million) and financial liabilities of \$2,960 million (2022: \$1,878 million) are classified as Level 3 in the fair value hierarchy.</p> <p>The fair value of financial instruments with higher risk characteristics involves the use of management judgement in the selection of valuation models and techniques, pricing inputs and assumptions and fair value adjustments. A higher level of estimation uncertainty is involved for financial instruments valued using complex models, pricing inputs that have limited observability, and fair value adjustments, including the Credit Valuation Adjustment, Funding Valuation Adjustment, Debit Valuation Adjustment and Own Credit Adjustment.</p> <p>We considered the following portfolios presented a higher level of estimation uncertainty:</p> <ul style="list-style-type: none"> Level 3 derivatives and debt securities in issue and a portfolio of Level 2 financial instruments whose valuation involves the use of complex models, and Unlisted equity investments, loans at fair value, debt and other financial instruments classified in Level 3 with unobservable pricing inputs. <p>The level of risk remains consistent with the prior year.</p>	<p>We evaluated the design and operating effectiveness of controls relating to the valuation of financial instruments, including independent price verification, model validation and approval, fair value adjustments, income statement analysis and reporting.</p> <p>Among other procedures, we engaged our valuation specialists to assist the audit team in performing the following testing on a risk-assessed sample basis:</p> <ul style="list-style-type: none"> Test complex model-dependent valuations by independently revaluing Level 3 and complex Level 2 derivative financial instruments and debt securities in issue, in order to assess the appropriateness of models and the adequacy of assumptions and inputs used by the Group; Test valuations of other financial instruments with higher estimation uncertainty, such as unlisted equity investments, Level 3 loans at fair value, Level 3 debt and other financial instruments. We compared management's valuation to our own independently developed range, where appropriate; Assessed the appropriateness of pricing inputs as part of the Independent Price Verification process; and Compared the methodology used for fair value adjustments to current market practice. We revalued a sample of valuation adjustments, compared funding and credit spreads to third party data and challenged the basis for determining illiquid credit spreads. <p>Where differences between our independent valuation and management's valuation were outside our thresholds, we performed additional testing to assess the impact on the valuation of financial instruments.</p> <p>Throughout our audit procedures we considered the continuing uncertainty arising from the current macroeconomic environment. In addition, we assessed whether there were any indicators of aggregate bias in financial instrument marking and methodology assumptions.</p>
5. Privileged Access Management	<p>IT General Controls (ITGCs) support the continuous operation of the automated and other IT dependent controls within the business processes related to financial reporting. Effective IT general controls are needed to ensure that IT applications process business data as expected and that changes are made in an appropriate manner.</p> <p>During the 2020, 2021 and 2022 audits, a number of significant infrastructure privileged access management control deficiencies were identified by us. Similar deficiencies were identified by Group Internal Audit (GIA) and the predecessor auditor in 2018 and 2019.</p> <p>The possibility of users gaining access privileges beyond those necessary to perform their assigned duties may result in breaches in segregation of duties, including inappropriate manual intervention, unauthorised changes to systems or programmes.</p> <p>The risk has decreased in comparison to prior year due to management's remediation program.</p>	<p>We evaluated the results of management's remediation program and risk assessment for applications in our audit scope. We also tested IT controls (including IT compensating controls) where possible, and also performed additional IT substantive procedures to assess the impact of risks associated with the reported deficiencies, on the financial statements.</p> <p>We assessed the impact of the results of the above on our audit procedures over the financial statements for the year ended 31 December 2023.</p>

The key audit matters remain consistent from prior year.

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be \$274 million (2022: \$234 million), which is 5% (2022: 5%) of adjusted PBT. This reflects actual PBT adjusted for non-recurring items relating to restructuring and the impairment of China Bohai Bank. We believe that adjusted PBT provides us with most appropriate measure for the users of the financial statements, given the Group is profit making, it is consistent with the wider industry, it is the standard for listed and regulated entities and we believe it reflects the most relevant measure for users of the financial statements. We also believe that the adjustments are appropriate as they relate to material non-recurring items.

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

Starting basis

- Reported profit before tax – \$5,093m

Adjustments

- Add China Bohai Bank Impairment – \$850m
- Deduct Other restructuring – \$460m

Materiality

- Totals \$5,483m Adjusted PBT
- Materiality of \$274m (5% of Adjusted PBT)

We determined materiality for the Parent Company to be \$247 million (2022: \$210 million), which is 0.5% (2022: 0.4%) of the equity of the Parent Company. We believe that equity provides us with the most appropriate measure for the users of the Parent Company's financial statements, given that the Parent Company is primarily a holding company.

Performance materiality

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

On the basis of our risk assessment, together with our evaluation of the Group's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely \$137m (2022: \$117m). We have set performance materiality at this percentage based on a variety of risk assessment factors such as the expectation of misstatements, internal control environment considerations and other factors such as the global complexity of the Group.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$11.4 million to \$26.2 million (2022: \$8.8 million to \$34.1 million).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$14 million (2022: \$11 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report and Accounts, including: the Strategic Report, Sustainability Review, Directors' Report (other than those sections of the Directors Remuneration Report marked as audited), Risk Review and Capital Review (other than those sections marked as audited) and Supplementary Information, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Corporate Governance Statement

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

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

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 218;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 88 and 89;

- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 89;
- Directors' statement on fair, balanced and understandable set out on page 217;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 221;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 230 to 343; and
- The section describing the work of the audit committee set out on pages 162 to 167.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 229, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted IAS and EU IFRS, the Companies Act 2006 and the UK Corporate Governance Code, the Financial Conduct Authority (FCA) Listing Rules, the Main Board Listing Rules of the Hong Kong Stock Exchange), regulations and supervisory requirements of the Prudential Regulation Authority (PRA), FRC, FCA and other overseas regulatory requirements, including but not limited to regulations in its major markets such as Mainland China, Hong Kong, India, Republic of Korea, Singapore, the United Arab Emirates, the United States of America, and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to regulatory capital and liquidity, conduct, financial crime including anti-money laundering, sanctions and market abuse recognising the financial and regulated nature of the Group's activities.
- We understood how the Group is complying with those frameworks by performing a combination of inquiries of senior management and those charged with governance as required by auditing standards, review of board and certain committee meeting minutes, gaining an understanding of the Group's approach to governance, inspection of regulatory correspondence in the year and engaging with internal and external legal counsel. We also engaged EY financial crime and forensics specialists to perform procedures on areas relating to anti-money laundering, whistleblowing, and sanctions compliance. Through these procedures, we became aware of actual or suspected non-compliance. The identified actual or suspected non-compliance was not sufficiently significant to our audit that it would have resulted in it being identified as a key audit matter.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures to address the risks identified also included incorporation of unpredictability into the nature, timing and/or extent of our testing, challenging assumptions and judgements made by management in their significant accounting estimates and journal entry testing.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of the Group's internal and external legal counsel, money laundering reporting officer, internal audit, certain senior management executives and focused testing on a sample basis, including journal entry testing. We also performed inspection of key regulatory correspondence from the principal regulatory authorities as well as review of board and committee minutes.

- For instances of actual or suspected non-compliance with laws and regulations, which have a material impact on the financial statements, these were communicated by management to the Group audit engagement team and component teams (where applicable) who performed audit procedures such as inquiries with management, sending confirmations to external legal counsel, substantive testing and meeting with regulators. Where appropriate, we involved specialists from our firm to support the audit team.
- The Group is authorised to provide banking, insurance, mortgages and home finance, consumer credit, pensions, investments and other activities. The Group operates in the banking industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the Group audit engagement team, the component teams and the shared service centre teams to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

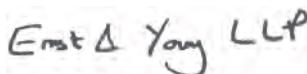
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were re-appointed by the Company at the Annual General Meeting on 3 May 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.
- The period of total uninterrupted engagement is four years, covering the years ended 31 December 2020 to 31 December 2023.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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



David Canning-Jones (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

23 February 2024

Consolidated income statement

For the year ended 31 December 2023

	Notes	2023 \$million	2022 \$million
Interest income		27,227	15,252
Interest expense		(19,458)	(7,659)
Net interest income	3	7,769	7,593
Fees and commission income		4,067	3,972
Fees and commission expense		(815)	(859)
Net fee and commission income	4	3,252	3,113
Net trading income	5	6,292	5,310
Other operating income	6	706	302
Operating income		18,019	16,318
Staff costs		(8,256)	(7,618)
Premises costs		(422)	(401)
General administrative expenses		(1,802)	(1,708)
Depreciation and amortisation		(1,071)	(1,186)
Operating expenses	7	(11,551)	(10,913)
Operating profit before impairment losses and taxation		6,468	5,405
Credit impairment	8	(508)	(836)
Goodwill, property, plant and equipment and other impairment	9	(1,008)	(439)
Profit from associates and joint ventures	32	141	156
Profit before taxation		5,093	4,286
Taxation	10	(1,631)	(1,384)
Profit for the year		3,462	2,902
Profit attributable to:			
Non-controlling interests	29	(7)	(46)
Parent company shareholders		3,469	2,948
Profit for the year		3,462	2,902
Earnings per share:		cents	cents
Basic earnings per ordinary share	12	108.6	85.9
Diluted earnings per ordinary share	12	106.2	84.3

The notes on pages 367 to 487 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Notes	2023 \$million	2022 \$million
Profit for the year		3,462	2,902
Other comprehensive income:			
Items that will not be reclassified to income statement:		239	(75)
Own credit gains/(losses) on financial liabilities designated at fair value through profit or loss		212	(56)
Equity instruments at fair value through other comprehensive income		181	(75)
Actuarial (losses)/gains on retirement benefit obligations	30	(47)	41
Taxation relating to components of other comprehensive income	10	(107)	15
Items that may be reclassified subsequently to income statement:		562	(3,703)
Exchange differences on translation of foreign operations:			
Net loss taken to equity		(734)	(2,466)
Net gains on net investment hedges	14	215	512
Share of other comprehensive loss from associates and joint ventures	32	(7)	(79)
Debt instruments at fair value through other comprehensive income:			
Net valuation gain/(loss) taken to equity		383	(1,528)
Reclassified to income statement	6	115	207
Net impact of expected credit losses		(48)	118
Cash flow hedges:			
Net movements in cash flow hedge reserve	14	767	(619)
Taxation relating to components of other comprehensive income	10	(129)	152
Other comprehensive income/(loss) for the year, net of taxation		801	(3,778)
Total comprehensive income/(loss) for the year		4,263	(876)
Total comprehensive income/(loss) attributable to:			
Non-controlling interests	29	(38)	(88)
Parent company shareholders		4,301	(788)
Total comprehensive income/(loss) for the year		4,263	(876)

Consolidated balance sheet

As at 31 December 2023

	Notes	2023 \$million	2022 \$million
Assets			
Cash and balances at central banks	13,35	69,905	58,263
Financial assets held at fair value through profit or loss	13	147,222	105,812
Derivative financial instruments	13,14	50,434	63,717
Loans and advances to banks	13,15	44,977	39,519
Loans and advances to customers	13,15	286,975	310,647
Investment securities	13	161,255	172,448
Other assets	20	47,594	50,383
Current tax assets	10	484	503
Prepayments and accrued income		3,033	3,149
Interests in associates and joint ventures	32	966	1,631
Goodwill and intangible assets	17	6,214	5,869
Property, plant and equipment	18	2,274	5,522
Deferred tax assets	10	702	834
Assets classified as held for sale	21	809	1,625
Total assets		822,844	819,922
Liabilities			
Deposits by banks	13	28,030	28,789
Customer accounts	13	469,418	461,677
Repurchase agreements and other similar secured borrowing	13,16	12,258	2,108
Financial liabilities held at fair value through profit or loss	13	83,096	79,903
Derivative financial instruments	13,14	56,061	69,862
Debt securities in issue	13,22	62,546	61,242
Other liabilities	23	39,221	43,527
Current tax liabilities	10	811	583
Accruals and deferred income		6,975	5,895
Subordinated liabilities and other borrowed funds	13,27	12,036	13,715
Deferred tax liabilities	10	770	769
Provisions for liabilities and charges	24	299	383
Retirement benefit obligations	30	183	146
Liabilities included in disposal groups held for sale	21	787	1,307
Total liabilities		772,491	769,906
Equity			
Share capital and share premium account	28	6,815	6,930
Other reserves		9,171	8,165
Retained earnings		28,459	28,067
Total parent company shareholders' equity		44,445	43,162
Other equity instruments	28	5,512	6,504
Total equity excluding non-controlling interests		49,957	49,666
Non-controlling interests	29	396	350
Total equity		50,353	50,016
Total equity and liabilities		822,844	819,922

The notes on pages 367 to 487 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 23 February 2024 and signed on its behalf by:

José Viñals
Group Chairman

Bill Winters
Group Chief Executive

Diego De Giorgi
Group Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Ordinary share capital and share premium account \$million	Preference share capital and share premium account \$million	Capital and merger reserves ¹ \$million	Own credit adjustment reserve \$million	Fair value through other comprehensive income - debt \$million	Fair value through other comprehensive income reserve - equity \$million	Cash-flow hedge reserve \$million	Translation reserve \$million	Retained earnings \$million	Parent company shareholders' equity \$million	Other equity instruments \$million	Non-controlling interests \$million	Total \$million
As at 1 January 2022	5,528	1,494	17,246	(15)	103	249	(34)	(5,744)	27,184	46,011	6,254	371	52,636
Profit/(loss) for the year	-	-	-	-	-	-	-	-	2,948	2,948	-	(46)	2,902
Other comprehensive (loss)/income ¹¹	-	-	-	(48)	(1,219)	(43)	(530)	(1,904)	8 ²	(3,736)	-	(42)	(3,778)
Distributions	-	-	-	-	-	-	-	-	-	-	-	(31)	(31)
Other equity instruments issued, net of expenses	-	-	-	-	-	-	-	-	-	-	1,240	-	1,240
Redemption of other equity instruments	-	-	-	-	-	-	-	-	-	-	(999)	-	(999)
Treasury shares net movement	-	-	-	-	-	-	-	-	(203)	(203)	-	-	(203)
Share option expenses	-	-	-	-	-	-	-	-	163	163	-	-	163
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(393)	(393)	-	-	(393)
Dividends on preference shares and AT1 securities	-	-	-	-	-	-	-	-	(401)	(401)	-	-	(401)
Share buyback ^{3,4}	(92)	-	92	-	-	-	-	-	(1,258)	(1,258)	-	-	(1,258)
Other movements	-	-	-	-	-	-	-	-	12 ⁵	19 ^{5,6}	31	9 ⁵	98 ⁷
As at 31 December 2022	5,436	1,494	17,338	(63)	(1,116)	206	(564)	(7,636)	28,067	43,162	6,504	350	50,016
Profit/(loss) for the year	-	-	-	-	-	-	-	-	3,469	3,469	-	(7)	3,462
Other comprehensive income/(loss) ¹¹	-	-	-	163	426	124	655	(489)	(47) ²	832	-	(31)	801
Distributions	-	-	-	-	-	-	-	-	-	-	-	(26)	(26)
Redemption of other equity instruments	-	-	-	-	-	-	-	-	-	-	(1,000)	-	(1,000)
Treasury shares net movement	-	-	-	-	-	-	-	-	(189)	(189)	-	-	(189)
Share option expenses	-	-	-	-	-	-	-	-	173	173	-	-	173
Dividends on ordinary shares	-	-	-	-	-	-	-	-	(568)	(568)	-	-	(568)
Dividends on preference shares and AT1 securities	-	-	-	-	-	-	-	-	(452)	(452)	-	-	(452)
Share buyback ^{3,9}	(115)	-	115	-	-	-	-	-	(2,000)	(2,000)	-	-	(2,000)
Other movements	-	-	-	-	-	-	-	-	12 ⁵	6 ⁵	18	8 ⁵	110 ¹⁰
As at 31 December 2023	5,321	1,494	17,453	100	(690)	330	91	(8,113)	28,459	44,445	5,512	396	50,353

1 Includes capital reserve of \$5 million, capital redemption reserve of \$337 million and merger reserve of \$17,111 million

2 Comprises actuarial gain on Group defined benefit schemes

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

4 On 1 August 2022, the Group announced the buyback programme for a share buyback of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$36 million, and the total consideration paid was \$504 million. The total number of shares purchased was 73,073,837 representing 2.5 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

5 Movement related to Translation adjustment and AT1 Securities charges

6 Movement mainly related to \$21 million NCI on Power2SME Pte. Ltd. and \$8 million on CurrencyFair Limited & \$(9) million related to AT1 securities charges

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

8 On 16 February 2023, the Group announced the buyback programme for a share buyback of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$58 million, and the total consideration paid was \$1,000 million and the buyback completed on 29 September 2023. The total number of shares purchased was 116,710,492, representing 4.03 per cent of the ordinary shares in issue as at the commencement of the buyback. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

9 On 28 July 2023, the Group announced the buyback programme for a share buyback of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$57 million, and the total consideration paid was \$1,000 million and the buyback completed on 6 November 2023. The total number of shares purchased was 112,982,802, representing 3.90 per cent of the ordinary shares in issue as at the commencement of the buyback. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

10 Movements primarily from non-controlling interest pertaining to Mox Bank Limited (\$48 million), Trust Bank Singapore Limited (\$34 million) and Zodia Custody Limited (\$28 million)

11 All the amounts are net of tax

Note 28 includes a description of each reserve.

The notes on pages 367 to 487 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2023

Notes	Group		Company	
	2023 \$million	2022 (Restated) \$million	2023 \$million	2022 \$million
Cash flows from operating activities:				
Profit before taxation	5,093	4,286	4,269	402
Adjustments for non-cash items and other adjustments included within income statement	34	3,274	3,549	(2,847)
Change in operating assets ³	34	(14,458)	12,989	(3,819)
Change in operating liabilities	34	1,977	8,786	3,239
Contributions to defined benefit schemes	30	(81)	(80)	–
UK and overseas taxes paid	10	(1,367)	(821)	–
Net cash (used in)/from operating activities		(5,562)	28,709	842
Cash flows from investing activities:				
Internally generated capitalised software	17	(1,124)	(1,096)	–
Purchase of property, plant and equipment	18	(159)	(835)	–
Disposal of property, plant and equipment	18	53	343	–
Disposal of held for sale property, plant and equipment	21	191	79	–
Acquisition of investment associates, and joint ventures, net of cash acquired	32	(47)	(26)	–
Dividends received from subsidiaries, associates and joint ventures	32	11	58	4,738
Disposal of investment in subsidiaries, associates, and joint ventures, net of cash acquired ²	32	3,603	–	–
Purchase of investment securities		(229,302)	(280,952)	(423)
Disposal and maturity of investment securities		242,585	259,853	2,000
Net cash from/(used in) from investing activities		15,811	(22,576)	6,315
Cash flows from financing activities:				
Exercise of share options		26	12	26
Purchase of own shares		(215)	(215)	(215)
Cancellation of shares including share buyback		(2,000)	(1,258)	(2,000)
Premises and equipment lease liability principal payment		(234)	(269)	–
Issue of additional Tier 1 Capital, net of expenses	28	–	1,240	–
Redemption of Tier 1 Capital	28	(1,000)	(999)	(1,000)
Gross proceeds from issue of subordinated liabilities	34	18	750	–
Interest paid on subordinated liabilities	34	(563)	(667)	(545)
Repayment of subordinated liabilities	34	(2,160)	(1,848)	(2,160)
Proceeds from issue of senior debts	34	15,261	11,902	5,105
Repayment of senior debts	34	(6,471)	(7,838)	(2,037)
Interest paid on senior debts	34	(1,145)	(845)	(434)
Net cash inflow from non-controlling interest	29	116	88	–
Distributions and dividends paid to non-controlling interests, preference shareholders and AT1 Securities	11,29	(478)	(432)	(452)
Dividends paid to ordinary shareholders	11	(568)	(393)	(568)
Net cash from/(used in) financing activities		587	(772)	(4,280)
Net increase/(decrease) in cash and cash equivalents		10,836	5,361	2,877
Cash and cash equivalents at beginning of the year ³		97,595	94,947	7,417
Effect of exchange rate movements on cash and cash equivalents		(796)	(2,713)	–
Cash and cash equivalents at end of the year^{1,3}	35	107,635	97,595	10,294

1 Comprises cash and balances at central banks \$69,905 million (31 December 2022: \$58,263 million), treasury bills and other eligible bills \$5,931 million (31 December 2022: \$12,661 million), loans and advances to banks \$11,879 million (31 December 2022: \$10,144 million), loans and advances to customers \$25,829 million (31 December 2022: \$24,586 million) investments \$244 million (31 December 2022: \$1,114 million) less restricted balances \$6,153 million (31 December 2022: \$9,173 million)

2 Includes disposal of aviation finance leasing business (\$3,570 million), sale of Metaco SA (\$14 million), Cardspal Pte. Ltd. (\$12 million) and Kozagi (\$7 million)

3 Refer to note 34 and 35 for details of the restatement

Interest received was \$27,136 million (31 December 2022: \$14,590 million), interest paid was \$18,379 million (31 December 2022: \$6,200 million).

Company balance sheet

For the year ended 31 December 2023

	Notes	2023 \$million	2022 \$million
Non-current assets			
Investments in subsidiary undertakings	32	60,791	60,975
Current assets			
Derivative financial instruments	39	80	61
Financial assets held at fair value through profit or loss	39	19,425	15,358
Investment securities	39	6,944	8,423
Amounts owed by subsidiary undertakings	39	10,294	7,417
Total current assets		36,743	31,259
Current liabilities			
Derivative financial instruments	39	1,104	1,343
Amounts owed to subsidiary undertakings		–	2
Financial liabilities held at fair value through profit or loss	39	16,704	12,842
Other creditors		650	423
Total current liabilities		18,458	14,610
Net current assets		18,285	16,649
Total assets less current liabilities		79,076	77,624
Non-current liabilities			
Debt securities in issue	39	17,142	13,891
Subordinated liabilities and other borrowed funds	39	9,248	11,239
Total non-current liabilities		26,390	25,130
Total assets less liabilities		52,686	52,494
Equity			
Share capital and share premium account	28	6,815	6,930
Other reserves		17,409	17,271
Retained earnings		22,952	21,791
Total shareholders' equity		47,176	45,992
Other equity instruments	28	5,510	6,502
Total equity		52,686	52,494

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these financial statements. The Company profit for the period after tax is \$4,205 million (31 December 2022: \$471 million).

The notes on pages 367 to 487 form an integral part of these financial statements.

These financial statements were approved by the Board of directors and authorised for issue on 23 February 2024 and signed on its behalf by:

José Viñals
Group Chairman

Bill Winters
Group Chief Executive

Diego De Giorgi
Group Chief Financial Officer

Company statement of changes in equity

For the year ended 31 December 2023

	Share capital and share premium account \$million	Capital and merger reserve ¹ \$million	Own credit adjustment reserve \$million	Cash flow hedge reserve \$million	Retained earnings \$million	Other equity instruments \$million	Total \$million
As at 1 January 2022	7,022	17,246	(14)	(12)	23,418	6,252	53,912
Profit for the year ²	-	-	-	-	471	-	471
Other comprehensive loss ⁸	-	-	(5)	(36)	-	-	(41)
Other equity instruments issued, net of expenses	-	-	-	-	-	1,240	1,240
Treasury shares net movement	-	-	-	-	(203)	-	(203)
Share option expenses	-	-	-	-	163	-	163
Dividends on ordinary shares	-	-	-	-	(393)	-	(393)
Dividends on preference share and AT1 securities	-	-	-	-	(401)	-	(401)
Redemption of other equity instruments	-	-	-	-	-	(999)	(999)
Share buyback ^{3,4}	(92)	92	-	-	(1,258)	-	(1,258)
Other Movements ⁵	-	-	-	-	(6)	9	3
As at 31 December 2022	6,930	17,338	(19)	(48)	21,791	6,502	52,494
Profit for the year ²	-	-	-	-	4,205	-	4,205
Other comprehensive income ⁸	-	-	11	12	-	-	23
Treasury shares net movement	-	-	-	-	(189)	-	(189)
Share option expenses	-	-	-	-	170	-	170
Dividends on ordinary shares	-	-	-	-	(568)	-	(568)
Dividends on preference share and AT1 securities	-	-	-	-	(452)	-	(452)
Redemption of other equity instruments	-	-	-	-	-	(1,000)	(1,000)
Share buyback ^{6,7}	(115)	115	-	-	(2,000)	-	(2,000)
Other Movements ⁵	-	-	-	-	(5)	8	3
As at 31 December 2023	6,815	17,453	(8)	(36)	22,952	5,510	52,686

¹ Includes capital reserve of \$5 million, capital redemption reserve of \$337 million and merger reserve of \$17,111 million

² Includes dividend received of \$2,789 million (2022: \$550 million) from Standard Chartered Holding Limited

³ On 18 February 2022, the Group announced the buyback programme for a share buyback of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$56 million, and the total consideration paid was \$754 million, the buyback completed on 19 May 2022. The total number of shares purchased was 111,295,408, representing 3.61 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

⁴ On 1 August 2022, the Group announced the buyback programme for a share buyback of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$37 million, and the total consideration paid was \$504 million. The total number of shares purchased was 73,073,837 representing 2.5 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

⁵ Movement mainly related to AT1 securities charges

⁶ On 16 February 2023, the Group announced the buyback programme for a share buyback of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$58 million, and the total consideration paid was \$1,000 million and the buyback completed on 29 September 2023. The total number of shares purchased was 116,710,492, representing 4.03 per cent of the ordinary shares in issue as at the commencement of the buyback. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

⁷ On 28 July 2023, the Group announced the buyback programme for a share buyback of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$57 million, and the total consideration paid was \$1,000 million and the buyback completed on 6 November 2023. The total number of shares purchased was 112,982,802, representing 3.90 per cent of the ordinary shares in issue as at the commencement of the buyback. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

⁸ All the amounts are net of tax

Note 28 includes a description of each reserve.

The notes on pages 367 to 487 form an integral part of these financial statements.

Contents – Notes to the financial statements

Section	Note	Page
Basis of preparation	1 Accounting policies	367
Performance/return	2 Segmental information	370
	3 Net interest income	375
	4 Net fees and commission	375
	5 Net trading income	378
	6 Other operating income	378
	7 Operating expenses	379
	8 Credit impairment	380
	9 Goodwill, property, plant and equipment and other impairment	384
	10 Taxation	384
	11 Dividends	388
	12 Earnings per ordinary share	389
Assets and liabilities held at fair value	13 Financial instruments	390
	14 Derivative financial instruments	414
Financial instruments held at amortised cost	15 Loans and advances to banks and customers	422
	16 Reverse repurchase and repurchase agreements including other similar lending and borrowing	422
Other assets and investments	17 Goodwill and intangible assets	424
	18 Property, plant and equipment	427
	19 Leased assets	429
	20 Other assets	430
	21 Assets held for sale and associated liabilities	430
Funding, accruals, provisions, contingent liabilities and legal proceedings	22 Debt securities in issue	431
	23 Other liabilities	432
	24 Provisions for liabilities and charges	432
	25 Contingent liabilities and commitments	433
	26 Legal and regulatory matters	434
Capital instruments, equity and reserves	27 Subordinated liabilities and other borrowed funds	435
	28 Share capital, other equity instruments and reserves	436
	29 Non-controlling interests	441
Employee benefits	30 Retirement benefit obligations	442
	31 Share-based payments	447
Scope of consolidation	32 Investments in subsidiary undertakings, joint ventures and associates	452
	33 Structured entities	457
Cash flow statement	34 Cash flow statement	458
	35 Cash and cash equivalents	460
Other disclosure matters	36 Related party transactions	460
	37 Post balance sheet events	461
	38 Auditor's remuneration	462
	39 Standard Chartered PLC (Company)	462
	40 Related undertakings of the Group	465

Notes to the financial statements

1. Accounting policies

Statement of compliance

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

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

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

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

a) Risk review: Disclosures marked as 'audited' from the start of the Credit Risk section (page 234) to the end of Other principal risks in the same section (page 297).

b) Capital review: Tables marked as 'audited' from the start of 'CRD Capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (page 339 to 340).

Basis of preparation

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

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

Significant and other accounting estimates and judgement

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

Significant accounting estimates and critical judgements

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

- Expected credit loss calculations (Note 8)
- Financial instruments measured at fair value (Note 13)
- Investments in subsidiary undertakings, joint ventures and associates – China Bohai associate accounting and impairment analysis (Note 32)

Other areas of accounting estimate and judgement

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

- Taxation (Note 10)
- Goodwill impairment (Note 17)
- Retirement benefit obligations (Note 30)
- Share-based payments (Note 31)

Climate impact on the Group's balance sheet

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

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

1. Accounting policies continued

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

This assessment on the corporate loan portfolio was undertaken by considering the maturity profile of the loan portfolio which is majority shorter term. Transition risk, as our clients move to lower carbon emitting revenues, (either by virtue of legislation or changing end customer preference) is considered with reference to client transition pathways and manifests over a longer term than the maturity of the loan book (up to 2050). The setting of net zero targets for our high carbon sectors, which as of this annual report covers 11 of the 12 high carbon sectors as mandated by the Net Zero Banking Alliance, manages transition risk. Net zero targets enable the portfolio managers to work with our clients on their transition, deploy capital to those clients which are engaged and have adequate transition pathways, and exit clients that refuse to work with the Group on moving from a high carbon present to a low carbon future. All of these actions manage the Group's transition risk and engage clients before transition risk manifests itself into credit losses.

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

The Group Climate Risk team have performed a quantitative assessment of the impact of climate risk on the IFRS 9 ECL provision. This assessment has been performed across both the CCIB and CPBB portfolios. The Climate risk impact assessment on IFRS 9 business as usual ECL has been conducted based on newly developed internal climate risk models for four Corporate sectors (Oil and Gas, Power, Steel and Mining) and Sovereigns, whilst the top-down approach developed in 2022 was used for the remaining portfolios. The impact assessment resulted in a marginal ECL increase across CCIB and CPBB, which will not be recorded as an overlay for the 2023 year end.

The Group's corporate plan has a 5 year outlook and considers the high carbon sectors the Group finances. The majority of the Group high carbon sector targets are production/physical intensities which allow continued levels of lending as long as the products the client produce have a decreasing carbon cost. For Coal Mining and Oil and Gas, these sectors have absolute targets which represent a decreasing carbon budget. Coal Mining is an immaterial book, whilst for Oil and Gas lending is being actively monitored towards lower carbon counterparties and technologies. The corporate plan is shorter term than many of the climate scenario outlooks but seeks to capture the nearer term performance as required by recoverability models. The Group has for the second time in the 2024 corporate plan included anticipated ECL charges linked to climate for four sectors (Oil and Gas, Metals and Mining, Power and Transport excluding Aviation) over the 5 years. This addition of ECL has not in itself, impacted the recoverability of assets supported by discounted cash flow models (such as Value in Use) which utilise the Corporate plan.

The Group has further progressively strengthened its scenario analysis capabilities with the modelling of Climate Risk impact over a 30-year period across multiple dimensions including scenario data and pathways. This has been limited by availability of client-specific data, and modelling limitations which have required judgements to be made around scenarios chosen, regression and proxies used. Notwithstanding these challenges, our work to date, using certain assumptions and proxies, indicates that our business is resilient to all Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and bespoke scenarios that were explored.

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

IFRS and Hong Kong accounting requirements

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

1. Accounting policies continued

Comparatives

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

- Cash flow statement
- Note 2 Segmental information
- Note 12 Earnings per ordinary share
- Note 34 Cash flow statement
- Note 35 Cash and cash equivalents

New accounting standards adopted by the group

There were no new accounting standards or interpretations that had a material effect on the Group's Financial Statements in 2023.

New accounting standards in issue but not yet effective

IAS 21 Amendment - Lack of Exchangeability

The IAS 21 amendment was issued in August 2023 and is effective for annual reporting periods beginning on or after January 1, 2025. This amendment is not yet endorsed for use in the United Kingdom. The amendment provides guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendment requires disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The Group will apply the IAS 21 Amendment for annual reporting periods beginning on January 1, 2025 and is currently assessing the impact on the Group's financial statements but do not expect this to be material.

Going concern

These financial statements were approved by the Board of directors on 23 February 2024. The directors have made an assessment of the Group's ability to continue as a going concern. This assessment has been made having considered the current macroeconomic and geopolitical headwinds, including:

- Review of the Group Strategy and Corporate Plan
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual budget

- Consideration of stress testing performed, including the Group Recovery Plan (RP) which include the application of stressed scenarios. Under the tests and through the range of scenarios, the results of these exercises and the RP demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet minimum regulatory capital and liquidity requirements

- Analysis of the capital, funding and liquidity position of the Group, including the capital and leverage ratios, and ICAAP which summarises the Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the LCR ratio.

- The Group's Internal Liquidity Adequacy Assessment Process (ILAAP), which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due, was also reviewed

- The level of debt in issue, including redemptions and issuances during the year, debt falling due for repayment in the next 12 months and further planned debt issuances, including the appetite in the market for the Group's debt
- A detailed review of all principal and emerging risks

Based on the analysis performed, the directors confirm they are satisfied that the Group has adequate resources to continue in business for a period of at least 12 months from 23 February 2024. For this reason, the Group continues to adopt the going concern basis of accounting for preparing the financial statements.

Changes in accounting policies

The Group has changed its accounting policy regarding the determination of the cost of its portfolio of Investment Securities held at amortised cost and Debt securities and other eligible bills, other than those included within financial instruments held at fair value through profit or loss. Refer to Note 13 Financial Instruments.

2. Segmental information

Basis of preparation

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

Segments and regions

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

Restructuring items excluded from underlying results

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

Restructuring losses of \$14 million primarily relates to exits in AME and the Aviation finance business performance until actual disposal. The Group is also reclassifying the movements in the Debit Valuation Adjustment (DVA) into restructuring and other items.

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

	2023					
	Underlying \$million	Restructuring \$million	Net gain on businesses disposed of ³ \$million	Goodwill and other Impairment ¹ \$million	DVA \$million	Reported \$million
Operating income	17,378	362	262	-	17	18,019
Operating expenses	(11,136)	(415)	-	-	-	(11,551)
Operating profit/(loss) before impairment losses and taxation	6,242	(53)	262	-	17	6,468
Credit impairment	(528)	20	-	-	-	(508)
Other impairment	(130)	(28)	-	(850)	-	(1,008)
Profit from associates and joint ventures	94	47	-	-	-	141
Profit/(loss) before taxation	5,678	(14)	262	(850)	17	5,093
	2022 ²					
	Underlying \$million	Restructuring \$million	Net gain on businesses disposed of \$million	Goodwill and other Impairment ¹ \$million	DVA \$million	Reported \$million
Operating income	15,762	494	20	-	42	16,318
Operating expenses	(10,409)	(504)	-	-	-	(10,913)
Operating profit/(loss) before impairment losses and taxation	5,353	(10)	20	-	42	5,405
Credit impairment	(836)	-	-	-	-	(836)
Other impairment	(39)	(78)	-	(322)	-	(439)
Profit/(loss) from associates and joint ventures	167	(11)	-	-	-	156
Profit/(loss) before taxation	4,645	(99)	20	(322)	42	4,286

1 Goodwill and other impairment include \$850 million (31 December 2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)

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

3 Net gain on businesses disposed of includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

2. Segmental information continued

Underlying performance by client segment

	2023				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Operating income	11,218	7,106	156	(1,102)	17,378
External	8,543	3,902	157	4,776	17,378
Inter-segment	2,675	3,204	(1)	(5,878)	-
Operating expenses	(5,627)	(4,261)	(429)	(819)	(11,136)
Operating profit/(loss) before impairment losses and taxation	5,591	2,845	(273)	(1,921)	6,242
Credit impairment	(123)	(354)	(85)	34	(528)
Other impairment	(32)	(4)	(26)	(68)	(130)
(Loss)/profit from associates and joint ventures	-	-	(24)	118	94
Underlying profit/(loss) before taxation	5,436	2,487	(408)	(1,837)	5,678
Restructuring	32	(60)	(4)	18	(14)
Goodwill and other impairment ⁴	-	-	-	(850)	(850)
DVA	17	-	-	-	17
Other items ⁵	262	-	-	-	262
Reported profit/(loss) before taxation	5,747	2,427	(412)	(2,669)	5,093
Total assets	403,058	128,768	4,009	287,009	822,844
Of which: loans and advances to customers	189,395	126,117	1,035	28,939	345,486
loans and advances to customers	130,897	126,104	1,035	28,939	286,975
loans held at fair value through profit or loss (FVTPL) ²	58,498	13	-	-	58,511
Total liabilities	464,968	200,263	3,096	104,164	772,491
Of which: customer accounts ³	328,211	195,678	2,825	7,908	534,622
	2022 ¹				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Operating income	9,608	5,969	29	156	15,762
External	8,462	4,942	29	2,329	15,762
Inter-segment	1,146	1,027	-	(2,173)	-
Operating expenses	(5,193)	(4,104)	(336)	(776)	(10,409)
Operating profit/(loss) before impairment losses and taxation	4,415	1,865	(307)	(620)	5,353
Credit impairment	(425)	(262)	(16)	(133)	(836)
Other impairment	-	(10)	(24)	(5)	(39)
(Loss)/profit from associates and joint ventures	-	-	(16)	183	167
Underlying profit/(loss) before taxation	3,990	1,593	(363)	(575)	4,645
Restructuring	14	(56)	(1)	(56)	(99)
Goodwill and other impairment ⁴	-	-	-	(322)	(322)
DVA	42	-	-	-	42
Other items	-	-	-	20	20
Reported profit/(loss) before taxation	4,046	1,537	(364)	(933)	4,286
Total assets	401,567	133,956	2,451	281,948	819,922
Of which: loans and advances to customers	184,254	130,985	702	41,789	357,730
loans and advances to customers	139,756	130,957	702	39,232	310,647
loans held at fair value through profit or loss (FVTPL) ²	44,498	28	-	2,557	47,083
Total liabilities	479,981	185,396	1,658	102,871	769,906
Of which: customer accounts ³	332,176	180,659	1,548	5,846	520,229

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

2 Loans held at FVTPL includes \$51,299 million (2022: \$40,537 million) of reverse repurchase agreements

3 Customer accounts includes \$17,248 million (2022: \$11,706 million) of FVTPL and \$47,956 million (2022: \$46,846 million) of reverse repurchase agreements

4 Goodwill and other impairment include \$850 million (31 December 2023: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)

5 Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

2. Segmental information continued

Operating income by client segment

	2023				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Underlying operating income	11,218	7,106	156	(1,102)	17,378
Restructuring	291	45	–	26	362
DVA	17	–	–	–	17
Other items ²	262	–	–	–	262
Reported operating income	11,788	7,151	156	(1,076)	18,019
	2022 ¹				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Underlying operating income	9,608	5,969	29	156	15,762
Restructuring	436	47	–	11	494
DVA	42	–	–	–	42
Other items	–	–	–	20	20
Reported operating income	10,086	6,016	29	187	16,318

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

2 Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

Underlying performance by region

	2023				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items (region) \$million	Total \$million
Operating income	12,429	2,806	1,397	746	17,378
Operating expenses	(7,096)	(1,571)	(1,733)	(736)	(11,136)
Operating profit/(loss) before impairment losses and taxation	5,333	1,235	(336)	10	6,242
Credit impairment	(644)	91	19	6	(528)
Other impairment	(63)	(15)	(13)	(39)	(130)
Profit/(loss) from associates and joint ventures	114	–	–	(20)	94
Underlying profit/(loss) before taxation	4,740	1,311	(330)	(43)	5,678
Restructuring	(97)	(2)	32	53	(14)
Goodwill and other impairment ¹	(850)	–	–	–	(850)
DVA	(16)	26	7	–	17
Other items ⁴	35	(18)	263	(18)	262
Reported profit/(loss) before taxation	3,812	1,317	(28)	(8)	5,093
Total assets	505,905	54,140	253,410	9,389	822,844
Of which: loans and advances to customers	256,400	25,870	63,216	–	345,486
loans and advances to customers	233,417	22,774	30,784	–	286,975
loans held at fair value through profit or loss (FVTPL) ²	22,983	3,096	32,432	–	58,511
Total liabilities	461,568	40,612	181,417	88,894	772,491
Of which: customer accounts ³	377,020	33,059	124,543	–	534,622

1 Goodwill and other impairment include \$850 million (31 December 2023: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)

2 Loans held at FVTPL includes \$51,299 million (2022: \$40,537 million) of reverse repurchase agreements

3 Customer accounts includes \$17,248 million (2022: \$17,067 million) of FVTPL and \$47,956 million (2022: \$46,846 million) of reverse repurchase agreements

4 Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

2. Segmental information continued

	2022 ¹				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items (region) \$million	Total \$million
Operating income	10,912	2,460	2,303	87	15,762
Operating expenses	(6,675)	(1,551)	(1,548)	(635)	(10,409)
Operating profit/(loss) before impairment losses and taxation	4,237	909	755	(548)	5,353
Credit impairment	(790)	(119)	78	(5)	(836)
Other impairment	(10)	2	1	(32)	(39)
Profit/(loss) from associates and joint ventures	179	–	–	(12)	167
Underlying profit/(loss) before taxation	3,616	792	834	(597)	4,645
Restructuring	(46)	21	(13)	(61)	(99)
Goodwill and other impairment ²	(308)	–	–	(14)	(322)
DVA	20	8	14	–	42
Other items	20	–	–	–	20
Reported profit/(loss) before taxation	3,302	821	835	(672)	4,286
Total assets	488,399	53,086	268,960	9,477	819,922
Of which: loans and advances to customers	270,892	23,857	62,981	–	357,730
loans and advances to customers	257,171	21,570	31,906	–	310,647
loans held at fair value through profit or loss (FVTPL) ³	13,721	2,287	31,075	–	47,083
Total liabilities	441,349	40,902	219,701	67,954	769,906
Of which: customer accounts ⁴	346,832	31,860	141,537	–	520,229

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

2 Goodwill and other impairment include \$850 million (31 December 2023: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)

3 Loans held at FVTPL includes \$51,299 million (2022: \$40,537 million) of reverse repurchase agreements

4 Customer accounts includes \$17,248 million (2022: \$11,706 million) of FVTPL and \$47,956 million (2022: \$46,846 million) of reverse repurchase agreements

5 Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

Operating income by region

	2023				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items (region) \$million	Total \$million
Underlying operating income	12,429	2,806	1,397	746	17,378
Restructuring	203	110	35	14	362
DVA	(16)	26	7	–	17
Other items ²	35	(18)	263	(18)	262
Reported operating income	12,651	2,924	1,702	742	18,019

	2022 ¹				
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items (region) \$million	Total \$million
Underlying operating income	10,912	2,460	2,303	87	15,762
Restructuring	304	140	35	15	494
DVA	20	8	14	–	42
Other items	20	–	–	–	20
Reported operating income	11,256	2,608	2,352	102	16,318

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

2 Other items includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

2. Segmental information continued

Additional segmental information (reported)

	2023									
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million					
Net interest income	4,541	4,970	81	(1,823)	7,769					
Net fees and commission income	1,753	1,538	43	(82)	3,252					
Net trading and other income	5,494	643	32	829	6,998					
Operating income	11,788	7,151	156	(1,076)	18,019					
	2022									
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million					
Net interest income	3,616	3,969	18	(10)	7,593					
Net fees and commission income	1,706	1,524	8	(125)	3,113					
Net trading and other income	4,764	523	3	322	5,612					
Operating income	10,086	6,016	29	187	16,318					
	2023									
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items (region) \$million	Total \$million					
Net interest income	5,872	1,584	(545)	858	7,769					
Net fees and commission income	2,237	509	553	(47)	3,252					
Net trading and other income	4,542	831	1,694	(69)	6,998					
Operating income	12,651	2,924	1,702	742	18,019					
	2022									
	Asia \$million	Africa & Middle East \$million	Europe & Americas \$million	Central & other items (region) \$million	Total \$million					
Net interest income	5,747	1,299	260	287	7,593					
Net fees and commission income	2,224	526	526	(163)	3,113					
Net trading and other income	3,285	783	1,566	(22)	5,612					
Operating income	11,256	2,608	2,352	102	16,318					
	2023									
	Hong Kong \$million	Korea \$million	China \$million	Taiwan \$million	Singapore \$million	India \$million	Indonesia \$million	UAE \$million	UK \$million	US \$million
Net interest income	1,946	684	520	154	937	654	110	390	(930)	170
Net fees and commission income	615	171	149	182	576	221	53	81	18	441
Net trading and other income	2,052	216	487	214	929	330	78	330	1,277	263
Operating income	4,613	1,071	1,156	550	2,442	1,205	241	801	365	874
	2022									
	Hong Kong \$million	Korea \$million	China \$million	Taiwan \$million	Singapore \$million	India \$million	Indonesia \$million	UAE \$million	UK \$million	US \$million
Net interest income	1,843	751	561	171	982	611	89	281	(189)	330
Net fees and commission income	658	157	143	162	553	239	52	81	44	393
Net trading and other income	1,235	237	450	141	380	377	73	268	1,167	306
Operating income	3,736	1,145	1,154	474	1,915	1,227	214	630	1,022	1,029

3. Net interest income

Accounting policy

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

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

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

	2023 \$million	2022 \$million
Balances at central banks	2,833	765
Loans and advances to banks	2,095	853
Loans and advances to customers	15,518	10,032
Debt securities	5,005	2,836
Other eligible bills	1,596	630
Accrued on impaired assets (discount unwind)	180	136
Interest income	27,227	15,252
Of which: financial instruments held at fair value through other comprehensive income	3,445	2,167
Deposits by banks	796	433
Customer accounts	14,292	5,443
Debt securities in issue	3,367	1,169
Subordinated liabilities and other borrowed funds	951	570
Interest expense on IFRS 16 lease liabilities	52	44
Interest expense	19,458	7,659
Net interest income	7,769	7,593

4. Net fees and commission

Accounting policy

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

4. Net fees and commission continued

The Group applies the following practical expedients:

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

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

Transaction Banking

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

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

Financial Markets

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

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

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

Wealth Management

Upfront consideration on bancassurance agreements is amortised straight-line over the contractual term. Commissions for bancassurance activities are recorded as they are earned through sales of third-party insurance products to customers.

These commissions are received within a short time frame of the commission being earned. Target-linked fees are accrued based on percentage of the target achieved, provided it is assessed as highly probable that the target will be met.

Cash payment is received at a contractually specified date after achievement of a target has been confirmed.

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

Retail Products

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

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

Upfront bancassurance consideration amounts are amortised on a straight-line basis over the contractual period to which the consideration relates.

4. Net fees and commission continued

	2023 \$million	2022 \$million
Fees and commissions income	4,067	3,972
Of which:		
Financial instruments that are not fair valued through profit or loss	1,374	1,306
Trust and other fiduciary activities	508	520
Fees and commissions expense	(815)	(859)
Of which:		
Financial instruments that are not fair valued through profit or loss	(169)	(303)
Trust and other fiduciary activities	(52)	(49)
Net fees and commission	3,252	3,113

	2023				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other Items (segment) \$million	Total \$million
Transaction Banking	1,142	32	–	–	1,174
Trade & Working capital	576	25	–	–	601
Cash Management	566	7	–	–	573
Financial Markets	882	–	–	–	882
Lending & Portfolio Management	141	6	–	–	147
Principal Finance	(1)	–	–	–	(1)
Wealth Management	–	1,225	–	–	1,225
Retail Products	–	592	32	–	624
Treasury	–	–	–	(15)	(15)
Others	–	2	35	(6)	31
Fees and commission income	2,164	1,857	67	(21)	4,067
Fees and commission expense	(411)	(319)	(24)	(61)	(815)
Net fees and commission	1,753	1,538	43	(82)	3,252

	2022				
	Corporate, Commercial & Institutional Banking \$million	Consumer Private & Business Banking \$million	Ventures \$million	Central & other Items (segment) \$million	Total \$million
Transaction Banking	1,143	32	–	–	1,175
Trade & Working capital	594	25	–	–	619
Cash Management	549	7	–	–	556
Financial Markets	958	–	–	–	958
Lending & Portfolio Management	124	5	–	–	129
Wealth Management	–	1,127	–	–	1,127
Retail Products	–	582	12	–	594
Treasury	–	–	–	(5)	(5)
Others	–	(2)	8	(12)	(6)
Fees and commission income	2,225	1,744	20	(17)	3,972
Fees and commission expense	(519)	(220)	(12)	(108)	(859)
Net fees and commission	1,706	1,524	8	(125)	3,113

Upfront bancassurance consideration amounts are amortised on a straight-line basis over the contractual period to which the consideration relates. Deferred income on the balance sheet in respect of these activities is \$474 million (31 December 2022: \$549 million). Following renegotiation of the contract in 2023, the life of the contract was extended for a further 3 years. Accordingly, the income will be earned evenly over a longer period for the next 8.5 years (31 December 2022: 6.5 years). For the twelve months ended 31 December 2023, \$75 million of fee income was released from deferred income (31 December 2022: \$84 million).

5. Net trading income

Accounting policy

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

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

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

	2023 \$million	2022 \$million
Net trading income	6,292	5,310
Significant items within net trading income include:		
Gains on instruments held for trading ¹	4,625	4,942
Gains on financial assets mandatorily at fair value through profit or loss	4,270	1,087
Gains/(losses) on financial assets designated at fair value through profit or loss	10	(6)
Losses on financial liabilities designated at fair value through profit or loss	(2,649)	(677)

1 Includes \$299 million loss (31 December 2022: \$365 million gain) from the translation of foreign currency monetary assets and liabilities

6. Other operating income

	2023 \$million	2022 \$million
Other operating income includes:		
Rental income from operating lease assets	375	421
Net loss on disposal of fair value through other comprehensive income debt instruments	(115)	(207)
Net (loss)/gain on disposal of amortised cost financial assets ¹	(94)	17
Net gain/(loss) on sale of businesses ²	351	(1)
Dividend income	15	14
Gain on sale of aircrafts	-	21
Others ³	174	37
Other operating income	706	302

1 Includes \$47 million loss on sale of a portfolio of aviation loans

2 2023 includes \$309 million gain from the sale of the aviation finance leasing business, \$18 million from sale of associate (Metaco SA), \$16 million gain from sale of subsidiary (\$9 million from Cardspal and \$7 million from Kozagi) and \$8 million gain from the sale of Jordan one of the AME regions exit markets

3 2023 mainly includes \$59 million tax credit against Research & Development Expenditure, \$38 million gain on disposal of premises, \$21 million income from VISA sponsorship in Hong Kong, \$10 million from gain on lease modification in Hong Kong and \$16 million interest income from tax refund in India

7. Operating expenses

	2023 \$million	2022 \$million
Staff costs:		
Wages and salaries	6,459	6,014
Social security costs	233	210
Other pension costs (Note 30)	431	390
Share-based payment costs (Note 31)	226	199
Other staff costs	907	805
	8,256	7,618

Other staff costs include redundancy expenses of \$106 million (31 December 2022: \$79 million). Further costs in this category include training, travel costs and other staff-related costs.

Details of directors' pay, benefits, pensions and benefits and interests in shares are disclosed in the Directors' remuneration report (page 195).

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

	2023 \$million	2022 \$million
Premises and equipment expenses:	422	401
General administrative expenses:		
UK bank levy	111	102
Provision for regulatory matters	-	14
Other general administrative expenses	1,691	1,592
	1,802	1,708
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	315	326
Equipment	103	123
Operating lease assets	27	202
	445	651
Intangibles:		
Software	625	531
Acquired on business combinations	1	4
	1,071	1,186
Total operating expenses	11,551	10,913

Operating expenses include research expenditure of \$996 million (31 December 2022: \$946 million), which was recognized as an expense in the year.

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

8. Credit impairment

Accounting policy

Significant accounting estimates and judgements

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

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

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources including relationship managers and on external market information. Details on the approach for determining expected credit loss can be found in the credit risk section, under IFRS 9 Methodology (page 273).

Estimates of forecasts of key macroeconomic variables underlying the expected credit loss calculation can be found within the Risk review, Key assumptions and judgements in determining expected credit loss (page 275).

Expected credit losses

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

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

Measurement

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

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

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

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

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

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

8. Credit impairment continued

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

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

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

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

- 1 Purchased or originated credit-impaired assets do not attract an expected credit loss provision on initial recognition. An expected credit loss provision will be recognised only if there is an increase in expected credit losses from that considered at initial recognition
- 2 Debt and treasury securities classified as fair value through other comprehensive income (FVOCI) are held at fair value on the face of the balance sheet. The expected credit loss attributed to these instruments is held as a separate reserve within other comprehensive income (OCI) and is recycled to the profit and loss account along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognised
- 3 Expected credit loss on loan commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a loan (i.e. financial asset component) and an undrawn commitment (i.e. loan commitment component), and it is not possible to separately identify the expected credit loss on these components, expected credit loss amounts on the loan commitment are recognised together with expected credit loss amounts on the financial asset. To the extent the combined expected credit loss exceeds the gross carrying amount of the financial asset, the expected credit loss is recognised as a liability provision

Recognition

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

Significant increase in credit risk (Stage 2) Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in credit risk is primarily based on 30 days past due.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk (see page 282 to 284).

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

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

8. Credit impairment continued

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

- Evidence that a financial asset is credit-impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions (page 257);
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower;
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses

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

Expert credit judgement

For Corporate & Institutional, Commercial and Private Banking, borrowers are graded by credit risk management on a credit grading (CG) scale from CG1 to CG14. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as CG12 (which is a qualitative trigger for significant increase in credit risk (see page 283) the credit assessment and oversight of the loan will normally be performed by Stressed Assets Risk (SAR).

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

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

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

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

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

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

Modified financial instruments

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

8. Credit impairment continued

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

Forborne loans

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

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

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

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

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

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

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

Improvement in credit risk/curing

For financial assets that are credit-impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

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

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

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

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

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

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

8. Credit impairment continued

	2023 \$million	2022 \$million
Net credit impairment on loans and advances to banks and customers	606	743
Net credit impairment on debt securities ¹	(50)	122
Net credit impairment relating to financial guarantees and loan commitments	(48)	(27)
Net credit impairment relating to other financial assets	-	(2)
Credit impairment	508	836

1 Includes impairment of \$1 million (2022: \$13 million) on originated credit-impaired debt securities

9. Goodwill, property, plant and equipment and other impairment

Accounting policy

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

	2023 \$million	2022 \$million
Impairment of goodwill (Note 17)	-	14
Impairment of property, plant and equipment (Note 18)	12	50
Impairment of other intangible assets (Note 17)	112	12
Other ¹	884	363
Property, plant and equipment and other impairment	1,008	425
Goodwill, property, plant and equipment and other impairment	1,008	439

1 Other includes \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai), reflecting Bohai's lower reported net profit in 2023 (compared to 2022), as well as banking industry challenges and property market uncertainties in Mainland China, that may impact Bohai's future profitability

10. Taxation

Accounting policy

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

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

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

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

Other accounting estimates and judgements

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

10. Taxation continued

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

	2023 \$million	2022 \$million
The charge for taxation based upon the profit for the year comprises:		
Current tax:		
United Kingdom corporation tax at 23.5 per cent (2022: 19 per cent):		
Current tax charge on income for the year	(48)	48
Adjustments in respect of prior years (including double tax relief)	14	–
Foreign tax:		
Current tax charge on income for the year	1,695	1,216
Adjustments in respect of prior years	(11)	5
	1,650	1,269
Deferred tax:		
Origination/reversal of temporary differences	(22)	144
Adjustments in respect of prior years	3	(29)
	(19)	115
Tax on profits on ordinary activities	1,631	1,384
Effective tax rate	32.0%	32.3%

The tax charge for the year of \$1,631 million (31 December 2022: \$1,384 million) on a profit before tax of \$5,093 million (31 December 2022: \$4,286 million) reflects the impact of tax losses for which no deferred tax assets are recognised, non-deductible expenses, and non-creditable withholding taxes and other taxes. These are partly offset by tax exempt income.

Foreign tax includes current tax of \$201 million (31 December 2022: \$35 million) on the profits assessable in Hong Kong. Deferred tax includes origination or reversal of temporary differences of \$nil million (31 December 2022: \$51 million) provided at a rate of 16.5 per cent (31 December 2022: 16.5 per cent) on the profits assessable in Hong Kong.

The Group will be in scope of the new Pillar Two global minimum tax rules which were substantively enacted in the UK on 20 June 2023 to apply for periods commencing 1 January 2024. The IAS 12 exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

Based on an initial impact assessment undertaken in respect of historical financial data together with corporate plan data available, the Group's exposure to Pillar Two income taxes are not expected to be material. The Group is closely monitoring developments to assess potential future implications and implementation efforts.

Tax rate: The tax charge for the year is higher than the charge at the rate of corporation tax in the UK, 23.5 per cent.

The differences are explained below:

	2023 \$million	2022 \$million		2022 %
Profit on ordinary activities before tax	5,093			4,286
Tax at 23.5 per cent (2022: 19 per cent)	1,197	23.5	814	19.0
Lower tax rates on overseas earnings	(330)	(6.5)	(122)	(2.8)
Higher tax rates on overseas earnings	306	6.0	435	10.1
Tax at domestic rates applicable where profits earned	1,173	23.0	1,127	26.3
Non-creditable withholding taxes and other taxes ¹	85	1.7	170	4.0
Tax exempt income	(131)	(2.6)	(69)	(1.6)
Share of associates and joint ventures	(14)	(0.3)	(27)	(0.6)
Non-deductible expenses	219	4.3	115	2.7
Bank levy	26	0.5	19	0.4
Non-taxable losses on investments ²	64	1.3	51	1.2
Payments on financial instruments in reserves	(68)	(1.3)	(56)	(1.3)
Goodwill impairment	–	–	3	0.1
Deferred tax not recognised	278	5.4	77	1.8
Deferred tax rate changes	(1)	–	(9)	(0.2)
Adjustments to tax charge in respect of prior years	6	0.1	(24)	(0.6)
Other items ¹	(6)	(0.1)	7	0.1
Tax on profit on ordinary activities	1,631	32.0	1,384	32.3

1 The comparatives have been reclassified by moving the effect of other taxes from Other items to Non-creditable withholding taxes and other taxes in order to provide more clarity to the reader. The 2022 comparatives have been reclassified as follows to align with the presentation in the current period: Non-creditable withholding taxes and other taxes from \$90 million to \$170 million, and Other items from \$87 million to \$7 million.

2 Non-taxable losses on investments includes \$140 million (2022: \$51 million) in respect of the tax impact of the impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai).

10. Taxation continued

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

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

Tax recognised in other comprehensive income	2023			2022		
	Current tax \$million	Deferred tax \$million	Total \$million	Current tax \$million	Deferred tax \$million	Total
Items that will not be reclassified to income statement	-	(107)	(107)	-	15	15
Own credit adjustment	-	(49)	(49)	-	8	8
Equity instruments at fair value through other comprehensive income	-	(69)	(69)	-	27	27
Retirement benefit obligations	-	11	11	-	(20)	(20)
Items that may be reclassified subsequently to income statement	-	(129)	(129)	-	152	152
Debt instruments at fair value through other comprehensive income	-	(17)	(17)	-	63	63
Cashflow hedges	-	(112)	(112)	-	89	89
Total tax credit/(charge) recognised in equity	-	(236)	(236)	-	167	167

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

Current tax comprises:	2023 \$million		2022 \$million
	Current tax assets	Current tax liabilities	
Current tax assets	503		766
Current tax liabilities		(583)	(348)
Net current tax opening balance		(80)	418
Movements in income statement		(1,650)	(1,269)
Movements in other comprehensive income		-	-
Taxes paid	1,367		821
Other movements	36		(50)
Net current tax balance as at 31 December		(327)	(80)
Current tax assets	484		503
Current tax liabilities		(811)	(583)
Total		(327)	(80)

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

Deferred tax comprises:	At 1 January 2023 \$million	Exchange & other adjustments \$million	(Charge)/credit to profit \$million	(Charge)/credit to equity \$million	At 31 December 2023 \$million
Accelerated tax depreciation	(589)	236	(71)	-	(424)
Impairment provisions on loans and advances	334	(20)	(28)	-	286
Tax losses carried forward	212	(106)	(9)	-	97
Equity instruments at fair value through other comprehensive income	(74)	(1)	-	(69)	(144)
Debt instruments at fair value through other comprehensive income	61	(14)	(3)	(17)	27
Cashflow hedges	89	(2)	-	(112)	(25)
Own credit adjustment	5	(27)	-	(49)	(71)
Retirement benefit obligations	2	2	(11)	11	4
Share-based payments	36	-	7	-	43
Other temporary differences	(11)	16	134	-	139
Net deferred tax assets/(liabilities)	65	84	19	(236)	(68)

10. Taxation continued

	At 1 January 2022 \$million	Exchange & other adjustments \$million	(Charge)/credit to profit \$million	(Charge)/credit to equity \$million	At 31 December 2022 \$million
Deferred tax comprises:					
Accelerated tax depreciation	(515)	(8)	(66)	–	(589)
Impairment provisions on loans and advances	351	(41)	24	–	334
Tax losses carried forward	263	16	(67)	–	212
Equity instruments at fair value through other comprehensive income ¹	(96)	(6)	1	27	(74)
Debt instruments at fair value through other comprehensive income ¹	(30)	5	23	63	61
Cashflow hedges	–	–	–	89	89
Own credit adjustment	(3)	–	–	8	5
Retirement benefit obligations	27	(5)	–	(20)	2
Share-based payments	32	–	4	–	36
Other temporary differences	30	(7)	(34)	–	(11)
Net deferred tax assets/(liabilities)	59	(46)	(115)	167	65

1 2022 has been reclassified to separately disclose Equity instruments at fair value through other comprehensive income and Debt instruments at fair value through other comprehensive income. No change in overall balance.

Deferred tax comprises assets and liabilities as follows:

	2023			2022		
	Total \$million	Asset \$million	Liability \$million	Total \$million	Asset \$million	Liability \$million
Deferred tax comprises:						
Accelerated tax depreciation	(424)	3	(427)	(589)	1	(590)
Impairment provisions on loans and advances	286	282	4	334	339	(5)
Tax losses carried forward	97	49	48	212	90	122
Equity instruments at fair value through other comprehensive income ¹	(144)	(1)	(143)	(74)	–	(74)
Debt instruments at fair value through other comprehensive income ¹	27	29	(2)	61	45	16
Cashflow hedges	(25)	12	(37)	89	85	4
Own credit adjustment	(71)	(1)	(70)	5	(1)	6
Retirement benefit obligations	4	13	(9)	2	15	(13)
Share-based payments	43	9	34	36	5	31
Other temporary differences	139	307	(168)	(11)	255	(266)
	(68)	702	(770)	65	834	(769)

1 2022 has been reclassified to separately disclose Equity instruments at fair value through other comprehensive income and Debt instruments at fair value through other comprehensive income. No change in overall balance.

The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised. The Group's total deferred tax assets include \$97 million relating to tax losses carried forward, of which \$48 million arises in legal entities with offsetting deferred tax liabilities. The remaining deferred tax assets on losses of \$49 million are forecast to be recovered before expiry and within five years.

Sale of aircraft leasing business during the year, included within Other operating income, resulted in the disposal of \$113 million of deferred tax assets relating to losses in Ireland held at 31 December 2022.

Unrecognised deferred tax

	Net 2023 \$million	Gross 2023 \$million	Net 2022 \$million	Gross 2022 \$million
No account has been taken of the following potential deferred tax assets/(liabilities):				
Withholding tax on unremitted earnings from overseas subsidiaries and associates	(653)	(7,685)	(507)	(6,434)
Tax losses	2,242	9,326	1,980	8,231
Held over gains on incorporation of overseas branches	(366)	(1,389)	(346)	(1,313)
Other temporary differences	397	1,516	544	1,991

11. Dividends

Accounting policy

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

Ordinary equity shares

	2023		2022	
	Cents per share	\$million	Cents per share	\$million
2022/2021 final dividend declared and paid during the year	14	401	9	274
2023/2022 interim dividend declared and paid during the year	6	167	4	119

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

2023 recommended final ordinary equity share dividend

The 2023 ordinary equity share dividend recommended by the Board is 21 cents per share. The financial statements for the year ended 31 December 2023 do not reflect this dividend as this will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2024.

The dividend will be paid in either pounds sterling, Hong Kong dollars or US dollars on 17 May 2024 to shareholders on the UK register of members at the close of business in the UK on 8 March 2024.

Preference shares and Additional Tier 1 securities

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

		2023 \$million	2022 \$million
Non-cumulative redeemable preference shares:	7.014 per cent preference shares of \$5 each	53	53
	Floating rate preference shares of \$5 each ¹	50	20
		103	73
Additional Tier 1 securities: fixed rate resetting perpetual subordinated contingent convertible securities		349	328
		452	401

¹ Floating rate is based on Secured Overnight Financing Rate (SOFR), average rate paid for floating preference shares is 6.62% (2022: 2.71%)

12. Earnings per ordinary share

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

The table below provides the basis of underlying earnings.

	2023 \$million	2022 ¹ \$million
Profit for the period attributable to equity holders	3,462	2,902
Non-controlling interest	7	46
Dividend payable on preference shares and AT1 classified as equity	(452)	(401)
Profit for the period attributable to ordinary shareholders	3,017	2,547
Items normalised:		
Restructuring	14	99
Goodwill and other impairment ²	850	322
DVA	(17)	(42)
Net gains on sale of Businesses ³	(262)	(20)
Tax on normalised items	(21)	(3)
Underlying profit	3,581	2,903
Basic – Weighted average number of shares (millions)	2,778	2,966
Diluted – Weighted average number of shares (millions)	2,841	3,023
Basic earnings per ordinary share (cents)	108.6	85.9
Diluted earnings per ordinary share (cents)	106.2	84.3
Underlying basic earnings per ordinary share (cents)	128.9	97.9
Underlying diluted earnings per ordinary share (cents)	126.0	96.0

- Underlying performance for relevant periods in 2022 has been restated for the removal of (i) exit markets and businesses in AME (ii) Aviation Finance and (iii) DVA. No change to reported performance
- Goodwill and other impairment include \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)
- Includes the sale of the Aviation Finance business, of which there was a gain on sale of \$309 million on the leasing business and a loss of \$47 million in relation to a sale of a portfolio of Aviation loans

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the basic weighted average number of shares excluding treasury shares held in employees benefit trust. When calculating diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all expected dilutive potential ordinary shares held in respect of Standard Chartered PLC totalling 56 million (2022: 52 million). The total number of share options outstanding, under schemes considered to be potentially dilutive, was 7 million (2022: 5 million). These options have strike prices ranging from \$3.99 to \$7.49.

Of the total number of employee share options and share awards at 31 December 2023 there were nil share options and awards which were anti dilutive.

The 188 million decrease (2022: 142 million decrease) in the basic weighted average number of shares is primarily due to the impact of the share buy-back programmes completed in the year.

13. Financial instruments

Classification and measurement

Accounting policy

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

Debt instruments held at amortised cost or held at FVOCI have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI) characteristics.

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

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

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

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

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

The Group's business model assessment is as follows:

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

13. Financial instruments continued

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

Equity instruments designated as held at FVOCI

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

Mandatorily classified at fair value through profit or loss

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

Trading, including:

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

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

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

Designated at fair value through profit or loss

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

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

Financial liabilities held at amortised cost

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

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

13. Financial instruments continued

Financial guarantee contracts and loan commitments

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

Fair value of financial assets and liabilities

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

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

Initial recognition

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

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

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

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

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

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

Financial assets held at FVOCI

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

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

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

Gains and losses arising from changes in fair value, including contractual interest income or expense, recorded in the net trading income line in the profit or loss unless the instrument is part of a cash flow hedging relationship.

13. Financial instruments continued

Derecognition of financial instruments

Financial assets which are subject to commercial refinancing where the loan is priced to the market with no payment related concessions regardless of form of legal documentation or nature of lending will be derecognised. Where the Group's rights to the cash flows under the original contract have expired, the old loan is derecognised and the new loan is recognised at fair value. For all other modifications for example forbearance loans or restructuring, whether or not a change in the cash flows is 'substantially different' is judgemental and will be considered on a case-by-case basis, taking into account all the relevant facts and circumstances.

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

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

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

Modified financial instruments

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

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

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

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

13. Financial instruments continued

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

Assets	Notes	Assets at fair value							Total financial assets at Fair value \$million	Assets held at amortised cost \$million	Total \$million			
		Trading \$million	Derivatives held for hedging \$million	Non-trading mandatorily at fair value through profit or loss \$million		Designated at fair value through profit or loss \$million	Fair value through other comprehensive income \$million							
				at fair value	through profit or loss									
Cash and balances at central banks ¹		-	-	-	-	-	-	-	69,905	69,905				
Financial assets held at fair value through profit or loss														
Loans and advances to banks ²		2,265	-	-	-	-	-	2,265	-	2,265				
Loans and advances to customers ²		6,930	-	282	-	-	-	7,212	-	7,212				
Reverse repurchase agreements and other similar secured lending	16	9,997	-	71,850	-	-	-	81,847	-	81,847				
Debt securities, alternative tier one and other eligible bills		52,776	-	98	78	-	-	52,952	-	52,952				
Equity shares		2,721	-	219	-	-	-	2,940	-	2,940				
Other assets		-	-	6	-	-	-	6	-	6				
		74,689	-	72,455	78	-	-	147,222	-	147,222				
Derivative financial instruments	14	48,333	2,101	-	-	-	-	50,434	-	50,434				
Loans and advances to banks ²	15	-	-	-	-	-	-	-	44,977	44,977				
of which – reverse repurchase agreements and other similar secured lending	16	-	-	-	-	-	-	-	1,738	1,738				
Loans and advances to customers ²	15	-	-	-	-	-	-	-	286,975	286,975				
of which – reverse repurchase agreements and other similar secured lending	16	-	-	-	-	-	-	-	13,996	13,996				
Investment securities														
Debt securities, alternative tier one and other eligible bills		-	-	-	-	-	103,328	103,328	56,935	160,263				
Equity shares		-	-	-	-	-	992	992	-	992				
		-	-	-	-	-	104,320	104,320	56,935	161,255				
Other assets	20	-	-	-	-	-	-	-	38,140	38,140				
Assets held for sale	21	-	-	-	-	-	-	-	701	701				
Total at 31 December 2023		123,022	2,101	72,455	78	104,320	301,976	497,633	799,609					

1 Cash and balances at central banks includes both cash held in restricted accounts and on demand or placements which are contractually due to mature overnight only. Other placements with central banks are reported as part of Loans and advances to customers

2 Further analysed in Risk review and Capital review (pages 230 to 343)

13. Financial instruments continued

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

1 Cash and balances at central banks includes both cash held in restricted accounts and on demand or placements which are contractually due to mature overnight only. Other placements with central banks are reported as part of Loans and advances to customers

2 Further analysed in Risk review and Capital review (pages 230 to 343)

13. Financial instruments continued

Liabilities	Notes	Liabilities at fair value					
		Trading \$million	Derivatives held for hedging \$million	Designated at fair value through profit or loss \$million	Total financial liabilities at fair value \$million	Amortised cost \$million	Total \$million
Deposits by banks		–	–	–	–	28,030	28,030
Customer accounts		–	–	–	–	469,418	469,418
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	1,894	1,894	–	1,894
Customer accounts		39	–	17,209	17,248	–	17,248
Repurchase agreements and other similar secured borrowing	16	1,660	–	39,623	41,283	–	41,283
Debt securities in issue	22	–	–	10,817	10,817	–	10,817
Short positions		11,846	–	–	11,846	–	11,846
Other liabilities		–	–	8	8	–	8
		13,545	–	69,551	83,096	–	83,096
Derivative financial instruments	14	52,747	3,314	–	56,061	–	56,061
Repurchase agreements and other similar secured borrowing	16	–	–	–	–	12,258	12,258
Debt securities in issue	22	–	–	–	–	62,546	62,546
Other liabilities	23	–	–	–	–	38,663	38,663
Subordinated liabilities and other borrowed funds	27	–	–	–	–	12,036	12,036
Liabilities included in disposal groups held for sale	21	–	–	–	–	726	726
Total at 31 December 2023		66,292	3,314	69,551	139,157	623,677	762,834

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

13. Financial instruments continued

Interest rate benchmark reform

During 2023, significant progress was made in support of LIBOR transition.

New LIBOR-referencing business had ceased and a full suite of Risk Free Rate-referencing derivative and cash products were standard offerings across the Group.

Having completed the remediation of all non-USD LIBOR exposures at the end of 2021 with no reliance on synthetic rates, the Programme focused on remediating legacy USD LIBOR stock ahead of the USD LIBOR cessation date (30 June 2023).

The Group made significant progress towards completing its remediation of legacy exposures over the course of 2023. Clients with legacy USD LIBOR loans were engaged to remediate their contracts via active conversion to alternative rates, or other suitable transition mechanisms such as the inclusion of robust fallbacks. For derivatives, the Group adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol for all its trading entities and continued to engage clients to do the same or to negotiate remediation bilaterally. The Group also successfully participated in CCP conversion events, including both tranches of the London Clearing House (LCH) conversions for USD LIBOR and also the SGD/THB conversion, as well as the CME Eurodollar futures and the Hong Kong Exchanges and Clearing (HKEX) USD LIBOR events. This significantly reduced our overall notional exposure to USD LIBOR, as centrally cleared derivatives and bilateral derivatives with fallbacks represented a substantial portion of the Group's overall USD LIBOR notional exposure.

At 31 December 2023, a number of contracts remain subject to remediation but these are considered immaterial for the Group. The largest population of remaining exposures are syndicated loans, either on a standalone basis, or where the loans have been hedged with derivatives. These contracts currently operate under a synthetic USD LIBOR rate.

Risks which the Group is exposed to due to LIBOR transition

The Group has largely mitigated all material adverse outcomes associated with the cessation of IBOR benchmarks, and these have not required a change to the Group's risk management strategy.

However, the Group will continue to focus on the un-remediated contracts, and manage the risks of the transition until fully complete.

Particular attention will continue to be paid to: legal risk of any contracts that may remain outstanding after the end of synthetic LIBOR (currently scheduled for end of September 2024); conduct risk arising from continued remediation; financial and accounting risk in terms of the financial impact of IBOR transition for the outstanding contracts, and also financial instruments that may be affected by accounting issues such as accounting for contractual changes due to IBOR reform, fair value measurement and hedge accounting, as well as other risks inherent in the reform.

As at 31 December 2022 the Group had the following notional principal exposures to interest rate benchmarks that were subject to interest rate benchmark reform.

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

13. Financial instruments continued

Offsetting of financial instruments

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

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

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

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

	2023					
	Gross amounts of recognised financial instruments \$million	Impact of offset in the balance sheet \$million	Net amounts of financial instruments presented in the balance sheet \$million	Related amount not offset in the balance sheet		
				Financial instruments \$million	Financial collateral \$million	Net amount \$million
Assets						
Derivative financial instruments	99,929	(49,495)	50,434	(39,293)	(8,440)	2,701
Reverse repurchase agreements and other similar secured lending	109,413	(11,832)	97,581	–	(97,581)	–
At 31 December 2023	209,342	(61,327)	148,015	(39,293)	(106,021)	2,701
Liabilities						
Derivative financial instruments	105,556	(49,495)	56,061	(39,293)	(10,337)	6,431
Repurchase agreements and other similar secured borrowing	65,373	(11,832)	53,541	–	(53,541)	–
At 31 December 2023	170,929	(61,327)	109,602	(39,293)	(63,878)	6,431
2022						
	Gross amounts of recognised financial instruments \$million	Impact of offset in the balance sheet \$million	Net amounts of financial instruments presented in the balance sheet \$million	Related amount not offset in the balance sheet		
				Financial instruments \$million	Financial collateral \$million	Net amount \$million
Assets						
Derivative financial instruments	120,799	(57,082)	63,717	(50,133)	(9,206)	4,378
Reverse repurchase agreements and other similar secured lending	105,891	(15,924)	89,967	–	(89,967)	–
At 31 December 2022	226,690	(73,006)	153,684	(50,133)	(99,173)	4,378
Liabilities						
Derivative financial instruments	126,944	(57,082)	69,862	(50,133)	(12,515)	7,214
Repurchase agreements and other similar secured borrowing	69,738	(15,924)	53,814	–	(53,814)	–
At 31 December 2022	196,682	(73,006)	123,676	(50,133)	(66,329)	7,214

Related amounts not offset in the balance sheet comprises:

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

13. Financial instruments continued

Financial liabilities designated at fair value through profit or loss

	2023 \$million	2022 \$million
Carrying balance aggregate fair value	69,551	73,027
Amount contractually obliged to repay at maturity	71,240	74,138
Difference between aggregate fair value and contractually obliged to repay at maturity	(1,689)	(1,111)
Cumulative change in fair value accredited to credit risk difference	156	(56)

The net fair value loss on financial liabilities designated at fair value through profit or loss was \$2,649 million for the year (31 December 2022: net loss of \$677 million).

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

Valuation of financial instruments

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

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

Significant accounting estimates and judgements

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

- Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments.
- When establishing the exit price of a financial instrument using a valuation technique, the Group estimates valuation adjustments in determining the fair value (page 400).
- In determining the valuation of financial instruments, the Group makes judgements on the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets, and the significant valuation judgements in respect of Level 3 instruments (page 407).
- Where the estimated measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs.

13. Financial instruments continued

Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3 (page 402)

• Financial instruments held at fair value

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

• Financial instruments held at amortised cost

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

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

13. Financial instruments continued

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

Fair value adjustments

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

	01.01.23 \$million	Movement during the year \$million	31.12.23 \$million	01.01.22 \$million	Movement during the year \$million	31.12.22 \$million
Bid-offer valuation adjustment	118	(3)	115	101	17	118
Credit valuation adjustment	171	(52)	119	165	6	171
Debit valuation adjustment	(112)	(17)	(129)	(70)	(42)	(112)
Model valuation adjustment	3	1	4	5	(2)	3
Funding valuation adjustment	46	(13)	33	–	46	46
Other fair value adjustments	23	2	25	20	3	23
Total	249	(82)	167	221	28	249
Income deferrals						
Day 1 and other deferrals	186	(77)	109	147	39	186
Total	186	(77)	109	147	39	186

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

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

13. Financial instruments continued

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

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

Fair value hierarchy – financial instruments held at fair value

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

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

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

13. Financial instruments continued

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

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	2,265	–	2,265
Loans and advances to customers	–	5,252	1,960	7,212
Reverse repurchase agreements and other similar secured lending	–	79,484	2,363	81,847
Debt securities and other eligible bills	27,055	24,635	1,262	52,952
Of which:				
Issued by central banks & governments	23,465	6,557	–	30,022
Issued by corporates other than financial institutions ¹	4	4,062	346	4,412
Issued by financial institutions ¹	3,586	14,016	916	18,518
Equity shares	2,386	370	184	2,940
Derivative financial instruments	954	49,400	80	50,434
Of which:				
Foreign exchange	129	42,414	25	42,568
Interest rate	37	6,293	6	6,336
Credit	–	438	47	485
Equity and stock index options	–	73	2	75
Commodity	788	182	–	970
Investment securities				
Debt securities and other eligible bills	55,060	48,196	72	103,328
Of which:				
Issued by central banks & governments	47,225	18,983	51	66,259
Issued by corporates other than financial institutions ¹	820	3,236	–	4,056
Issued by financial institutions ¹	7,015	25,977	21	33,013
Equity shares	199	6	787	992
Other assets	–	–	6	6
Total financial assets at 31 December 2023	85,654	209,608	6,714	301,976
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	1,560	334	1,894
Customer accounts	–	15,970	1,278	17,248
Repurchase agreements and other similar secured borrowing	–	41,283	–	41,283
Debt securities in issue	–	9,776	1,041	10,817
Short positions	7,152	4,591	103	11,846
Derivative financial instruments	749	55,116	196	56,061
Of which:				
Foreign exchange	122	45,314	10	45,446
Interest rate	46	8,262	5	8,313
Credit	–	945	162	1,107
Equity and stock index options	–	147	19	166
Commodity	581	448	–	1,029
Other liabilities	–	–	8	8
Total financial liabilities at 31 December 2023	7,901	128,296	2,960	139,157

¹ Includes covered bonds of \$7,509 million, securities issued by Multilateral Development Banks/International Organisations of \$24,192 million and State-owned agencies and development banks of \$7,564 million

The fair value of financial assets and financial liabilities classified as Level 2 in the fair value hierarchy that are subject to complex modelling techniques is \$940 million and \$288 million respectively.

There were no significant changes to valuation or levelling approaches during the year 31 December 2023.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the year 31 December 2023.

13. Financial instruments continued

Assets	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Financial instruments held at fair value through profit or loss				
Loans and advances to banks	–	955	21	976
Loans and advances to customers	–	4,741	1,805	6,546
Reverse repurchase agreements and other similar secured lending	3	62,490	1,998	64,491
Debt securities and other eligible bills	14,702	14,707	1,153	30,562
Of which:				
Issued by central banks & governments	14,086	4,734	–	18,820
Issued by corporates other than financial institutions ¹	91	3,452	517	4,060
Issued by financial institutions ¹	525	6,521	636	7,682
Equity shares	3,024	24	182	3,230
Derivative financial instruments	892	62,781	44	63,717
Of which:				
Foreign exchange	139	54,020	13	54,172
Interest rate	33	7,351	28	7,412
Credit	–	410	1	411
Equity and stock index options	–	98	2	100
Commodity	720	902	–	1,622
Investment securities				
Debt securities and other eligible bills	56,401	55,525	–	111,926
Of which:				
Issued by central banks & governments	45,151	22,171	–	67,322
Issued by corporates other than financial institutions ¹	1,775	4,045	–	5,820
Issued by financial institutions ¹	9,475	29,309	–	38,784
Equity shares	146	7	655	808
Other assets	–	–	7	7
Total financial assets at 31 December 2022²	75,168	201,230	5,865	282,263
Liabilities				
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	778	288	1,066
Customer accounts	–	10,734	972	11,706
Repurchase agreements and other similar secured borrowing	–	51,706	–	51,706
Debt securities in issue	–	8,121	451	8,572
Short positions	4,085	2,722	40	6,847
Derivative financial instruments	642	69,099	121	69,862
Of which:				
Foreign exchange	101	56,710	12	56,823
Interest rate	29	10,020	12	10,061
Credit	–	899	42	941
Equity and stock index options	–	191	55	246
Commodity	512	1,279	–	1,791
Other liabilities	–	–	6	6
Total financial liabilities at 31 December 2022²	4,727	143,160	1,878	149,765

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

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

The fair value of financial assets and financial liabilities classified as Level 2 in the fair value hierarchy that are subject to complex modelling techniques is \$888 million and \$209 million respectively.

13. Financial instruments continued

Fair value hierarchy – financial instruments measured at amortised cost

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

	Fair value				
	Carrying value \$million	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Assets					
Cash and balances at central banks ¹	69,905	–	69,905	–	69,905
Loans and advances to banks	44,977	–	44,921	–	44,921
of which – reverse repurchase agreements and other similar secured lending	1,738	–	1,738	–	1,738
Loans and advances to customers	286,975	–	53,472	226,211	279,683
of which – reverse repurchase agreements and other similar secured lending	13,996	–	13,827	169	13,996
Investment securities ²	56,935	–	54,419	33	54,452
Other assets ¹	38,140	–	38,140	–	38,140
Assets held for sale	701	101	541	59	701
At 31 December 2023	497,633	101	261,398	226,303	487,802
Liabilities					
Deposits by banks	28,030	–	28,086	–	28,086
Customer accounts	469,418	–	460,224	–	460,224
Repurchase agreements and other similar secured borrowing	12,258	–	12,258	–	12,258
Debt securities in issue	62,546	31,255	30,859	–	62,114
Subordinated liabilities and other borrowed funds	12,036	11,119	336	–	11,455
Other liabilities ¹	38,663	–	38,663	–	38,663
Liabilities held for sale	726	54	672	–	726
At 31 December 2023	623,677	42,428	571,098	–	613,526
	Fair value				
	Carrying value \$million	Level 1 \$million	Level 2 \$million	Level 3 \$million	Total \$million
Assets					
Cash and balances at central banks ¹	58,263	–	58,263	–	58,263
Loans and advances to banks	39,519	–	39,488	–	39,488
of which – reverse repurchase agreements and other similar secured lending	978	–	924	–	924
Loans and advances to customers	310,647	–	58,663	251,560	310,223
of which – reverse repurchase agreements and other similar secured lending	24,498	–	15,727	8,911	24,638
Investment securities ²	59,714	–	56,444	25	56,469
Other assets ¹	39,295	–	39,295	–	39,295
Assets held for sale	1,388	344	946	98	1,388
At 31 December 2022	508,826	344	253,099	251,683	505,126
Liabilities					
Deposits by banks	28,789	–	28,813	–	28,813
Customer accounts	461,677	–	461,665	–	461,665
Repurchase agreements and other similar secured borrowing	2,108	–	2,108	–	2,108
Debt securities in issue	61,242	24,624	36,148	–	60,772
Subordinated liabilities and other borrowed funds	13,715	12,445	385	–	12,830
Other liabilities ¹	42,915	–	42,914	1	42,915
Liabilities held for sale	1,230	398	832	–	1,230
At 31 December 2022	611,676	37,467	572,865	1	610,333

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

2 Includes Government bonds and Treasury bills of \$19,422 million at 31 December 2023 and \$17,943 million at 31 December 2022

13. Financial instruments continued

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

Loans and advances to customers by client segment¹

	2023					
	Carrying value			Fair value		
	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million
Corporate, Commercial & Institutional Banking	1,975	128,430	130,405	1,910	125,841	127,751
Consumer, Private & Business Banking	724	125,335	126,059	721	120,701	121,422
Ventures	-	1,033	1,033	-	1,032	1,032
Central & other items	209	29,269	29,478	209	29,269	29,478
At 31 December 2023	2,908	284,067	286,975	2,840	276,843	279,683

	2022					
	Carrying value			Fair value		
	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million	Stage 3 \$million	Stage 1 and stage 2 \$million	Total \$million
Corporate, Commercial & Institutional Banking	2,481	137,150	139,631	2,525	137,187	139,712
Consumer, Private & Business Banking	677	130,278	130,955	685	131,679	132,364
Ventures	-	698	698	-	696	696
Central & other items	230	39,133	39,363	230	37,221	37,451
At 31 December 2022	3,388	307,259	310,647	3,440	306,783	310,223

¹ Loans and advances includes reverse repurchase agreements and other similar secured lending: carrying value \$13,996 million and fair value \$13,996 million (31 December 2022: \$24,498 million and \$24,638 million respectively)

13. Financial instruments continued

Fair value of financial instruments

Level 3 Summary and significant unobservable inputs

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

Instrument	Value as at 31 December 2023		Principal valuation technique	Significant unobservable inputs	Range ¹	Weighted average ²
	Assets \$million	Liabilities \$million				
Loans and advances to customers	1,960	-	Discounted cash flows	Price/yield Credit spreads	1.7% – 100% 0.1% – 1.0%	12.0% 0.6%
Reverse repurchase agreements and other similar secured lending	2,363	-	Discounted cash flows	Repo curve Price/yield	5.1% – 7.6% (2.7)% – 10.3%	6.3% 6.0%
Debt securities, alternative tier one and other eligible securities	1,283	-	Discounted cash flows Internal pricing model	Price/yield Recovery rates Equity-Equity correlation Equity-FX correlation	(14.0)% – 25.8% 0.1% – 1.0% 44.1% – 100% (35.9)% – 45.5%	10.1% 0.2% 80.7% 14.2%
Government bonds and treasury bills	51	-	Discounted cash flows	Price/yield	17.7% – 21.8%	20.6%
Equity shares (includes private equity investments)	971	-	Comparable pricing/yield Discounted cash flows Option pricing model	EV/EBITDA multiples EV/Revenue multiples P/E multiples P/B multiples P/S multiples Liquidity discount Discount rates Equity value based on EV/Revenue multiples Equity value based on EV/EBITDA multiples Equity value based on volatility	13.8x – 15.6x 9.3x – 30.9x 10.6x – 51.8x 0.3x – 2.7x 0.2x – 1.6x 7.5% – 20.0% 9.2% – 35.6% 8.4x – 42.5x 3.1x – 3.1x 21.0% – 65.0%	14.9x 15.8x 45.7x 1.6x 0.3x 15.1% 17.0% 27.5x 3.1x 30.1%
Other assets	6	-	NAV	N/A	N/A	N/A
Derivative financial instruments of which:						
Foreign exchange	25	10	Option pricing model Discounted cash flows	Foreign exchange option implied volatility Interest rate curves Foreign exchange curves	0.5% – 51% 3.6% – 5.8% 0.6% – 64.2%	31.8% 3.8% 12.8%
Interest rate	6	5	Discounted cash flows	Interest rate curves	3.6% – 8.6%	5.0%
Credit	47	162	Discounted cash flows	Credit spreads Price/yield	1.0% – 1.0% 1.7% – 16.3%	1.0% 8.6%
Equity and stock index	2	19	Internal pricing model	Equity-Equity correlation Equity-FX correlation	44.1% – 100% (35.9)% – 45.5%	80.7% 14.2%
Deposits by banks	-	334	Discounted cash flows	Credit spreads	0.1% – 3.4%	1.9%
Customer accounts	-	1,278	Discounted cash flows Internal pricing model	Credit spreads Interest rate curves Price/yield Equity-Equity correlation Equity-FX correlation	1.0% – 2.0% 2.9% – 8.6% 4.8% – 15.2% 44.1% – 100% (35.9)% – 45.5%	1.2% 6.1% 9.9% 80.7% 14.2%
Debt securities in issue	-	1,041	Discounted cash flows Internal pricing model	Credit spreads Price/yield Interest rate curves Equity-Equity correlation Equity-FX correlation Bond option implied volatility	0.3% – 1.6% 6.6% – 20.9% 2.9% – 5.3% 44.1% – 100% (35.9)% – 45.5% 2.9% – 5.3%	1.1% 17.9% 4.4% 80.7% 14.2% 4.4%
Short positions	-	103	Discounted cash flows	Price/yield	7.1% – 7.1%	7.1%
Other liabilities	-	8	Comparable pricing/yield	EV/EBITDA multiples	5.8x – 11.2x	8.5x
Total	6,714	2,960				

1 The ranges of values shown in the above table represent the highest and lowest levels used in the valuation of the Group's Level 3 financial instruments as at 31 December 2023. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments.

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

13. Financial instruments continued

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

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

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

13. Financial instruments continued

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

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

13. Financial instruments continued

Level 3 movement tables – financial assets

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

Assets	2023									
	Held at fair value through profit or loss					Investment securities				
	Loans and advances to banks \$million	Loans and advances to customers \$million	Reverse repurchase agreements and other similar secured lending \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Other Assets \$million	Derivative financial instruments \$million	Debt securities, alternative tier one and other eligible bills \$million	Equity shares \$million	Total \$million
At 1 January 2023	21	1,805	1,998	1,153	182	7	44	–	655	5,865
Total (losses)/gains recognised in income statement	–	(35)	(107)	(292)	4	(1)	12	–	–	(419)
Net interest income	–	–	–	–	–	–	–	–	–	–
Net trading income	–	(35)	(107)	(304)	5	–	12	–	–	(429)
Other operating income	–	–	–	12	(1)	(1)	–	–	–	10
Total (losses)/gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	(1)	101	100
Fair value through OCI reserve	–	–	–	–	–	–	–	–	108	108
Exchange difference	–	–	–	–	–	–	–	(1)	(7)	(8)
Purchases	22	1,784	5,902	1,082	8	–	189	21	61	9,069
Sales	(22)	(1,133)	(3,942)	(518)	(10)	–	(115)	(23)	(5)	(5,768)
Settlements	–	(442)	(1,488)	(305)	–	–	(25)	–	–	(2,260)
Transfers out ¹	(21)	(225)	–	(6)	–	–	(27)	(16)	(32)	(327)
Transfers in ²	–	206	–	148	–	–	2	91	7	454
At 31 December 2023	–	1,960	2,363	1,262	184	6	80	72	787	6,714
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 31 December 2023	–	(3)	3	(1)	4	–	(12)	–	–	(9)

1 Transfers out includes loans and advances, debt securities, alternative tier one and other eligible bills, equity shares and derivative financial instruments where the valuation parameters became observable during the period and were transferred to Level 1 and Level 2

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

13. Financial instruments continued

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

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

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

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

13. Financial instruments continued

Level 3 movement tables – financial liabilities

	2023						
	Deposits by banks \$million	Customer accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Short positions \$million	Other liabilities \$million	Total \$million
At 1 January 2023	288	972	451	121	40	6	1,878
Total losses/(gains) recognised in income statement – net trading income	7	(6)	39	(52)	3	3	(6)
Issues	628	1,789	1,489	447	100	–	4,453
Settlements	(585)	(1,491)	(1,218)	(312)	(40)	–	(3,646)
Transfers out ¹	(4)	(9)	(85)	(11)	–	(1)	(110)
Transfers in ²	–	23	365	3	–	–	391
At 31 December 2023	334	1,278	1,041	196	103	8	2,960
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2023	–	(21)	6	(47)	–	–	(62)
2022							
	Deposits by banks \$million	Customer accounts \$million	Debt securities in issue \$million	Derivative financial instruments \$million	Short positions \$million	Other liabilities \$million	Total \$million
At 1 January 2022	283	454	821	94	–	1	1,653
Total (gains)/losses recognised in income statement – net trading income	(37)	(82)	(158)	155	(3)	5	(120)
Issues	447	1,818	815	179	140	–	3,399
Settlements	(400)	(1,266)	(1,066)	(291)	(97)	–	(3,120)
Transfers out ¹	(5)	–	(38)	(23)	–	–	(66)
Transfers in ²	–	48	77	7	–	–	132
At 31 December 2022	288	972	451	121	40	6	1,878
Total unrealised gains recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 31 December 2022	(1)	(17)	(7)	(3)	–	–	(28)

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

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

13. Financial instruments continued

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

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

	Held at fair value through profit or loss			Held at fair value through other comprehensive income		
	Net exposure \$million	Favourable changes \$million	Unfavourable changes \$million	Net exposure \$million	Favourable changes \$million	Unfavourable changes \$million
Financial instruments held at fair value						
Loans and advances	1,960	1,985	1,918	-	-	-
Reverse repurchase agreements and other similar secured lending	2,363	2,390	2,336	-	-	-
Debt securities, alternative tier one and other eligible bills	1,262	1,309	1,193	72	78	66
Equity shares	184	202	166	787	866	708
Other assets	6	7	5	-	-	-
Derivative financial instruments	(116)	(75)	(157)	-	-	-
Customers accounts	(1,278)	(1,191)	(1,365)	-	-	-
Deposits by banks	(334)	(334)	(334)	-	-	-
Short positions	(103)	(101)	(105)	-	-	-
Debt securities in issue	(1,041)	(966)	(1,115)	-	-	-
Other liabilities	(8)	(7)	(9)	-	-	-
At 31 December 2023	2,895	3,219	2,533	859	944	774

Financial instruments held at fair value

Loans and advances	1,826	1,851	1,758	-	-	-
Reverse repurchase agreements and other similar secured lending	1,998	2,013	1,979	-	-	-
Asset backed securities	1	1	1	-	-	-
Debt securities, alternative tier one and other eligible bills	1,152	1,168	1,124	-	-	-
Equity shares	182	200	164	655	715	595
Other assets	7	8	6	-	-	-
Derivative financial instruments	(77)	(44)	(109)	-	-	-
Customers accounts	(972)	(934)	(1,010)	-	-	-
Deposits by banks	(288)	(283)	(293)	-	-	-
Short positions	(40)	(39)	(41)	-	-	-
Debt securities in issue	(451)	(419)	(482)	-	-	-
Other liabilities	(6)	(5)	(7)	-	-	-
At 31 December 2022	3,332	3,517	3,090	655	715	595

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

Financial instruments	Fair value changes	2023 \$million	2022 \$million
Held at fair value through profit or loss	Possible increase	324	185
	Possible decrease	(362)	(242)
Fair value through other comprehensive income	Possible increase	85	60
	Possible decrease	(85)	(60)

14. Derivative financial instruments

Accounting policy

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

Hedge accounting

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

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

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

- At inception of the hedge and throughout its life, the hedge is prospectively expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk
- Prospective and retrospective effectiveness of the hedge should be within a range of 80–125%. This is tested using regression analysis
- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 80%.

In the case of the hedge of a forecast transaction, the transaction must have a high probability of occurring and must present an exposure to variations in cash flows that are expected to affect reported profit or loss.

Fair value hedge

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

Cash flow hedge

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

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

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

Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons, the cumulative gain or loss will be immediately reclassified to profit or loss.

Net investment hedge

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

14. Derivative financial instruments continued

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

Derivatives	2023			2022		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	3,628,067	30,897	32,601	3,154,440	38,162	39,376
Currency swaps and options	1,145,702	11,671	12,845	1,168,026	16,010	17,447
	4,773,769	42,568	45,446	4,322,466	54,172	56,823
Interest rate derivative contracts:						
Swaps	4,841,616	53,735	55,241	3,516,310	62,001	64,005
Forward rate agreements and options	313,253	2,057	2,520	98,465	2,214	2,880
	5,154,869	55,792	57,761	3,614,775	64,215	66,885
Exchange traded futures and options	325,051	39	47	324,702	279	258
Credit derivative contracts	281,130	485	1,107	249,082	411	941
Equity and stock index options	8,671	75	166	6,788	100	246
Commodity derivative contracts	117,436	970	1,029	90,952	1,622	1,791
Gross total derivatives	10,660,926	99,929	105,556	8,608,765	120,799	126,944
Offset	–	(49,495)	(49,495)	–	(57,082)	(57,082)
Total derivatives	10,660,926	50,434	56,061	8,608,765	63,717	69,862

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

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

The Group may enter into economic hedges that do not qualify for IAS 39 hedge accounting treatment, including derivatives such as interest rate swaps, interest rate futures and cross-currency swaps to manage interest rate and currency risks of the Group. These derivatives are measured at fair value, with fair value changes recognised in net trading income: refer to Market Risk (page 286).

Derivatives held for hedging

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

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

	2023			2022		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Derivatives designated as fair value hedges:						
Interest rate swaps	69,347	1,264	2,397	80,760	2,438	2,939
Currency swaps	115	10	6	1,273	16	48
	69,462	1,274	2,403	82,033	2,454	2,987
Derivatives designated as cash flow hedges:						
Interest rate swaps	41,834	184	537	31,977	100	671
Forward foreign exchange contracts	12,071	420	183	11,987	99	385
Currency swaps	14,321	191	150	11,787	86	362
	68,226	795	870	55,751	285	1,418
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	15,436	32	41	14,576	120	141
Total derivatives held for hedging	153,124	2,101	3,314	152,360	2,859	4,546

14. Derivative financial instruments continued

Fair value hedges

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

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

Hedge ineffectiveness from fair value hedges is driven by cross-currency basis risk and interest cashflows mismatch between the hedging instruments and underlying hedged items. The amortisation of fair value hedge adjustments for hedged items no longer designated is recognised in net interest income.

At 31 December 2023 the Group held the following interest rate and cross- currency swaps as hedging instruments in fair value hedges of interest and currency risk.

Hedging instruments and ineffectiveness

Interest rate ¹	2023				
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness ² \$million	Ineffectiveness recognised in profit or loss \$million
		Asset \$million	Liability \$million		
Interest rate swaps – debt securities/subordinated notes issued	45,455	381	2,267	271	(4)
Interest rate swaps – loans and advances	1,203	26	1	(20)	–
Interest rate swaps – debt securities and other eligible bills	22,689	857	129	(459)	(17)
Interest and currency risk ¹					
Cross-currency swaps – debt securities/subordinated notes issued	70	–	6	(2)	–
Cross-currency swaps – debt securities and other eligible bills	45	10	–	11	–
Total at 31 December 2023	69,462	1,274	2,403	(199)	(21)

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

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

Interest rate ¹	2022				
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness ² \$million	Ineffectiveness recognised in profit or loss \$million
		Asset \$million	Liability \$million		
Interest rate swaps – debt securities/subordinated notes issued	41,772	112	2,914	(3,020)	(7)
Interest rate swaps – loans and advances	1,117	68	–	53	(1)
Interest rate swaps – debt securities and other eligible bills	37,871	2,258	25	3,127	13
Interest and currency risk ¹					
Cross-currency swaps – debt securities/subordinated notes issued	72	–	4	(260)	12
Cross-currency swaps – debt securities and other eligible bills	1,201	16	44	(9)	4
Total at 31 December 2022	82,033	2,454	2,987	(109)	21

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

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

14. Derivative financial instruments continued

Hedged items in fair value hedges

	2023						Cumulative balance of fair value adjustments from de-designated hedge relationships ² \$million	
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in the value used for calculating hedge ineffectiveness ¹ \$million			
	Asset \$million	Liability \$million	Asset \$million	Liability \$million				
Debt securities /subordinated notes issued	-	46,156	-	1,761	(273)	360		
Debt securities and other eligible bills	21,473	-	(553)	-	431	744		
Loans and advances to customers	1,183	-	(20)	-	20	13		
Total at 31 December 2023	22,656	46,156	(573)	1,761	178	1,117		
2022								
	Carrying amount		Accumulated amount of fair value hedge adjustments included in the carrying amount		Change in fair value used for calculating hedge ineffectiveness ¹ \$million		Cumulative balance of fair value adjustments from de-designated hedge relationships ² \$million	
	Asset \$million	Liability \$million	Asset \$million	Liability \$million				
	-	42,702	-	2,756	3,285	414		
Debt securities /subordinated notes issued	36,028	-	(2,075)	-	(3,101)	441		
Debt securities and other eligible bills	1,051	-	(65)	-	(54)	1		
Total at 31 December 2022	37,079	42,702	(2,140)	2,756	130	856		

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

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

Income statement impact of fair value hedges

	2023 Income/ (expense) \$million	2022 Income/ (expense) \$million
Change in fair value of hedging instruments	(199)	(109)
Change in fair value of hedged risks attributable to hedged items	178	130
Net ineffectiveness (loss)/gain to net trading income	(21)	21
Amortisation gain to net interest income	232	141

Cash flow hedges

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

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

The hedged risk is determined as the variability of future cash flows arising from changes in the designated benchmark interest and/or foreign exchange rates.

14. Derivative financial instruments continued

Hedging instruments and ineffectiveness

	2023						
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness ¹ \$million	Gain recognised in OCI \$million	Ineffectiveness gain recognised in net trading income \$million	Amount reclassified from reserves to net trading income \$million
		Asset \$million	Liability \$million				
Interest rate risk							
Interest rate swaps	41,834	184	537	612	609	3	–
Currency risk							
Forward foreign exchange contract	12,071	420	183	104	103	1	–
Cross-currency swaps	14,321	191	150	185	183	2	–
Total as at 31 December 2023	68,226	795	870	901	895	6	–

	2022						
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness ¹ \$million	(Loss)/gain recognised in OCI \$million	Ineffectiveness (loss) recognised in net trading income \$million	Amount reclassified from reserves to net trading income \$million
		Asset \$million	Liability \$million				
Interest rate risk							
Interest rate swaps	31,977	100	671	(533)	(531)	(2)	–
Currency risk							
Forward foreign exchange contract	11,987	99	385	(141)	(141)	–	–
Cross-currency swaps	11,787	86	362	421	426	(5)	–
Total as at 31 December 2022	55,751	285	1,418	(253)	(246)	(7)	–

Hedged items in cash flow hedges

	2023				Cumulative balance in the cash flow hedge reserve from de-designated hedge relationships \$million	
	Change in fair value used for calculating hedge ineffectiveness ¹ \$million	Cash flow hedge reserve \$million				
Customer accounts						
Customer accounts	(421)	(114)			136	
Debt securities and other eligible bills	(98)	(22)			(15)	
Loans and advances to customers	(312)	134			–	
Intragroup lending currency hedge	(64)	–			–	
Intragroup borrowing currency hedge	–	–			–	
Total as at 31 December 2023	(895)	(2)			121	

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

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

14. Derivative financial instruments continued

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

		2023 Income/ (expense) \$million	2022 Income/ (expense) \$million
Cash flow hedge reserve balance as at 1 January		(564)	(34)
Gain/(loss) recognised in other comprehensive income on effective portion of changes in fair value of hedging instruments		895	(246)
Gain reclassified to income statement when hedged item affected net profit		(128)	(373)
Taxation charge relating to cash flow hedges		(112)	89
Cash flow hedge reserve balance as at 31 December		91	(564)

Net investment hedges

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

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

Hedging instruments and ineffectiveness

	2023						
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness ¹ \$million	Changes in the value of the hedging instrument recognised in OCI \$million	Ineffectiveness recognised in profit or loss \$million	Amount reclassified from reserves to income \$million
		Asset \$million	Liability \$million				
Derivative forward currency contracts ²	15,436	32	41	215	215	-	-
2022							
	Notional \$million	Carrying amount		Change in fair value used to calculate hedge ineffectiveness ¹ \$million	Changes in the value of the hedging instrument recognised in OCI \$million	Ineffectiveness recognised in profit or loss \$million	Amount reclassified from reserves to income \$million
		Asset \$million	Liability \$million				
Derivative forward currency contracts ²	14,576	120	141	512	512	-	-

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

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

Hedged items in net investment hedges

	2023			
	Change in the value used for calculating hedge ineffectiveness ¹ \$million	Translation reserve \$million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied \$million	
			Net investments	(215)
2022				
	Change in the value used for calculating hedge ineffectiveness ¹ \$million	Translation reserve \$million	Balances remaining in the translation reserve from hedging relationships for which hedge accounting is no longer applied \$million	
Net investments	(512)	(21)	-	

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

14. Derivative financial instruments continued

Impact of net investment hedges on other comprehensive income

		2023 Income/ (expense) \$million	2022 Income/ (expense) \$million
Gains recognised in other comprehensive income		215	512

Maturity of hedging instruments

		2023				
		Less than one month	More than one month and less than one year	One to five years	More than five years	
Fair value hedges						
Interest rate swap						
Notional	\$million	3,242	9,789	41,545	14,771	
Cross-currency swap						
Notional	\$million	-	115	-	-	
Average fixed interest rate (to USD)	GBP	-	1.33%	-	-	
	CNH	-	3.17%	-	-	
Average exchange rate	GBP/USD	-	0.66	-	-	
	CNH/USD	-	6.37	-	-	

Cash flow hedges

		2023			
		2,129	27,634	11,664	407
Interest rate swap					
Notional	\$million	2,129	27,634	11,664	407
Average fixed interest rate	USD	5.10%	3.45%	4.70%	3.16%
Cross-currency swap					
Notional	\$million	166	10,794	3,361	-
Average fixed interest rate	HKD	-	4.97%	0.21%	-
	KRO	1.96%	3.58%	0.62%	-
	USD	-	5.64%	-	-
	TWD	(3.68)%	0.77%	0.81%	-
	JPY	-	(0.07)%	(0.05)%	-
Average exchange rate	HKD/USD	-	7.83	7.85	-
	KRO/USD	1,192.20	1,320.69	1,284.82	-
	USD/HKD	-	0.13	-	-
	TWD/USD	30.63	31.53	32.22	-
	JPY/HKD	-	17.86	18.09	-
Forward foreign exchange contracts					
Notional	\$million	2,194	9,877	-	-
Average exchange rate	BRL/USD	-	5.17	-	-
	TWD/HKD	-	3.81	-	-
	JPY/USD	130.49	136.05	-	-

Net investment hedges

		2023				
		15,436	-	-	-	
Foreign exchange derivatives						
Notional						
Average exchange rate	CNY/USD	7.12	-	-	-	
	KRW/USD	1,283.25	-	-	-	
	AED/USD	3.67	-	-	-	
	HKD/USD	7.80	-	-	-	

14. Derivative financial instruments continued

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

Interest rate benchmark reform

As at 31 December 2023, there are no derivative instruments designated in fair value or cash flow hedge accounting relationships that were linked to IBOR reference rates (31 December 2022: \$65,769 million).

15. Loans and advances to banks and customers

Accounting policy

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

	2023 \$million	2022 \$million
Loans and advances to banks	45,001	39,545
Expected credit loss	(24)	(26)
	44,977	39,519
Loans and advances to customers	292,145	316,107
Expected credit loss	(5,170)	(5,460)
	286,975	310,647
Total loans and advances to banks and customers¹	331,952	350,166

1 Includes \$3.6 billion (31 December 2022: \$4.8 billion) of assets pledged as collateral. For more information, please refer to page 127 of Pillar 3 disclosures.

The Group has outstanding residential mortgage loans to Korea residents of \$17.2 billion (31 December 2022: \$19.1 billion) and Hong Kong residents of \$32.7 billion (31 December 2022: \$35 billion).

Analysis of loans and advances to customers by geographic region and client segment together with their related impairment provisions are set out within the Risk review and Capital review (pages 230 to 343).

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

Accounting policy

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

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

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

Reverse repurchase agreements and other similar secured lending

	2023 \$million	2022 \$million
Banks	32,286	24,932
Customers	65,295	65,035
	97,581	89,967
Of which:		
Fair value through profit or loss	81,847	64,491
Banks	30,548	23,954
Customers	51,299	40,537
Held at amortised cost	15,734	25,476
Banks	1,738	978
Customers	13,996	24,498

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

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

	2023 \$million	2022 \$million
Securities and collateral received (at fair value)	101,935	124,989
Securities and collateral which can be repledged or sold (at fair value)	101,845	123,759
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	34,154	44,628

Repurchase agreements and other similar secured borrowing

	2023 \$million	2022 \$million
Banks	5,585	6,968
Customers	47,956	46,846
	53,541	53,814
Of which:		
Fair value through profit or loss	41,283	51,706
Banks	4,658	5,737
Customers	36,625	45,969
Held at amortised cost	12,258	2,108
Banks	927	1,231
Customers	11,331	877

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

	2023				
	Fair value through profit or loss \$million	Fair value through other comprehensive income \$million	Amortised cost \$million	Off-balance sheet \$million	Total \$million
Collateral pledged against repurchase agreements					
On-balance sheet					
Debt securities and other eligible bills	4,993	8,157	10,181	–	23,331
Off-balance sheet					
Repledged collateral received	–	–	–	34,154	34,154
At 31 December 2023	4,993	8,157	10,181	34,154	57,485

	2022				
	Fair value through profit or loss \$million	Fair value through other comprehensive income \$million	Amortised cost \$million	Off-balance sheet \$million	Total \$million
Collateral pledged against repurchase agreements					
On-balance sheet					
Debt securities and other eligible bills	2,956	3,630	4,917	–	11,503
Off-balance sheet					
Repledged collateral received	–	–	–	44,628	44,628
At 31 December 2022	2,956	3,630	4,917	44,628	56,131

17. Goodwill and intangible assets

Accounting policy

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in Investments in associates and joint ventures. Goodwill included in intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Detailed calculations are performed based on forecasting expected cash flows of the relevant cash-generating units (CGUs) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. Goodwill is allocated to CGUs for the purpose of impairment testing. CGUs represent the lowest level within the Group which generates separate cash inflows and at which the goodwill is monitored for internal management purposes. These are equal to or smaller than the Group's reportable segments (as set out in Note 2) as the Group views its reportable segments on a global basis. The major CGUs to which goodwill has been allocated are set out in the CGU table (page 425).

Other accounting estimates and judgements

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

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

Acquired intangibles

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

Computer software

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

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

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

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

17. Goodwill and intangible assets continued

	2023				2022			
	Goodwill \$million	Acquired intangibles \$million	Computer software \$million	Total \$million	Goodwill \$million	Acquired intangibles \$million	Computer software \$million	Total \$million
Cost								
At 1 January	2,471	295	5,178	7,944	2,595	457	4,464	7,516
Exchange translation differences	(24)	(12)	21	(15)	(108)	(26)	(22)	(156)
Additions	–	–	1,124	1,124	–	–	1,096	1,096
Impairment charge ²	–	–	(151)	(151)	(14)	–	(7)	(21)
Disposals and amounts written off	(18) ¹	(5) ¹	(4)	(27)	–	(136)	(348)	(484)
Classified as held for sale	–	–	–	–	(2)	–	(5)	(7)
At 31 December	2,429	278	6,168	8,875	2,471	295	5,178	7,944
Provision for amortisation								
At 1 January	–	276	1,799	2,075	–	437	1,608	2,045
Exchange translation differences	–	(12)	11	(1)	–	(29)	(11)	(40)
Amortisation	–	1	625	626	–	4	531	535
Impairment charge ²	–	–	(39)	(39)	–	–	5	5
Disposals and amounts written off	–	–	–	–	–	(136)	(331)	(467)
Classified as held for sale	–	–	–	–	–	–	(3)	(3)
At 31 December	–	265	2,396	2,661	–	276	1,799	2,075
Net book value	2,429	13	3,772	6,214	2,471	19	3,379	5,869

1 Includes disposal of goodwill and other intangibles relating to aviation finance leasing business. These were classified as held for sale during 2023 and sold during the year

2 Computer software impairment includes \$82.8 million (2022: nil) charge relating to write off on SaaS (Software as a Service) applications capitalised in previous years

At 31 December 2023, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to \$3,331 million (31 December 2022: \$3,331 million), of which Nil million was recognised in 2023 (31 December 2022: \$14 million).

Outcome of impairment assessment

An annual assessment is made as to whether the current carrying value of goodwill is impaired. For the purposes of impairment testing, goodwill is allocated at the date of acquisition to a CGU. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. Indicators of impairment include changes in the economic performance and outlook of the region, including geopolitical changes, changes in market value of regional investments, large credit defaults and strategic decisions to exit certain regions. The recoverable amounts for all the CGUs were measured based on value in use (VIU). The calculation of VIU for each CGU is calculated using five-year cashflow projections and an estimated terminal value based on a perpetuity value after year five. The cashflow projections are based on forecasts approved by management up to 2028. The perpetuity terminal value amount is calculated using year five cashflows using long-term GDP growth rates. All cashflows are discounted using discount rates which reflect market rates appropriate to the CGU. Post-tax discount rates are used to calculate the VIU using the post-tax cashflows. The post-tax discount rate is subsequently grossed up to pre-tax discount rate. The calculated VIU using post-tax and pre-tax discount rate is the same.

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

Cash-generating unit	2023			2022		
	Goodwill \$million	Pre-Tax Discount rates per cent	Long-term forecast GDP growth rates per cent	Goodwill \$million	Pre-Tax Discount rates per cent	Long-term forecast GDP growth rates per cent
Country CGUs						
Asia	1,036			1,032		
Hong Kong	357	12.9	1.6	357	12.4	1.7
Taiwan	333	12.4	1.5	333	11.3	1.7
Singapore	346	13.9	2.1	342	12.3	2.3
Africa & Middle East	80			85		
Pakistan	31	35.5	3.2	36	30.9	5.9
Bahrain	49	12.4	0.5	49	16.6	0.7
Global CGUs	1,313			1,354		
Global Private Banking	83	15.3	1.9	83	14.5	2.0
Corporate, Commercial & Institutional Banking	1,230	15.7	2.3	1,271	14.7	2.5
	2,429			2,471		

17. Goodwill and intangible assets continued

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

CGU	2023														
	Sensitivities														
	GDP				Discount rate				Cash flow		Cash-flow				
	+1%	-1%	+1%	-1%	+10%	-10%	+20%	-20%	-30%	-	GDP -1%	Extreme downside scenario			
	Head-room	Head-room	Head-room	Head-room	Head-room	Head-room	Head-room	Head-room	Head-room	CF -10%	GDP -1%	Extreme downside scenario			
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	CF -20%	DR +1%	DR +1%			
Goodwill	333	217	12.4%	1.53%	351	112	73	400	375	60	532	(97)	(254)	(138)	(267)
Taiwan															

The table above represents reasonably possible scenarios that could occur if either; economic factors (which drive GDP rates and discount rates); country-specific cash flows; or a combination of both are different from the assumptions used in the goodwill impairment assessment at 31 December 2023.

For there to be no headroom, the pre-tax discount rate will need to increase by 2.02 per cent. Similarly, the GDP rates will need to decrease by 2.36 per cent and cashflows would need to decrease by 13.8 per cent.

Acquired intangibles

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

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

	2023 \$million	2022 \$million
Acquired intangibles comprise:		
Aircraft maintenance	–	5
Brand names	–	1
Customer relationships	1	1
Licenses	12	12
Net book value	13	19

18. Property, plant and equipment

Accounting policy

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

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

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

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

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

	2023					
	Premises \$million	Equipment \$million	Operating lease assets \$million	Leased premises assets \$million	Leased equipment assets \$million	Total \$million
Cost or valuation						
At 1 January	1,773	840	4,420	1,652	29	8,714
Exchange translation differences	(27)	(22)	–	(5)	(3)	(57)
Additions ¹	45	114	–	286	1	446
Disposals and fully depreciated assets written off	(68) ²	(122) ²	(4,420) ³	(69)	(9)	(4,688)
Classified as held for sale	18	–	–	–	–	18
As at 31 December	1,741	810	–	1,864	18	4,433
Depreciation						
Accumulated at 1 January	678	575	1,185	730	24	3,192
Exchange translation differences	(21)	(17)	1	(25)	(1)	(63)
Charge for the year	77	99	27	238	4	445
Impairment charge	3	–	–	9	–	12
Attributable to assets sold, transferred or written off	(47) ²	(122) ²	(1,213) ³	(38)	(9)	(1,429)
Classified as held for sale	2	–	–	–	–	2
Accumulated at 31 December	692	535	–	914	18	2,159
Net book amount at 31 December	1,049	275	–	950	–	2,274

1. Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of \$159 million on page 363
 2. Disposals for property, plant and equipment during the year of \$53 million in the cash flow statement would include the gains and losses incurred as part of other operating income (Note 6) on disposal of assets during the year and the net book value disposed
 3. Includes disposal of assets from aviation finance leasing business and sale of vessels (refer note 32).

18. Property, plant and equipment continued

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

1 Refer to the cash flow statement under cash flows from investing activities section for the purchase of property, plant and equipment during the year of \$835 million on page 363

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

Operating lease assets

The operating lease assets subsection of property, plant and equipment refers to the Group's aircraft operating leasing business, all leases related to which were disposed on 2 November 2023. As at 31 December 2022, this consisted of 99 commercial aircraft of which 97 were narrow-bodies and 2 were wide-bodies. The leases were classified as operating leases as they did not transfer substantially all the risks and rewards incidental to the ownership of the assets. As at 31 December 2022, these assets had a net book value of \$3,235 million. Refer note 6 Other operating income for the disposal gain and the associated rental income, up to the date of their disposal.

Under these leases up to the date of disposal, the lessee was responsible for the maintenance and servicing of the aircraft during the lease term while the Group receives rental income and assumes the risks of the residual value of the aircraft at the end of the lease.

19. Leased assets

Accounting policy

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

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

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

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

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

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

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

The total cash outflow during the year for premises and equipment leases was \$283 million (2022: \$310 million).

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

Maturity analysis

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

	2023				Total \$million
	One year or less \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years \$million	
Other liabilities – lease liabilities	248	203	373	410	1,234
2022					
	One year or less \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years \$million	Total \$million
Other liabilities – lease liabilities	272	239	437	310	1,258

20. Other assets

Other assets include:

	2023 \$million	2022 \$million
Financial assets held at amortised cost (Note 13):		
Hong Kong SAR Government certificates of indebtedness (Note 23) ¹	6,568	7,106
Cash collateral ²	10,337	12,515
Acceptances and endorsements	5,326	5,264
Unsettled trades and other financial assets	15,909	14,410
	38,140	39,295
Non-financial assets:		
Commodities and emissions certificates ³	8,889	10,598
Other assets	565	490
	47,594	50,383

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

2 Cash collateral are margins placed to collateralize net derivative mark-to-market (MTM) positions

3 Physically held commodities and emission certificates are inventory that is carried at fair value less costs to sell, \$5.1 billion (31 December 2022: \$6 billion) are classified as Level 1 and \$3.7 billion are classified as Level 2 (31 December 2022: \$4.6 billion). For commodities, the fair value is derived from observable spot or short-term futures prices from relevant exchanges.

21. Assets held for sale and associated liabilities

Accounting Policy

Upon reclassification property, plant and equipment are measured at the lower of their carrying amount and fair value less costs to sell. Financial instruments continue to be measured per the accounting policies in Note 13 Financial instruments.

The assets below have been presented as held for sale following the approval of Group management and the transactions are expected to complete in 2024.

Assets held for sale

The financial assets reported below are classified under Level 1 \$101 million (31 December 2022: \$345 million), Level 2 \$541 million (31 December 2022: \$946 million) and Level 3 \$59 million (31 December 2022: \$100 million).

	2023 \$million	2022 \$million
Financial assets held at fair value through profit or loss		
Equity shares	-	3
Derivative financial instruments – Assets	-	2
	-	1
Financial assets held at amortised cost		
Cash and balances at central banks	246	423
Loans and advances to banks	24	81
Loans and advances to customers	251	508
Debt securities held at amortised cost	180	376
Goodwill and intangible assets	-	4
Property, plant and equipment		
Vessels	43	133
Others	16	41
Others	49	56
	809	1,625

During the year, the aviation finance leasing business, which held 99 commercial aircraft, was classified as held for sale. The business was sold to AviLease for a consideration of \$3,570 million, and the Group recorded a gain on sale of \$309 million. In addition, vessels with a carrying value of \$83 million were sold (2022: nil) and the Group exited Jordan as part of the exit of AME regions (\$108 million carrying value, with a \$8 million gain on sale).

21. Assets held for sale and associated liabilities continued

Liabilities held for sale

The financial liabilities reported below are classified under Level 1 \$54 million (2022: \$402 million) and Level 2 \$672 million (2022: \$833 million).

	2023 \$million	2022 \$million
Financial liabilities held at fair value through profit or loss	-	5
Derivative financial instruments	-	5
Financial liabilities held at amortised cost	726	1,230
Deposits by banks	3	17
Customer accounts	723	1,213
Other liabilities	51	64
Provisions for liabilities and charges	10	8
	787	1,307

22. Debt securities in issue

Accounting policy

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

	2023			2022		
	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million	Certificates of deposit of \$100,000 or more \$million	Other debt securities in issue \$million	Total \$million
Debt securities in issue	15,533	47,013	62,546	23,457	37,785	61,242
Debt securities in issue included within:						
Financial liabilities held at fair value through profit or loss (Note13)	-	10,817	10,817	-	8,572	8,572
Total debt securities in issue	15,533	57,830	73,363	23,457	46,357	69,814

In 2023, the Company issued a total of \$8.1 billion senior notes for general business purposes of the Group as shown below:

Securities	\$million
\$1,000 million fixed-rate senior notes due 2027 (callable 2026)	1,000
EUR 1,000 million fixed-rate senior notes due 2031 (callable 2030)	1,105
HKD 784 million fixed-rate senior notes due 2026 (callable 2025)	100
\$1,000 million fixed-rate senior notes due 2034 (callable 2033)	1,000
\$1,000 million fixed-rate senior notes due 2027 (callable 2026)	1,000
\$500 million floating-rate senior notes due 2027 (callable 2026)	500
\$400 million floating-rate senior notes due 2028 (callable 2027)	400
\$1,500 million fixed-rate senior notes due 2029 (callable 2028)	1,500
\$750 million fixed-rate senior notes due 2030 (callable 2029)	750
\$750 million fixed-rate senior notes due 2028 (callable 2027)	750
Total senior notes issued	8,105

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

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

23. Other liabilities

Accounting policy

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

	2023 \$million	2022 \$million
Financial liabilities held at amortised cost (Note 13)		
Notes in circulation ¹	6,568	7,106
Acceptances and endorsements ²	5,386	5,264
Cash collateral ³	8,440	9,206
Property leases ⁴	1,054	1,029
Equipment leases ⁴	4	8
Unsettled trades and other financial liabilities	17,211	20,302
	38,663	42,915
Non-financial liabilities		
Cash-settled share-based payments	102	81
Other liabilities	456	531
	39,221	43,527

1 Hong Kong currency notes in circulation of \$6,568 million (31 December 2022: \$7,106 million) that are secured by the Government of Hong Kong SAR certificates of indebtedness of the same amount included in Other assets (Note 20)

2 Includes early receipts of funds (\$60m) from customer, whereas corresponding liability is due in Jan'24

3 Cash collateral are margins received against collateralize net derivative mark-to-market (MTM) positions

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

24. Provisions for liabilities and charges

Accounting policy

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

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

	2023			2022		
	Expected credit loss for credit commitments ¹ \$million	Other provisions ² \$million	Total \$million	Expected credit loss for credit commitments ¹ \$million	Other provisions ² \$million	Total \$million
At 1 January	280	103	383	346	107	453
Exchange translation differences	(5)	4	(1)	(39)	(2)	(41)
(Release)/charge against profit	(48)	42	(6)	(27)	69	42
Provisions utilized	–	(71)	(71)	–	(71)	(71)
Transfer ³	–	(6)	(6)	–	–	–
At 31 December	227	72	299	280	103	383

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

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

3 Includes the provisions transferred to held for sale.

25. Contingent liabilities and commitments

Accounting policy

Financial guarantee contracts and loan commitments

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

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

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

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

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

	2023 \$million	2022 \$million
Financial guarantees and trade credits		
Financial guarantees, trade credits and irrevocable letters of credit	74,414	60,410
	74,414	60,410
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	78,356	69,597
Less than one year	33,092	31,688
Unconditionally cancellable	70,942	67,383
	182,390	168,668
Capital Commitments		
Contracted capital expenditure approved by the directors but not provided for in these accounts	217	257

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

26. Legal and regulatory matters

Accounting policy

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

Since 2014, the Group has been named as a defendant in a series of lawsuits that have been filed in the United States District Courts for the Southern and Eastern Districts of New York against a number of banks on behalf of plaintiffs who are, or are relatives of, victims of attacks in Iraq and Afghanistan. The plaintiffs in each of these lawsuits have alleged that the defendant banks aided and abetted the unlawful conduct of parties with connections to terrorist organisations in breach of the United States Anti-Terrorism Act. None of these lawsuits specify the amount of damages claimed. The Group continues to defend these lawsuits.

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

Since October 2020, four lawsuits have been filed in the English High Court against Standard Chartered PLC on behalf of more than 200 shareholders in relation to alleged untrue and/or misleading statements and/or omissions in information published by Standard Chartered PLC in its rights issue prospectuses of 2008, 2010 and 2015 and/or public statements regarding the Group's historic sanctions, money laundering and financial crime compliance issues. These lawsuits have been brought under sections 90 and 90A of the Financial Services and Markets Act 2000. These lawsuits are at an early procedural stage.

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

As has been reported in the press, a number of Korean banks, including Standard Chartered Bank Korea, have sold equity-linked securities ("ELS") to customers, the redemption values of which are determined by the performance of various stock indices. Standard Chartered Bank Korea sold relevant ELS to its customers with a notional value of approximately USD900m. Due to the performance of the Hang Seng China Enterprise Index, it is anticipated that several thousand Standard Chartered Bank Korea customers may redeem their ELS at a loss. The value of Standard Chartered Bank Korea customers' anticipated losses is subject to fluctuation as the ELS mature on various dates through 2026 and could total several hundred million USD. Standard Chartered Bank Korea may be faced with claims by customers and its regulator, the Financial Supervisory Service, to cover part or all of those anticipated losses and also may face regulatory penalties.

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

In 2023, three legal cases concluded in which allegations of corruption had been made against the Group or its employees, none of which resulted in liability being established.

27. Subordinated liabilities and other borrowed funds

	2023 \$million	2022 \$million
Subordinated loan capital – issued by subsidiary undertakings		
\$700 million 8.0 per cent subordinated notes due 2031 (callable 2026) ¹	342	345
NPR2.4 billion fixed sub debt rate 10.3 per cent ^{2,3}	18	–
	360	345
Subordinated loan capital – issued by the Company⁴		
Primary capital floating rate notes:		
\$400 million floating rate undated subordinated notes ⁵	–	16
\$300 million floating rate undated subordinated notes (Series 2) ⁵	–	69
\$400 million floating rate undated subordinated notes (Series 3) ⁵	–	50
\$200 million floating rate undated subordinated notes (Series 4) ⁵	–	26
£900 million 5.125 per cent subordinated notes due 2034	644	587
\$2 billion 5.7 per cent subordinated notes due 2044	2,197	2,172
\$2 billion 3.95 per cent subordinated notes due 2023	–	1,999
\$1 billion 5.2 per cent subordinated notes due 2024	1,001	1,017
\$750 million 5.3 per cent subordinated notes due 2043	697	679
€500 million 3.125 per cent subordinated notes due 2024	536	502
\$1.25 billion 4.3 per cent subordinated notes due 2027	1,154	1,119
\$1 billion 3.516 per cent subordinated notes due 2030 (callable 2025)	964	938
\$500 million 4.886 per cent subordinated notes due 2033 (callable 2028)	481	473
£96.035 million 7.375 per cent Non-Cum Pref Shares (reclassified as Debt) – Other borrowings	122	116
£99.250 million 8.25 per cent Non-Cum Pref Shares (reclassified as Debt) – Other borrowings	126	119
\$750 million 3.604 per cent fixed rate reset dated subordinated notes due 2033	648	630
€1 billion 2.5 per cent subordinated debt 2030	1,044	967
\$1.25 billion 3.265 per cent subordinated notes due 2036	1,040	1,002
€1 billion 1.200 per cent fixed rate reset dated subordinated notes due 2031 (callable 2026)	1,022	891
	11,676	13,370
Total for Group	12,036	13,715

1 Issued by Standard Chartered Bank

2 Issued by Standard Chartered Bank Nepal Limited

3 NPR refers to Nepalese Rupee

4 In the balance sheet of the Company the amount recognised is \$11,945 million (2022: 13,684 million), with the difference on account of hedge accounting achieved on a Group basis

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

	2023				
	USD \$million	EUR \$million	GBP \$million	NPR \$million	Total \$million
Fixed rate subordinated debt	8,524	2,602	892	18	12,036
Floating rate subordinated debt	–	–	–	–	–
Total	8,524	2,602	892	18	12,036
2022					
	USD \$million	EUR \$million	GBP \$million	NPR \$million	Total \$million
Fixed rate subordinated debt	10,372	2,360	822	–	13,554
Floating rate subordinated debt	161	–	–	–	161
Total	10,533	2,360	822	–	13,715

Redemptions and repurchases during the year

Standard Chartered PLC exercised its right to redeem USD 2 billion 3.95 per cent subordinated notes 2023. Further to that outstanding balances of floating rate undated subordinate notes were redeemed during the year.

Issuance during the year

On 1st March 2023, Standard Chartered Bank Nepal Limited issued NPR 2.4 billion 10.3 per cent fixed rate dated subordinated notes due 2028.

28. Share capital, other equity instruments and reserves

Accounting policy

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

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

	Number of ordinary shares millions	Ordinary share capital ¹ \$million	Ordinary Share premium \$million	Preference Share premium ² \$million	Total share capital and share premium \$million	Other equity instruments \$million
At 1 January 2022	3,079	1,539	3,989	1,494	7,022	6,254
Cancellation of shares including share buy-back	(184)	(92)	–	–	(92)	–
Additional Tier 1 equity issuance	–	–	–	–	–	1,240
Additional Tier 1 equity redemption	–	–	–	–	–	(990)
At 31 December 2022	2,895	1,447	3,989	1,494	6,930	6,504
Cancellation of shares including share buy-back	(230)	(115)	–	–	(115)	–
Additional Tier 1 equity issuance	–	–	–	–	–	–
Additional Tier 1 redemption	–	–	–	–	–	(992)
At 31 December 2023	2,665	1,332	3,989	1,494	6,815	5,512

1 Issued and fully paid ordinary shares of 50 cents each

2 Includes preference share capital of \$75,000

Share buy-back

On 16 February 2023, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$58 million, and the total consideration paid was \$1 billion. The buy-back completed on 29 September 2023. The total number of shares purchased was 116,710,492 representing 4.03 per cent of the ordinary shares in issue as at the commencement of the buy-back. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account.

On 28 July 2023, the Group announced the buy-back programme for a share buy-back of its ordinary shares of \$0.50 each. Nominal value of share purchases was \$57 million, and the total consideration paid was \$1 billion. The buy-back completed on 6 November 2023. The total number of shares purchased was 112,982,802 representing 3.90 per cent of the ordinary shares in issue as at the commencement of the buy-back. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account.

The shares were purchased by Standard Chartered PLC on various exchanges not including the Hong Kong Stock Exchange.

	Number of ordinary shares	Highest price paid £	Lowest price paid £	Average price paid per share £	Aggregate price paid £	Aggregate price paid \$
February 2023	9,522,684	7.99400	7.41600	7.77508	74,039,628	89,017,672
March 2023	48,672,024	7.94600	5.79000	7.07885	344,541,860	416,300,544
April 2023	9,521,811	6.58200	6.10600	6.30837	60,067,118	74,798,622
May 2023	10,662,964	6.66000	5.92800	6.28592	67,026,502	83,626,929
June 2023	15,515,223	6.92200	6.36000	6.70601	104,045,286	131,601,470
July 2023	10,388,883	7.53200	6.56400	6.81807	70,832,098	90,241,074
August 2023	22,896,567	7.60800	7.10000	7.28931	166,900,079	211,996,912
September 2023	40,542,727	7.64800	6.93600	7.35577	298,222,942	369,007,327
October 2023	52,084,775	7.66600	6.04800	7.20829	375,442,209	457,218,216
November 2023	9,885,636	6.38400	6.12600	6.23095	61,596,915	75,472,633

Ordinary share capital

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

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

28. Share capital, other equity instruments and reserves continued

Preference share capital

At 31 December 2023, the Company has 15,000 \$5 non-cumulative redeemable preference shares in issue, with a premium of \$99,995 making a paid up amount per preference share of \$100,000. The preference shares are redeemable at the option of the Company and are classified in equity.

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

Other equity instruments

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

Issuance date	Nominal value	Proceeds net of issue costs	Interest rate ¹	Coupon payment dates ²	First reset dates ³	Conversion price per ordinary share
3 July 2019	SGD 750 million	USD 552 million	5.375%	3 April, 3 October each year	3 October 2024	SGD 10.909
26 Jun 2020	USD 1,000 million	USD 992 million	6%	26 January, 26 July each year	26 January 2026	USD 5.331
14 January 2021	USD 1,250 million	USD 1,239 million	4.75%	14 January, 14 July each year	14 July 2031	USD 6.353
19 August 2021	USD 1,500 million	USD 1,490 million	4.30%	19 February, 19 August each year	19 August 2028	USD 6.382
15 August 2022	USD 1,250 million	USD 1,239 million	7.75%	15 February, 15 August each year	15 February 2028	USD 7.333

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

2 Interest payable semi-annually in arrears

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

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

The AT1 issuances above are primarily purchased by institutional investors.

The principal terms of the AT1 securities are described below:

- The securities are perpetual and redeemable, at the option of Standard Chartered PLC in whole but not in part, on the first interest reset date and each date falling five years after the first reset date
- The securities are also redeemable for certain regulatory or tax reasons on any date at 100 per cent of their principal amount together with any accrued but unpaid interest up to (but excluding) the date fixed for redemption. Any redemption is subject to Standard Chartered PLC giving notice to the relevant regulator and the regulator granting permission to redeem
- Interest payments on these securities will be accounted for as a dividend.
- Interest on the securities is due and payable only at the sole and absolute discretion of Standard Chartered PLC, subject to certain additional restrictions set out in the terms and conditions. Accordingly, Standard Chartered PLC may at any time elect to cancel any interest payment (or part thereof) which would otherwise be payable on any interest payment date.
- The securities convert into ordinary shares of Standard Chartered PLC, at a pre-determined price detailed in the table above, should the fully loaded Common Equity Tier 1 ratio of the Group fall below 7.0 per cent. Approximately 859 million ordinary shares would be required to satisfy the conversion of all the securities mentioned above

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

28. Share capital, other equity instruments and reserves continued

Reserves

The constituents of the reserves are summarised as follows:

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

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

As at 31 December 2023, the distributable reserves of Standard Chartered PLC (the Company) were \$14.7 billion (31 December 2022: \$13 billion). Distributable reserves of SC PLC were \$14.7 billion, which are calculated from the Merger reserve and Retained Earnings with consideration for restricted items in line with sections 830 and 831 of the Companies Act 2006.

28. Share capital, other equity instruments and reserves continued

Own shares

Computershare Trustees (Jersey) Limited is the trustee of the 2004 Employee Benefit Trust ('2004 Trust') and Ocorian Trustees (Jersey) Limited has been the trustee of the 1995 Employees' Share Ownership Plan Trust ('1995 Trust'). The 1995 Trust was closed on 30 June 2023 as all historical awards under this trust have been satisfied, and the 2004 Trust will be used to satisfy existing and future awards.

The 2004 Trust is used in conjunction with the Group's employee share schemes and other employee share-based payments (such as upfront shares and fixed pay allowances). Group companies fund the 2004 Trust from time to time to enable the trustees to acquire shares in Standard Chartered PLC to satisfy these arrangements.

Details of the shares purchased and held by the trusts are set out below.

	1995 Trust		2004 Trust		Total	
	2023	2022	2023	2022	2023	2022
Shares purchased during the period	-	-	29,069,539	30,203,531	29,069,539	30,203,531
Market price of shares purchased (\$million)	-	-	237	218	237	218
Shares held at the end of the period	-	-	28,095,542	27,525,624	28,095,542	27,525,624
Maximum number of shares held during the period					28,893,930	27,976,046

Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any Standard Chartered PLC securities listed on The Stock Exchange of Hong Kong Limited during the period.

Dividend waivers

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

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

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

Name and registered address	Place of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom					
Standard Chartered I H Limited	United Kingdom	\$1.00 Ordinary shares	\$574,721,653	574,721,653	100
Standard Chartered Holdings Limited	United Kingdom	\$2.00 Ordinary shares	\$574,721,653	287,360,826	100
Standard Chartered Strategic Investments Limited	United Kingdom	\$1.00 Ordinary shares	\$45,886,520	45,886,520	100
SC Ventures Holdings Limited	United Kingdom	\$1.00 Ordinary shares	\$217,712,622	217,712,622	100
Zodia Markets Holdings Limited	United Kingdom	\$1.00 Ordinary shares	\$5,580	5,580	80.46
The following companies have the address of 5th Floor, Holland House 1-4 Bury Street, London, EC3A 5AW, United Kingdom					
Zodia Holdings Limited	United Kingdom	\$1.00 Ordinary-A shares	\$18,300,000	18,300,000	100
The following companies have the address of Suites 508,509,15th floor, Al Sarab Tower, Adgm Square, Al Maryah Island, Abu Dhabi, United Arab Emirates					
Financial Inclusion Technologies Ltd	United Arab Emirates	\$1.00 Ordinary shares	\$13,500,000	13,500,000	100
The following company has the address of 39/F, Oxford House,Taikoo Place,979 king's road, Quarry Bay, Hong Kong					
Mox Bank Limited	Hong Kong	HKD Ordinary shares	HKD1,212,100,000	121,210,000	68.29

28. Share capital, other equity instruments and reserves continued

Name and registered address	Place of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
The following company has the address of Second Floor, Indiquube Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India.					
Standard Chartered Research and Technology India Private Limited	India	INR10.00 A Equity shares	INR135,758,500	13,575,850	90.63
The following company has the address of Crescenzo, 6th Floor, Plot No 38-39 G Block , Bandra Kurla Complex, Bandra East , Mumbai , Maharashtra, 400051, India					
Standard Chartered Capital Limited	India	INR10.00 Equity shares	INR730,222,220	73,022,222	100
The following company has the address of StandardChartered@Chiromo, Number 48, Westlands Road, P. O. Box 300003 – 00100, Nairobi, Kenya					
Solvezy Technology Kenya Limited	Kenya	KES1,000.00 Ordinary shares	KES237,228,000	237,228	100
Tawi Fresh Kenya Limited	Kenya	KES1,000.00 Ordinary shares	KES505,560,000	505,560	100
The following companies have the address of 27, Fitzwilliam Street, Dublin, D02 TP23, Ireland					
Zodia Custody (Ireland) Limited	Ireland	\$1.00 Ordinary shares	\$1,230,000	1,230,000	72.83
The following company has the address of 77 Robinson Road, #25-00 Robinson 77, 068896, Singapore					
Trust Bank Singapore Limited	Singapore	SGD Ordinary shares	SGD110,000,000	110,000,000	60
EX-26, Ground Floor, Bldg 16-Co Work, Dubai Internet City, Dubai, United Arab Emirates					
Appro Onboarding Solutions FZ-LLC	United Arab Emirates	AED1,000.00 Ordinary shares	AED25,691,000	25,691	100
The following company has the address of Part of Level 15, Standard Chartered Bank Building, Plot 8, Burj Downtown, Dubai, United Arab Emirates					
myZoi Financial Inclusion Technologies LLC	United Arab Emirates	AED1.00 Ordinary shares	AED25,000,000	25,000,000	100
The following company has the address of Standard Chartered Bank Building, 87 Independance Avenue, Ridge, ACCRA, Greater ACCRA, GA-016-4621, Ghana					
Solvezy Technology Ghana Ltd	Ghana	GHS Ordinary	GHS4,301,000	4,301,000	100
The following company has the address of 8th Floor, Makati Sky Plaza Building 6788, Ayala Avenue San Lorenzo, City of Makati, Fourth District, National Capi, 1223, Philippines					
Standard Chartered Group Services, Manila Incorporated	Philippines	PHP1.00 Ordinary	PHP108,000,000	108,000,000	100
The following company has the address of 12011-2, 15-16, 12/F, Unit No.1, Building No.1, No. 1 Dongsanhuan Zhong Road, Chaoyang District, Beijing, China					
Standard Chartered Securities (China) Limited	China	CNY Ordinary	CNY1,050,000,000	1,050,000,000	100

28. Share capital, other equity instruments and reserves continued

Name and registered address	Place of incorporation	Description of shares	Issued/(redeemed) capital	Issued/(redeemed) Shares	Proportion of shares held (%)
The following companies have the address of Raffles Place, #26-01 Republic Plaza, Singapore , 048619, Singapore					
Autumn Life Pte. Ltd.	Singapore	\$ Ordinary-A shares	\$2,650,000	2,650,000	96.62
Audax Financial Technology Pte. Ltd	Singapore	\$ Ordinary-A shares	\$94,300,000	94,300,000	100
CashEnable Pte. Ltd.	Singapore	\$ Ordinary-A shares	\$700,000	700,000	100
Letsbloom Pte. Ltd	Singapore	\$ Ordinary shares	\$4,599,999	4,599,999	100
The following companies have the address of 9 Raffles Place, #26-01 Republic Plaza, 048619 , Singapore					
SCV Research and Development Pte. Ltd.	Singapore	\$ Ordinary shares	\$8,000,000	8,000,000	100
SCV Master Holding Company Pte Ltd	Singapore	\$ Ordinary shares	\$25,700,000	25,700,000	100
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore					
Solv-India Pte Ltd	Singapore	\$ Ordinary shares	\$47,000,000	47,000,000	100
The following company has the address of 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya , Selangor, Malaysia					
Solv Sdn. Bhd.	Malaysia	RM5.00 Ordinary shares	RM10,911,120	2,182,224	90.6

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

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

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

29. Non-controlling interests

	\$million
At 1 January 2022	371
Comprehensive income for the year	(88)
Income in equity attributable to non-controlling interests	(42)
Other profits attributable to non-controlling interests	(46)
Distributions	(31)
Other increases ¹	98
At 31 December 2022	350
Comprehensive income for the year	(38)
Income in equity attributable to non-controlling interests	(31)
Other profits attributable to non-controlling interests	(7)
Distributions	(26)
Other increases ²	110
At 31 December 2023	396

- Additional investment by non-controlling interests mainly in Mox Bank Limited (\$39 million), Trust Bank Singapore Limited (\$47 million), Zodia Markets Holdings Limited (\$3 million), Power2SME Pte. Ltd. (\$9 million)
- Additional investment by non-controlling interests mainly in Mox Bank Limited (\$48 million), Trust Bank Singapore Limited (\$34 million) and Zodia Custody Limited (\$28 million)

30. Retirement benefit obligations

Accounting policy

The Group operates pension and other post-retirement benefit plans around the world, which can be categorised into **defined contribution** plans and **defined benefit** plans.

- For **defined contribution** plans, the Group pays contributions to publicly or privately administered pension plans on a statutory or contractual basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid.
- For **defined benefit** plans, which promise levels of payments where the future cost is not known with certainty:
 - the accounting obligation is calculated annually by independent actuaries using the projected unit method.
 - Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise.
 - The Group determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense, the cost of the accrual of new benefits, benefit enhancements (or reductions) and administration expenses met directly from plan assets are recognised in the income statement in the period in which they were incurred.

Other accounting estimates and judgements

There are many factors that affect the measurement of the retirement benefit obligations. This measurement requires the use of estimates, such as discount rates, inflation, pension increases, salary increases, and life expectancies which are inherently uncertain. The table below summarises how these assumptions are set:

Assumption	Detail
Discount rate	Determined by reference to market yields at the end of the reporting period on high-quality corporate bonds (or, in countries where there is no deep market in such bonds, government bonds) of a currency and term consistent with the currency and term of the post-employment benefit obligations. This is the approach adopted across all our geographies.
Inflation	Where there are inflation-linked bonds available (e.g. United Kingdom and the eurozone), the Group derives inflation based on the market on those bonds, with the market yield adjusted in respect of the United Kingdom to take account of the fact that liabilities are linked to Consumer Price Index inflation, whereas the reference bonds are linked to Retail Price Index inflation. Where no inflation-linked bonds exist, we determine inflation assumptions based on a combination of long-term forecasts and short-term inflation data.
Salary growth	Salary growth assumptions reflect the Group's long-term expectations, taking into account future business plans and macroeconomic data (primarily expected future long-term inflation).
Demographic assumptions	Demographic assumptions, including mortality and turnover rates, are typically set based on the assumptions used in the most recent actuarial funding valuation, and will generally use industry standard tables, adjusted where appropriate to reflect recent historic experience and/or future expectations.

The sensitivity of the liabilities to changes in these assumptions is shown in the Note below.

Retirement benefit obligations comprise:

	2023 \$million	2022 \$million
Defined benefit plans obligation	166	128
Defined contribution plans obligation	17	18
Net obligation	183	146

Retirement benefit charge comprises:

	2023 \$million	2022 \$million
Defined benefit plans	66	58
Defined contribution plans ¹	365	332
Charge against profit (Note 7)	431	390

¹ The Group during the year utilised, against defined contribution payments, \$4 million forfeited pension contributions in respect of employees who left before their interests vested fully. The residual balance of forfeited contributions is \$16 million

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

30. Retirement benefit obligations continued

The material holdings of government and corporate bonds shown partially hedge movements in the liabilities resulting from interest rate and inflation changes. Setting aside movements from other drivers such as currency fluctuation, the reduction in discount rates in most countries with material pension liabilities over 2023 has led to higher liabilities. This has been partly offset by increases in the value of bonds held as well as good performance of growth assets such as equities, leading to an increase in the pension deficit reported. These movements are shown as actuarial gains and losses in the tables below. Contributions into a number of plans in excess of the amounts required to fund benefits accruing have also partially offset the increase in the net deficit over the year.

The disclosures required under IAS 19 have been calculated by independent qualified actuaries based on the most recent full actuarial valuations updated, where necessary, to 31 December 2023.

UK Fund

The Standard Chartered Pension Fund (the 'UK Fund') is the Group's largest pension plan, representing 53 per cent (31 December 2022: 53 per cent) of total pension liabilities. The UK Fund is set up under a trust that is legally separate from the Bank (its formal sponsor) and, as required by UK legislation, at least one third of the trustee directors are nominated by members; the remainder are appointed by the Bank. The trustee directors have a fiduciary duty to members and are responsible for governing the UK Fund in accordance with its Trust Deed and Rules.

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

The financial position of the UK Fund is regularly assessed by an independent qualified actuary. The funding valuation as at 31 December 2020 was completed in December 2021 by the Scheme Actuary, T Kripps of Willis Towers Watson, using assumptions different from those below, and agreed with the UK Fund trustee. It showed that the UK Fund was 92% funded at that date, revealing a past service deficit of \$162 million (£127 million).

To repair the deficit, three annual cash payments each of \$42 million (£32.9 million) were agreed, with the first of these paid in December 2021, and two further instalments to be paid in December 2022 and December 2023. However, the agreement allowed that, if the funding position improves to being at or near a surplus in future years, the payments due in 2022 and 2023 will be reduced or eliminated. Based on the funding positions at the agreed measurement point of mid-year, no payment was made in December 2022, and a reduced payment of \$8m (£6m) was made in December 2023. As part of the 2020 valuation, in order to provide security for future contributions an additional \$64 million nominal gilts (£50 million) were purchased and transferred into the existing escrow account of \$140 million gilts (£110 million), topping it up to \$204 million. Under the terms of the 2020 valuation agreement, the USD8m payment made in December 2023 is deductible from the funds held in escrow.

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

Virgin Media vs NTL Pension Trustees II Ltd

Following the June 2023 ruling in the case of Virgin Media vs NTL Pension Trustees II Limited, the Bank has considered the potential impact of this ruling on the UK Fund and is of the view that any potential impact is not expected to be material.

Overseas plans

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

Key assumptions

The principal financial assumptions used at 31 December 2023 were:

	2023			2022		
	UK Funded %	Overseas Plans ¹ %	Unfunded Plans ² %	UK Funded %	Overseas Plans ¹ %	Unfunded Plans ² %
Discount rate	4.6	1.2 – 4.9	3.1 – 7.4	4.8	1.2 – 5.4	3.7 – 7.6
Price inflation	2.5	2.0 – 2.9	2.0 – 5.0	2.6	1.0 – 3.1	2.0 – 4.0
Salary increases	n/a	3.5 – 4.5	4.0 – 8.5	n/a	3.5 – 4.5	4.0 – 7.8
Pension increases	2.3	2.9	0.0 – 2.3	2.4	3.1	0.0 – 2.4
Post-retirement medical rate			8% in 2023 reducing by 0.5% per annum to 5% in 2029			7% in 2022 reducing by 0.5% per annum to 5% in 2026

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

2 The range of assumptions shown is for the main unfunded defined benefit plans in India, Korea, Thailand, UAE, UK and the US. They comprise around 95 per cent of the total liabilities of unfunded plans

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

30. Retirement benefit obligations continued

The resulting assumptions for life expectancy for the UK Fund are that a male member currently aged 60 will live for 27 years (2022: 27 years) and a female member for 30 years (2022: 30 years) and a male member currently aged 40 will live for 29 years (2022: 29 years) and a female member for 32 years (2022: 32 years) after their 60th birthdays.

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

- If the discount rate increased by 25 basis points the liability would reduce by approximately \$35 million for the UK Fund (2022: \$30 million) and \$20 million for the other plans (2022: \$15 million)
- If the rate of inflation increased by 25 basis points the liability, allowing for the consequent impact on pension and salary increases, would increase by approximately \$20 million for the UK Fund (2022: \$20 million) and \$15 million for the other plans (2022: \$15 million)
- If the rate of salary growth relative to inflation increased by 25 basis points the liability would increase by nil for the UK Fund (2022: nil) and approximately \$10 million for the other plans (2022: \$10 million)
- If longevity expectations increased by one year the liability would increase by approximately \$35 million for the UK Fund (2022: \$35 million) and \$10 million for the other plans (2022: \$10 million)

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

Profile of plan obligations

	Funded plans	Unfunded plans
	UK Fund	Overseas
Duration of the defined benefit obligation (in years)	11	8
Duration of the defined benefit obligation – 2022	11	9
Benefits expected to be paid from plans		
Benefits expected to be paid during 2024	80	63
Benefits expected to be paid during 2025	82	100
Benefits expected to be paid during 2026	84	74
Benefits expected to be paid during 2027	86	83
Benefits expected to be paid during 2028	89	91
Benefits expected to be paid during 2029 to 2033	478	444
		82

Fund values

	UK Fund			Overseas plans		
	Quoted assets \$million	Unquoted assets \$million	Total assets \$million	Quoted assets \$million	Unquoted assets \$million	Total assets \$million
At 31 December 2022						
Equities	2	–	2	223	–	223
Government bonds	206	–	206	160	–	160
Corporate bonds	309	82	391	116	–	116
Hedge funds	–	14	14	–	–	–
Infrastructure	–	177	177	–	–	–
Property	–	126	126	–	–	–
Derivatives	2	–	2	–	–	–
Cash and equivalents	257	–	257	35	221	256
Others	7	4	11	–	63	63
Total fair value of assets¹	783	403	1,186	534	284	818
At 31 December 2023						
Equities	2	–	2	160	–	160
Government bonds	443	–	443	173	–	173
Corporate bonds	360	113	473	179	–	179
Hedge funds	–	9	9	–	–	–
Infrastructure	–	166	166	–	–	–
Property	–	84	84	–	–	–
Derivatives	2	5	7	–	–	–
Cash and equivalents	66	–	66	37	166	203
Others	7	2	9	–	145	145
Total fair value of assets¹	880	379	1,259	549	311	860

¹ Self-investment is monitored closely and is less than \$1 million of Standard Chartered equities and bonds for 2023 (31 December 2022: <\$1 million). Self-investment is only allowed where it is not practical to exclude it – for example through investment in index-tracking funds where the Group is a constituent of the relevant index

30. Retirement benefit obligations continued

	At 31 December 2023			At 31 December 2022		
	Funded plans			Funded plans		
	UK Fund \$million	Overseas Plans \$million	Unfunded Plans \$million	UK Fund \$million	Overseas Plans \$million	Unfunded Plans \$million
Total fair value of assets	1,259	860	N/A	1,186	818	N/A
Present value of liabilities	(1,219)	(877)	(189)	(1,138)	(817)	(177)
Net pension plan asset/(obligation)	40	(17)	(189)	48	1	(177)

The pension cost for defined benefit plans was:

2023	Funded plans				Total \$million
	UK Fund \$million	Overseas plans \$million	Unfunded plans \$million		
Current service cost ¹	–	39	11	50	
Past service cost and curtailments ²	8	–	1	9	
Settlement cost ³	–	2	–	2	
Interest income on pension plan assets	(57)	(43)	–	(100)	
Interest on pension plan liabilities	56	41	8	105	
Total charge to profit before deduction of tax	7	39	20	66	
Net (gain)/losses on plan assets ⁴	(18)	(52)	–	(70)	
(Gains)/losses on liabilities	30	79	8	117	
Total (gains)/losses recognised directly in statement of comprehensive income before tax	12	27	8	47	
Deferred taxation	(1)	(10)	–	(11)	
Total (gains)/losses after tax	11	17	8	36	

1 Includes administrative expenses paid out of plan assets of \$1 million and actuarial losses of \$2 million that are immediately recognised through P&L in line with the requirements of IAS 19.

2 Includes the cost of discretionary pension increases paid to UK pensioners as well as small past service costs in relation to Hong Kong

3 Termination benefits paid from the pension plan in Indonesia

4 The actual return on the UK Fund assets was a gain of \$75 million and on overseas plan assets was a gain of \$95 million

2022	Funded plans				Total \$million
	UK Fund \$million	Overseas plans \$million	Unfunded plans \$million		
Current service cost ¹	–	47	6	53	
Past service cost and curtailments ²	–	2	–	2	
Interest income on pension plan assets	(34)	(32)	–	(66)	
Interest on pension plan liabilities	33	31	5	69	
Total charge to profit before deduction of tax	(1)	48	11	58	
Net (gains)/losses on plan assets ³	486	113	–	599	
(Gains)/losses on liabilities	(453)	(143)	(44)	(640)	
Total losses/(gains) recognised directly in statement of comprehensive income before tax	33	(30)	(44)	(41)	
Deferred taxation	7	13	–	20	
Total (gains)/losses after tax	40	(17)	(44)	(21)	

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

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

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

30. Retirement benefit obligations continued

Movement in the defined benefit pension plans deficit during the year comprise:

	Funded plans			
	UK Fund \$million	Overseas plans \$million	Unfunded plans \$million	Total \$million
Surplus/(deficit) at January 2023	48	1	(177)	(128)
Contributions	8	59	14	81
Current service cost ¹	–	(39)	(11)	(50)
Past service cost and curtailments	(8)	–	(1)	(9)
Settlement costs and transfers impact	–	(2)	–	(2)
Net interest on the net defined benefit asset/liability	1	2	(8)	(5)
Actuarial gains/(losses)	(12)	(27)	(8)	(47)
Assets held for sale ³	–	(7)	6	(1)
Exchange rate adjustment	3	(4)	(4)	(5)
Surplus/(deficit) at 31 December 2023²	40	(17)	(189)	(166)

1 Includes administrative expenses paid out of plan assets of \$1 million (31 December 2022: \$1 million)

2 The deficit total of \$166 million is made up of plans in deficit of \$260 million (31 December 2022: \$248 million) net of plans in surplus with assets totalling \$94 million (31 December 2022: \$120 million)

3 "Assets held for sale" is an adjustment relating to plans in Cameroon, Cote D'Ivoire and Zimbabwe which is required due to these countries being excluded in the opening and closing assets and liabilities, but included in the profit and other comprehensive income items shown.

	Funded plans			
	UK Fund \$million	Overseas plans \$million	Unfunded plans \$million	Total \$million
Surplus/(deficit) at January 2022	88	(44)	(236)	(192)
Contributions	–	67	13	80
Current service cost ¹	–	(47)	(6)	(53)
Past service cost and curtailments	–	(2)	–	(2)
Settlement costs and transfers impact	–	–	–	–
Net interest on the net defined benefit asset/liability	1	1	(5)	(3)
Actuarial gains/(losses)	(33)	30	44	41
Assets held for sale ³	–	(4)	2	(2)
Exchange rate adjustment	(8)	–	11	3
Surplus/(deficit) at 31 December 2022²	48	1	(177)	(128)

1 Includes administrative expenses paid out of plan assets of \$1 million (31 December 2021: \$1 million)

2 The deficit total of \$128 million is made up of plans in deficit of \$248 million (31 December 2021: \$355 million) net of plans in surplus with assets totalling \$120 million (31 December 2021: \$163 million)

3 Assets held for sale includes funded and unfunded plans in Cameroon, Cote D'Ivoire, Jordan and Zimbabwe

The Group's expected contribution to its defined benefit pension plans in 2024 is \$53 million.

	2023			2022		
	Assets \$million	Obligations \$million	Total \$million	Assets \$million	Obligations \$million	Total \$million
At 1 January	2,004	(2,132)	(128)	2,942	(3,134)	(192)
Contributions ¹	82	(1)	81	81	(1)	80
Current service cost ²	–	(50)	(50)	–	(53)	(53)
Past service cost and curtailments	–	(9)	(9)	–	(2)	(2)
Settlement costs	–	(2)	(2)	(5)	5	–
Interest cost on pension plan liabilities	–	(105)	(105)	–	(69)	(69)
Interest income on pension plan assets	100	–	100	66	–	66
Benefits paid out ²	(161)	161	–	(176)	176	–
Actuarial gains/(losses) ³	70	(117)	(47)	(599)	640	41
Assets held for sale ⁴	(7)	6	(1)	(18)	16	(2)
Exchange rate adjustment	31	(36)	(5)	(287)	290	3
At 31 December	2,119	(2,285)	(166)	2,004	(2,132)	(128)

1 Includes employee contributions of \$1 million (31 December 2022: \$1 million)

2 Includes administrative expenses paid out of plan assets of \$1 million (31 December 2022: \$1 million)

3 Actuarial gain on obligation comprises of \$50 million loss (31 December 2022: \$708 million gain) from financial assumption changes, \$1 million loss (31 December 2022: \$9 million gain) from demographic assumption changes and \$66 million loss (31 December 2022: \$77 million loss) from experience

4 "Assets held for sale" is an adjustment relating to plans in Cameroon, Cote D'Ivoire and Zimbabwe which is required due to these countries being excluded in the opening and closing assets and liabilities, but included in the profit and other comprehensive income items shown.

31. Share-based payments

Accounting policy

The Group operates equity-settled and cash-settled share-based compensation plans. The fair value of the employee services (measured by the fair value of the awards granted) received in exchange for the grant of the shares and awards is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for three-year awards granted in 2024 in respect of 2023 performance, which vest in 2025-2027, is recognised as an expense over the period from 1 January 2023 to the vesting dates in 2025-2027. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and awards at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions for the number of shares and awards that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of shares and awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy service conditions and non-market vesting conditions are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when awards in the form of options are exercised.

Cash-settled awards are revalued at each balance sheet date and a liability recognised on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy service conditions or market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement.

Other accounting estimates and judgements

Share-based payments involve judgement and estimation uncertainty in determining the expenses and carrying values of share awards at the balance sheet date.

- LTIP awards are determined using an estimation of the probability of meeting certain metrics over a three-year performance period using the Monte Carlo simulation model.
- Deferred shares are determined using an estimation of expected dividends.
- Sharesave Plan valuations are determined using a binomial option-pricing model.

The Group operates a number of share-based arrangements for its executive directors and employees. Details of the share-based payment charge are set out below.

	2023 ¹			2022 ¹		
	Cash \$million	Equity \$million	Total \$million	Cash \$million	Equity \$million	Total \$million
Deferred share awards	34	103	137	16	92	108
Other share awards	19	70	89	20	71	91
Total share-based payments²	53	173	226	36	163	199

1 No forfeiture during the year

2 The total Share based payments charge during the year includes costs relating to Business ventures. Business ventures are established as separate legal entities with their own employee share ownership plans (ESOP) to attract and incentivise talent. ESOPs have been set up with share based payment charges recorded in 2023 with \$14 million in Cash settled and \$3 million equity settled deferred awards spread across 11 entities

31. Share-based payments continued

2021 Standard Chartered Share Plan (the '2021 Plan') and 2011 Standard Chartered Share Plan (the '2011 Plan')

The 2021 Plan was approved by shareholders in May 2021 and is the Group's main share plan, replacing the 2011 Plan for new awards from June 2021. It may be used to deliver various types of share awards to employees and former employees of the Group, including directors and former executive directors:

- Long Term Incentive Plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: relative total shareholder return (TSR); return on tangible equity (RoTE) (with a Common Equity Tier 1 (CET1) underpin); and strategic measures. Each measure is assessed independently over a three-year period. LTIP awards have an individual conduct gateway requirement that results in the award lapsing if not met.
- Deferred awards are used to deliver:
 - the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice.
 - replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers. These vest in the quarter most closely following the date when the award would have vested at the previous employer. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, these awards are not subject to an annual limit and do not have any performance measures.

Under the 2021 Plan and 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2021 Plan during which new awards can be made is eight years. The 2011 Plan has expired and no further awards will be granted under this plan.

Valuation – LTIP awards

The vesting of awards granted in 2023, 2022 and 2021 is subject to relative TSR performance measures, achievement of a strategic scorecard and satisfaction of RoTE (subject to a capital CET1 underpin). The vesting of awards also have additional conditions under strategic measures related to targets set for sustainability linked to business strategy. The fair value of the relative TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The value of the remaining components is based on the expected performance against the RoTE and strategic measures in the scorecard and the resulting estimated number of shares expected to vest at each reporting date. These combined values are used to determine the accounting charge.

No dividend equivalents accrue for the LTIP awards made in 2023, 2022 or 2021 and the fair value takes this into account, calculated by reference to market consensus dividend yield.

	2023	2022
Grant date	13-March	14-March
Share price at grant date (£)	7.40	4.88
Vesting period (years)	3-7	3-7
Expected dividend yield (%)	3.1	3.4
Fair value (RoTE) (£)	1.91, 1.85	1.24, 1.20
Fair value (TSR) (£)	1.08, 1.04	0.70, 0.68
Fair value (Strategic) (£)	2.54, 2.46	1.65, 1.60

Valuation – deferred shares

The fair value for deferred awards which are not granted to material risk takers is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends. For awards granted to material risk takers in 2023, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

Deferred share awards – variable remuneration

Grant date	2023					
	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

31. Share-based payments continued

Grant date	2022					
	09 November		20 June		14 March	
Share price at grant date (£)	5.62		6.04		4.88	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1-3 years	N/A	5.62	N/A	6.04	N/A	4.88
1-5 years	3.4	5.17	3.4, 3.4	5.56, 5.56	N/A, 3.4, 3.4, 3.4	4.88, 4.48, 4.41, 4.34
3-7 years	–	–	–	–	3.4, 3.4, 3.4	4.48, 4.13, 3.99

Deferred share awards – buy-outs

Grant date	2023							
	20-Nov		18-Sep		19-Jun		13-Mar	
Share price at grant date (£)	6.60		7.43		6.75		7.40	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
3 months			3.0	7.38	3.3	6.7	3.1	7.34
4 months	3.0	6.54						
6 months			3.0	7.32	3.3	6.64		
7 months	3.0	6.49						
9 months			3.0	7.27	3.3	6.48, 6.59		
10 months	3.0	6.44						
1 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, 5.79, 6.13	3.1	6.70, 6.75
4 years	3.0	5.76					3.1	6.50, 6.55
5 years							3.1	6.35

Grant date	28 November		09 November		20 June		14 March	
	Share price at grant date (£)		Share price at grant date (£)		Share price at grant date (£)		Share price at grant date (£)	
Share price at grant date (£)	5.90		5.62		6.04		4.88	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
4 months			3.4	5.56				
1 year	3.4	5.71	3.4	5.44	3.4	5.84	3.4	4.72
1.4 years			3.4	5.38	3.4		3.4	
2 years	3.4	5.52	3.4	5.26	3.4	5.65	3.4	4.56
2.4 years			3.4	5.2	3.4		3.4	
3 years	3.4	5.34	3.4	5.08	3.4	5.46	3.4	4.41
4 years	3.4	5.16	3.4	4.92	3.4	5.28	3.4	4.27
5 years	3.4	4.99			3.4	5.11	3.4	4.13
6 years							3.4	3.99

31. Share-based payments continued

All Employee Sharesave Plans

Sharesave Plans

The 2013 Sharesave Plan expired in May 2023 and a new 2023 Sharesave Plan was approved by shareholders at the Annual General Meeting in May 2023. Under the 2023 Sharesave Plan, employees may open a savings contract. Employees can save up to £250 per month over three years to purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (the ‘option exercise price’), after which they have a period of six months to exercise the option. There are no performance measures attached to options granted under the 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 ten years. The 2013 Sharesave Plan has expired and no further awards will be granted under this plan.

Valuation – Sharesave:

Options under the Sharesave plans are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors. The fair value per option granted and the assumptions used in the calculation are as follows:

All Employee Sharesave Plan (Sharesave)

	2023	2022
Grant date	18 September	28 November
Share price at grant date (£)	7.35	5.80
Exercise price (£)	5.88	4.23
Vesting period (years)	3	3
Expected volatility (%)	36.7	39.3
Expected option life (years)	3.5	3.33
Risk-free rate (%)	4.48	3.21
Expected dividend yield (%)	3.0	3.4
Fair value (£)	3.05	2.08

The expected volatility is based on historical volatility over the last three years, or three years prior to grant. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is calculated by reference to market consensus dividend yield.

Limits

An award shall not be granted under the 2021 Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years, ending with that calendar year, under the 2021 Plan and under any other discretionary share plan operated by Standard Chartered PLC to exceed such number as represents 5 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2021 Plan or 2023 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares allocated in the period of 10 calendar years ending with that calendar year, under the 2021 Plan or 2023 Sharesave Plan and under any other employee share plan operated by Standard Chartered PLC to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

An award shall not be granted under the 2021 Plan or 2023 Sharesave Plan in any calendar year if, at the time of its proposed grant, it would cause the number of Standard Chartered PLC ordinary shares which may be issued or transferred pursuant to awards then outstanding under the 2021 Plan or 2023 Sharesave Plan as relevant to exceed such number as represents 10 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2021 Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time. The number of Standard Chartered PLC ordinary shares which may be issued pursuant to awards granted under the 2023 Sharesave Plan in any 12-month period must not exceed such number as represents 1 per cent of the ordinary share capital of Standard Chartered PLC in issue at that time.

Standard Chartered PLC has been granted waivers from strict compliance with Rules 17.03A, 17.03B(1), 17.03E and 17.03(18) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong. Details are set out in the market announcements made on 30 March 2023. In relation to the waiver of strict compliance with Note 1 to 17.03(18), in 2023 no changes to the Plan rules have been proposed and therefore the Board has not been required to exercise its discretion.

31. Share-based payments continued

Reconciliation of share award movements for the year ending 31 December 2023

	Discretionary ¹			Weighted average Sharesave exercise price (£)
	LTIP	Deferred shares	Sharesave	
Outstanding at 1 January 2023	11,339,951	46,449,040	17,109,519	3.81
Granted ^{2,3}	2,142,057	21,668,459	5,668,325	—
Lapsed	(1,911,931)	(1,231,514)	(1,407,502)	4.14
Exercised	(622,695)	(19,817,781)	(4,468,125)	3.75
Outstanding at 31 December 2023	10,947,382	47,068,204	16,902,217	4.49
Total number of securities available for issue under the plan	10,947,382	47,068,204	16,902,217	
Percentage of the issued shares this represents as at 31 December 2023	0.41	1.76	0.63	4.49
Exercisable as at 31 December 2023	—	685,077	2,482,392	3.16
Range of exercise prices (£) ³	—	—	3.14 – 5.88	
Intrinsic value of vested but not exercised options (\$ million)	—	5.81	11.08	
Weighted average contractual remaining life (years)	7.59	8.11	2.30	
Weighted average share price for awards exercised during the period (£)	6.94	7.04	6.65	

1. Granted under the 2021 Plan and 2011 Plan. Employees do not contribute to the cost of these awards.

2. 2,134,238 (LTIP) granted on 13 March 2023, 6,501 (LTIP) granted as a notional dividend on 1 March 2023, 1,318 (LTIP) granted as a notional dividend on 1 September 2023; 20,828,385 (Deferred shares) granted on 13 March 2023, 121,314 (Deferred shares) granted as a notional dividend on 1 March 2023, 338,583 (Deferred shares) granted on 19 June 2023, 235,186 (Deferred shares) granted on 18 September 2023, 52,082 (Deferred shares) granted as a notional dividend on 1 September 2023, 92,909 (Deferred shares) granted on 20 November 2023; 5,668,325 (Sharesave) granted on 18 September 2023 under the 2023 Sharesave Plan.

3. For Sharesave granted in 2023 the exercise price is £5.88 per share, a 20% discount from the average of the closing prices over the five days to the invitation date of 21 August 2023. The closing share price on 18 August 2023 was £7.214

Reconciliation of share award movements for the year ending 31 December 2022

	Discretionary ¹			Weighted average Sharesave exercise price (£)
	LTIP	Deferred shares	Sharesave	
Outstanding at 1 January 2022	11,627,751	39,718,654	16,897,075	3.95
Granted ^{2,3}	3,066,288	25,037,706	5,777,197	—
Lapsed	(2,927,828)	(1,121,849)	(2,700,678)	4.29
Exercised	(426,260)	(17,185,471)	(2,864,075)	5.03
Outstanding at 31 December 2022	11,339,951	46,449,040	17,109,519	3.81
Total number of securities available for issue under the plan	11,339,951	46,449,040	17,109,519	
Percentage of the issued shares this represents as at 31 December 2022	0.39	1.60	0.59	3.81
Exercisable as at 31 December 2022	—	1,191,693	1,699,772	4.96
Range of exercise prices (£) ³	—	—	3.14 – 5.13	—
Intrinsic value of vested but not exercised options (\$ million)	0.02	8.93	2.59	
Weighted average contractual remaining life (years)	7.88	8.25	2.27	
Weighted average share price for awards exercised during the period (£)	5.09	4.93	5.94	

1. Granted under the 2021 Plan and 2011 Plan. Employees do not contribute to the cost of these awards.

2. 3,048,826 (LTIP) granted on 14 March 2022, 14,989 (LTIP) granted as a notional dividend on 1 March 2022, 2,473 (LTIP) granted as a notional dividend on 8 August 2022, 23,434,127 (Deferred shares) granted on 14 March 2022, 77,479 (Deferred shares) granted as a notional dividend on 1 March 2022, 584,322 (Deferred shares) granted on 20 June 2022, 43,918 (Deferred shares) granted as a notional dividend on 8 August 2022, 771,103 (Deferred shares) granted on 9 November 2022, 126,757 (Deferred shares) granted on 28 November 2022 under the 2021 Plan, 5,777,197 (Sharesave) granted on 28 November 2022 under the 2013 Sharesave Plan.

3. For Sharesave granted in 2022 the exercise price is £4.23 per share, a 20% discount from the closing price on 1 November 2022. The closing price on 1 November 2022 was £5.282

32. Investments in subsidiary undertakings, joint ventures and associates

Accounting policy

Associates and joint arrangements

The Group did not have any contractual interest in joint operations.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition (net of any accumulated impairment loss).

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. At each balance sheet date, the Group assesses whether there is any objective evidence of impairment in the investment in associates and joint ventures. Such evidence includes a significant or prolonged decline in the fair value of the Group's investment in an associate or joint venture below its cost, among other factors.

Significant accounting estimates and judgements

The Group applies judgement in determining if it has control, joint control or significant influence over subsidiaries, joint ventures and associates respectively. These judgements are based upon identifying the relevant activities of counterparties, being those activities that significantly affect the entities returns, and further making a decision of if the Group has control over those entities, joint control, or has significant influence (being the power to participate in the financial and operating policy decisions but not control them).

These judgements are at times determined by equity holdings, and the voting rights associated with those holdings. However, further considerations including but not limited to board seats, advisory committee members and specialist knowledge of some decision-makers are also taken into account. Further judgement is required when determining if the Group has de-facto control over an entity even though it may hold less than 50% of the voting shares of that entity. Judgement is required to determine the relative size of the Group's shareholding when compared to the size and dispersion of other shareholders.

Impairment testing of investments in associates and joint ventures, and on a Company level investments in subsidiaries is performed if there is a possible indicator of impairment. Judgement is used to determine if there is objective evidence of impairment. Objective evidence may be observable data such as losses incurred on the investment when applying the equity method, the granting of concessions as a result of financial difficulty, or breaches of contracts/regulatory fines of the associate or joint venture. Further judgement is required when considering broader indicators of impairment such as losses of active markets or ratings downgrades across key markets in which the associate or joint venture operate in.

Impairment testing is based on estimates including forecasting the expected cash flows from the investments, growth rates, terminal values and the discount rate used in calculation of the present values of those cash flows. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

In the Company's financial statements, investment in subsidiaries, associates and joint ventures are held at cost less impairment and dividends from pre-acquisition profits received prior to 1 January 2009, if any. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

Investments in subsidiary undertakings	2023 \$million	2022 \$million
As at 1 January	60,975	60,429
Additions ¹	1,566	1,545
Disposal ²	(1,750)	(999)
As at 31 December	60,791	60,975

1 Includes internal Additional Tier 1 issuances of \$992 million by Standard Chartered Bank and \$575 million additional investment in Standard Chartered Holdings Limited (31 December 2022: Additional Tier 1 issuances of \$1 billion by Standard Chartered Bank and \$500 million by Standard Chartered Bank (Hong Kong) Ltd)

2 Includes redemption of Additional Tier 1 capital of \$1 billion by Standard Chartered Bank (31 December 2022: Additional Tier 1 capital of \$1 billion by Standard Chartered Bank)

32. Investments in subsidiary undertakings, joint ventures and associates continued

At 31 December 2023, the principal subsidiary undertakings, all indirectly held except for Standard Chartered Bank (Hong Kong) Limited, and principally engaged in the business of banking and provision of other financial services, were as follows:

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank, England and Wales	United Kingdom, Middle East, South Asia, Asia Pacific, Americas and, through Group companies, Africa	100
Standard Chartered Bank (Hong Kong) Limited, Hong Kong	Hong Kong	100
Standard Chartered Bank (Singapore) Limited, Singapore	Singapore	100
Standard Chartered Bank Korea Limited, Korea	Korea	100
Standard Chartered Bank (China) Limited, China ¹	China	100
Standard Chartered Bank (Taiwan) Limited, Taiwan	Taiwan	100
Standard Chartered Bank AG, Germany	Germany	100
Standard Chartered Bank Malaysia Berhad, Malaysia	Malaysia	100

1 Under PRC law, registered as Standard Chartered Bank (China) Limited

Country and place of incorporation or registration	Main areas of operation	Group interest in ordinary share capital %
Standard Chartered Bank (Thai) Public Company Limited, Thailand	Thailand	99.87
Standard Chartered Bank (Pakistan) Limited, Pakistan	Pakistan	98.99
Standard Chartered Bank Botswana Limited, Botswana	Botswana	75.83
Standard Chartered Bank Kenya Limited, Kenya	Kenya	74.32
Standard Chartered Bank Nepal Limited, Nepal	Nepal	70.21
Standard Chartered Bank Ghana PLC, Ghana	Ghana	69.42
Mox Bank Limited, Hong Kong	Hong Kong	68.29

A complete list of subsidiary undertaking is included in Note 40.

The Group does not have any material non-controlling interest except as listed above, which contribute \$35 million (31 December 2022: \$(6.2) million) of the (loss)/Profit attributable to non-controlling interest and \$290 million (31 December 2022: \$261 million) of the equity attributable to non-controlling interests.

During 2023 the Group disposed of its investments in Pembroke Group Limited (Isle of Man), Pembroke Aircraft Leasing Holdings Limited and Pembroke Aircraft Leasing (Tianjin) Limited (China). The carrying amount was composed of Property, plant and equipment of \$3,249 million, Goodwill and intangible assets of \$23 million, Other assets of \$124 million and Other liabilities of \$292 million. The principal activity of these subsidiaries was the aviation finance leasing business. In Q1 2023, the aviation finance leasing business was classified as held for sale and was subsequently sold on 2nd November 2023 for a total consideration of \$3,570 million. The gain on sale of the business was \$309 million. In addition the Group disposed of its wholly owned subsidiaries Cardspal Pte. Ltd. and Kozagi during 2023. The gain on sale of Cardspal Pte. Ltd. and Kozagi comprised \$12 million and \$7 million, respectively.

While the Group's subsidiaries are subject to local statutory capital and liquidity requirements in relation to foreign exchange remittance, these restrictions arise in the normal course of business and do not significantly restrict the Group's ability to access or use assets and settle liabilities of the Group.

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory framework within which the banking subsidiaries operate. These frameworks require banking operations to keep certain levels of regulatory capital, liquid assets, exposure limits and comply with other required ratios. These restrictions are summarised below:

Regulatory and liquidity requirements

The Group's subsidiaries are required to maintain minimum capital, leverage ratios, liquidity and exposure ratios which therefore restrict the ability of these subsidiaries to distribute cash or other assets to the parent company.

32. Investments in subsidiary undertakings, joint ventures and associates continued

The subsidiaries are also required to maintain balances with central banks and other regulatory authorities in the countries in which they operate. At 31 December 2023, the total cash and balances with central banks was \$70 billion (31 December 2022: \$58 billion) of which \$6 billion (31 December 2022: \$9 billion) is restricted.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits to the parent company, generally to maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends to the Group. Certain subsidiaries are also subject to local exchange control regulations which provide for restrictions on exporting capital from the country other than through normal dividends.

Contractual requirements

The encumbered assets in the balance sheet of the Group's subsidiaries are not available for transfer around the Group.

Share of profit from investment in associates and joint ventures comprises:

	2023 \$million	2022 \$million
Loss from investment in joint ventures	(13)	(7)
Profit from investment in associates	154	163
Total	141	156
Interests in associates and joint ventures		
As at 1 January	1,631	2,147
Exchange translation difference	16	(232)
Additions ¹	64	26
Share of profits	141	156
Dividend received ⁴	(11)	(58)
Disposals	–	(1)
Impairment ²	(872)	(336)
Share of FVOCI and Other reserves	(7)	(79)
Other movements ³	4	8
As at 31 December	966	1,631

1 Includes \$17 million non-cash consideration (Intellectual Property – right to use) from SBI Zodia Custody Co. Ltd

2 Impairment mainly relates to the Group's investment in its associate China Bohai Bank (Bohai) \$850 million and CurrencyFair Limited (Zai) \$21 million

3 Movement related to CurrencyFair Limited

4 Include distribution (\$7 million) in cash from Ascenta IV

During 2023 the Group disposed of its 13.09% share of investment in associate Metaco SA for a total consideration of \$18 million. The entire amount was recognised as gain on sale.

A complete list of the Group's interest in associates is included in Note 40. The Group's principal associates are:

Associate	Nature of activities	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	Banking	China	16.26
CurrencyFair Limited Exchange Ireland	Banking	Ireland	43.42

The Group's ownership percentage in China Bohai Bank is 16.26%.

Although the Group's investment in China Bohai Bank is less than 20 per cent, it is considered to be an associate because of the significant influence the Group is able to exercise over its management and financial and operating policies. This influence is exercised through Board representation and the provision of technical expertise to Bohai. The Group applies the equity method of accounting for investments in associates.

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 2023 in the Group's consolidated statement of income and consolidated statement of comprehensive income for the year ended 31 December 2023, respectively.

There have been significant developments since 2022, which have required an impairment to the Group's carrying amount of the investment in Bohai. These events include Bohai's lower reported net profit in 2023 (compared to 2022) as well as banking industry challenges and property market uncertainties in Mainland China, that may impact Bohai's future profitability.

If the Group did not have significant influence over Bohai, the investment would be measured at fair value rather than the current carrying value, which is based on the application of the equity method as described in the accounting policy note.

32. Investments in subsidiary undertakings, joint ventures and associates continued

Impairment testing

At 31 December 2023, the listed equity value of Bohai is below the carrying amount of the Group's investment in associate. As a result, the Group assessed the carrying value of its investment in Bohai for impairment and concluded that an impairment of \$850 million was required in 2023 (2022: \$308 million impairment). Total impairment is recorded in the 'Goodwill, property, plant and equipment and other impairment' line in the Consolidated Income Statement, under Central & other items segment. The carrying value of the Group's investment in Bohai of \$700 million (2022: \$1,421 million) represents the higher of the value in use and fair value less costs to sell. The financial forecasts used in the VIU calculation reflects Group management's best estimate of Bohai's future earnings considering the significant developments explained above.

	2023 \$million	2022 \$million
Bohai		
VIU	700	1,421
Carrying amount ¹	700	1,421
Market capitalisation ²	418	685

1 The Group's 16.26% share in the net assets less other equity instruments which the Group does not hold

2 Number of shares held by the Group multiplied by the quoted share price at 31 December

Basis of recoverable amount

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

The value in use ('VIU') is calculated using a dividend discount model ('DDM'), which estimates the distributable future 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 'Gordon Growth' model. The key assumptions in the VIU are as follows:

- Short to medium term projections are based on Group management's best estimates of future profits available to ordinary shareholders and have been determined with reference to the latest published financial results and historical performance of Bohai
- The projections use available information and include normalised performance over the forecast period, inclusive of: (i) asset growth assumptions based on the long-term GDP growth rate for Mainland China; (ii) 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. This was further adjusted for banking industry challenges and property market uncertainties; (iii) Net Interest Margin (NIM) increases from 2025 with reference to third party market interest rate forecasts in China; (iv) Net fee income estimated according to the latest available performance of Bohai and contribution of the constituent parts (trading and fee income); and (v) Effective Tax Rate (ETR) based on Bohai's historical reported results for the short term projection, updated, for the medium and long term to a more conservative view
- The discount rate applied to these cash flows was estimated with reference to transaction and broker data in the local Chinese market, cross-checked to the capital asset pricing model (CAPM), which includes a long term risk-free rate, beta and company risk premium assumptions for Bohai
- A long-term GDP growth rate for Mainland China is used to extrapolate the expected short to medium term earnings to perpetuity to derive a terminal value; and
- Capital maintenance ratio consists of a capital haircut taken in order to estimate Bohai's target regulatory capital requirements over the forecast period. This haircut takes into account movements in risk weighted assets (RWA) projected based on the historical proportion of RWA to total assets and the total capital required (Core CET1 and Minimum Core CET1 ratios), including required retained earnings over time to meet the target capital ratios. RWA projection is adjusted to reflect management's best estimates for the impact of implementing Basel 3.1, effective 1 January 2024 in China.

The VIU model was refined during 2023 to include a projected summary balance sheet and more granular income statement assumptions for each period. While it is impracticable for the Group to estimate the impact on future periods, the key changes to the 2023 model are summarised as follows:

- Asset growth rates, net interest income margin and ECL assumptions were applied to the relevant balance sheet lines to produce the profit and loss forecasts for each period
- RWAs were modelled as a percentage of total assets, to reflect the potential capital impact(s) of regulatory changes (e.g., Basel 3.1) in each period. For the purposes of the VIU for 31 December 2023, it was assumed that the minimum CET1 ratio is 8.0% (2022: 7.5%) over the forecast and terminal periods
- Consistent with the model updates explained above, net fee income was modelled separately from net interest income.

Prior to its use, the 2023 VIU model was calibrated using the 2022 modelled assumptions.

32. Investments in subsidiary undertakings, joint ventures and associates continued

The key assumptions used in the VIU calculation are as follows:

	2023 per cent	2022 per cent
Pre-tax discount rate	13.68	13.03
Long term GDP growth rate	4.00	4.00
Total assets growth rate	4.00	N/A ¹
RWA as percentage of total assets	63.87-67.06	N/A ¹
Net interest margin	1.21-1.48	1.50-1.84
Net fee income growth rate	4.00	N/A ¹
Expected credit losses as a percentage of customer loans	0.80-1.24	0.90-1.45
Expected credit losses as a percentage of financial investments measured at amortised cost and FVOCI	0.35-0.67	N/A ¹
Effective tax rate	12.02-16.00²	16.00
Capital maintenance ratio ³	8.28	8.06

1 These assumptions were not explicitly modelled in 2022, therefore no comparative figures are presented

2 Bohai's latest available effective tax rate (12.02%) was only used for the first year of the cash flows. Thereafter, 16.00% was applied, consistent with previous periods

3 Core CET1 reported by Bohai

The table below discloses sensitivities to the key assumptions of Bohai, according to management 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 Value in Use.

Sensitivities	Key assumption change		
	basis points	Increase Headroom/ (Impairment) \$ million	Decrease Headroom/ (Impairment) \$ million
Discount Rate	100	(126)	169
Long term GDP growth rate ¹	100	135	(100)
Total assets growth rate	100	41	(40)
RWA as percentage of total assets	100	(26)	26
Net interest margin	10	452	(282) ²
Net fee income	100	53	(51)
Expected credit losses as a percentage of customer loans	10	(275)	275
Expected credit losses as a percentage of financial investments measured at amortised cost and FVOCI	10	(131)	131
Effective tax rate	100	(25)	25
Capital maintenance ratio	50	(199)	199

1 Changes in long term GDP growth rate applied only to the calculation of the terminal value

2 Market capitalisation of Bohai at 31 December 2023 was used as impairment floor

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

	30 Sep 2023 \$million	30 Sep 2022 \$million
Total assets	246,212	236,396
Total liabilities	230,101	220,662
Operating income ¹	3,640	3,958
Net profit ¹	811	1,186
Other comprehensive income ¹	(38)	(457)

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

33. Structured entities

Accounting policy

Structured entities are consolidated when the substance of the relationship between the Group and the structured entity indicates the Group has power over the contractual relevant activities of the structured entity, is exposed to variable returns, and can use that power to affect the variable return exposure.

In determining whether to consolidate a structured entity to which assets have been transferred, the Group takes into account its ability to direct the relevant activities of the structured entity. These relevant activities are generally evidenced through a unilateral right to liquidate the structured entity, investment in a substantial proportion of the securities issued by the structured entity or where the Group holds specific subordinate securities that embody certain controlling rights. The Group may further consider relevant activities embedded within contractual arrangements such as call options which give the practical ability to direct the entity, special relationships between the structured entity and investors, and if a single investor has a large exposure to variable returns of the structured entity.

Judgement is required in determining control over structured entities. The purpose and design of the entity is considered, along with a determination of what the relevant activities are of the entity and who directs these. Further judgements are made around which investor is exposed to and absorbs the variable returns of the structured entity. The Group will have to weigh up all of these facts to consider whether the Group, or another involved party is acting as a principal in its own right or as an agent on behalf of others. Judgement is further required in the ongoing assessment of control over structured entities, specifically if market conditions have an effect on the variable return exposure of different investors.

Interests in consolidated structured entities: A structured entity is consolidated into the Group's financial statements where the Group controls the structured entity, as per the determination in the accounting policy above. The following table presents the Group's interests in consolidated structured entities.

	2023 \$million	2022 \$million
Aircraft and ship leasing	52	3,531
Principal and other structured finance	353	330
Total	405	3,861

Interests in unconsolidated structured entities: Unconsolidated structured entities are all structured entities that are not controlled by the Group. The Group enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities. This is predominantly within the CCIB business segment. An interest in a structured entity is contractual or non-contractual involvement which creates variability of the returns of the Group arising from the performance of the structured entity.

The table below presents the carrying amount of the assets recognised in the financial statements relating to variable interests held in unconsolidated structured entities, the maximum exposure to loss relating to those interests and the total assets of the structured entities. Maximum exposure to loss is primarily limited to the carrying amount of the Group's on-balance sheet exposure to the structured entity. For derivatives, the maximum exposure to loss represents the on-balance sheet valuation and not the notional amount. For commitments and guarantees, the maximum exposure to loss is the notional amount of potential future losses.

	2023						2022					
	Asset-backed securities \$million	Lending \$million	Structured finance \$million	Principal Finance funds \$million	Other activities \$million	Total \$million	Asset-backed securities \$million	Lending \$million	Structured finance \$million	Principal Finance funds \$million	Other activities \$million	Total \$million
Group's interest – assets												
Financial assets held at fair value through profit or loss	954	269	143	137	–	1,503	851	–	–	136	–	987
Loans and advances/ Investment securities at amortised cost	17,795	15,105	13,353	–	190	46,443	18,696	21,667	14,261	–	246	54,870
Investment securities (fair value through other comprehensive income)	2,443	–	–	–	–	2,443	2,248	–	–	–	–	2,248
Other assets	–	–	34	–	–	34	–	–	–	8	–	8
Total assets	21,192	15,374	13,530	137	190	50,423	21,795	21,667	14,261	144	246	58,113
Off-balance sheet	–	8,869	6,691	–	20	15,580	–	9,675	8,710	93	–	18,478
Group's maximum exposure to loss	21,192	24,243	20,221	137	210	66,003	21,795	31,342	22,971	237	246	76,591
Total assets of structured entities	191,627	15,374	31,806	250	1,688	240,745	177,194	17,925	35,732	291	1,828	232,970

33. Structured entities continued

The main types of activities for which the Group utilises unconsolidated structured entities cover synthetic credit default swaps for managed investment funds (including specialised Principal Finance funds), portfolio management purposes, structured finance and asset-backed securities. These are detailed as follows:

- **Asset-backed securities (ABS):** The Group also has investments in asset-backed securities issued by third-party sponsored and managed structured entities. For the purpose of market making and at the discretion of ABS trading desk, the Group may hold an immaterial amount of debt securities from structured entities originated by credit portfolio management. This is disclosed in the ABS column above.
- **Portfolio management (Group sponsored entities):** For the purposes of portfolio management, the Group purchased credit protection via synthetic credit default swaps from note-issuing structured entities. This credit protection creates credit risk which the structured entity and subsequently the end investor absorbs. The referenced assets remain on the Group's balance sheet as they are not assigned to these structured entities. The Group continues to own or hold all of the risks and returns relating to these assets. The credit protection obtained from the regulatory-compliant securitisation only serves to protect the Group against losses upon the occurrence of eligible credit events and the underlying assets are not derecognised from the Group's balance sheet. The Group does not hold any equity interests in the structured entities, but may hold an insignificant amount of the issued notes for market making purposes. This is disclosed in the ABS section above. The proceeds of the notes' issuance are typically held as cash collateral in the issuer's account operated by a trustee or invested in AAA-rated government-backed securities to collateralise the structured entities swap obligations to the Group, and to repay the principal to investors at maturity. The structured entities reimburse the Group on actual losses incurred, through the use of the cash collateral or realisation of the collateral security. Correspondingly, the structured entities write down the notes issued by an equal amount of the losses incurred, in reverse order of seniority. All funding is committed for the life of these vehicles and the Group has no indirect exposure in respect of the vehicles' liquidity position. The Group has reputational risk in respect of certain portfolio management vehicles and investment funds either because the Group is the arranger and lead manager or because the structured entities have Standard Chartered branding.
- **Corporate Lending:** Corporate Lending comprises secured 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 transactions largely relate to real estate financing and the provision of aircraft leasing and ship finance.
- **Principal finance Fund:** The Group's exposure to Principal Finance Funds represents committed or invested capital in unleveraged investment funds, primarily investing in pan-Asian infrastructure, real estate and private equity.
- **Other activities:** Other activities include structured entities created to support margin financing transactions, the refinancing of existing credit and debt facilities, as well as setting up of bankruptcy remote structured entities.

In the above table, the Group determined the total assets of the structured entities using following bases:

- Asset Backed Securities, Principal Finance, and Other activities are based on the published total assets of the structured entities.
- Lending and Structured Finance are estimated based on the Group's loan values to the structured entities

34. Cash flow statement

Adjustment for non-cash items and other adjustments included within income statement

	Group		Company	
	2023 \$million	2022 \$million	2023 \$million	2022 \$million
Amortisation of discounts and premiums of investment securities	(704)	237	—	—
Interest expense on subordinated liabilities	951	570	632	615
Interest expense on senior debt securities in issue	2,068	794	1,434	696
Other non-cash items	(578)	(12)	8	301
Pension costs for defined benefit schemes	61	58	—	—
Share-based payment costs	219	199	—	—
Impairment losses on loans and advances and other credit risk provisions	508	836	—	—
Dividend income from subsidiaries	—	—	(4,738)	(1,047)
Other impairment	1,008	439	—	—
Gain on disposal of property, plant and equipment	(31)	(62)	—	—
Loss on disposal of FVOCL and AMCST financial assets	209	190	—	—
Depreciation and amortisation	1,071	1,186	—	—
Fair value changes taken to Income statement	(1,666)	(365)	(202)	—
Foreign Currency revaluation	299	(365)	19	—
Profit from associates and joint ventures	(141)	(156)	—	—
Total	3,274	3,549	(2,847)	565

34. Cash flow statement continued

Change in operating assets

	Group		Company	
	2023 \$million	2022 (Restated) \$million	2023 \$million	2022 \$million
Decrease/(increase) in derivative financial instruments	13,061	(11,873)	(19)	259
(Increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss ¹	(29,477)	9,067	(4,068)	289
(Increase)/decrease in loans and advances to banks and customers ¹	(787)	14,381	–	–
Net decrease/(increase) in prepayments and accrued income	82	(1,056)	–	–
Net decrease/(increase) in other assets	2,663	2,470	268	(806)
Total	(14,458)	12,989	(3,819)	(258)

1 Decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss for 2022 has been restated by \$(821) million and the decrease in loans and advances to banks and customers for 2022 has been restated by \$14,355 million (refer note 35)

Change in operating liabilities

	Group		Company	
	2023 \$million	2022 \$million	2023 \$million	2022 \$million
(Decrease)/increase in derivative financial instruments	(13,629)	17,145	(239)	1,004
Net increase/(decrease) in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	17,877	(9,259)	4,479	106
Increase in accruals and deferred income	1,106	1,381	153	4
Net decrease in other liabilities	(3,377)	(481)	(1,154)	(2,080)
Total	1,977	8,786	3,239	(96)

Disclosures

	Group		Company	
	2023 \$million	2022 \$million	2023 \$million	2022 \$million
Subordinated debt (including accrued interest):				
Opening balance	13,928	16,885	13,895	16,395
Proceeds from the issue	18	750	–	750
Interest paid	(563)	(667)	(545)	(619)
Repayment	(2,160)	(1,848)	(2,160)	(1,800)
Foreign exchange movements	146	(338)	146	(337)
Fair value changes from hedge accounting	311	(1,502)	271	(1,098)
Accrued interest and others	536	648	516	604
Closing balance	12,216	13,928	12,123	13,895
Senior debt (including accrued interest):				
Opening balance	32,288	29,904	14,080	16,981
Proceeds from the issue	15,261	11,902	5,105	1,500
Interest paid	(1,145)	(845)	(434)	(506)
Repayment	(6,471)	(7,838)	(2,037)	(2,980)
Foreign exchange movements	(21)	(729)	(2)	(431)
Fair value changes from hedge accounting	119	(1,051)	188	(1,014)
Accrued interest and others	1,319	945	618	530
Closing balance	41,350	32,288	17,518	14,080

35. Cash and cash equivalents

Accounting policy

Cash and cash equivalents includes:

- Cash and balances at central banks', except for restricted balances; and
- Other balances listed in the table below, when they have less than three months' maturity from the date of acquisition, are not subject to contractual restrictions, are subject to insignificant changes in value, are highly liquid and are held for the purpose of meeting short-term cash commitments. This includes products such as treasury bills and other eligible bills, short-term government securities, loans and advances to banks (including reverse repos), and loans and advances to customers (placements at central banks), which are held for appropriate business purposes.

Cash and balances at central banks' includes both cash held in restricted accounts and on demand or placements which are contractually due to mature overnight only. Other placements with central banks are reported as part of 'Loans and advances to customers'.

Following a reassessment of the nature and purpose of balances held with central banks, customers and banks, the Group's cash and cash equivalents balance for 31 December 2022 and 1 January 2022 has been restated. The following balances have been identified by the Group as being cash and cash equivalents based on the criteria described above.

	Group		Company	
	2023 \$million	2022 (Restated) \$million	2023 \$million	2022 \$million
Cash and balances at central banks	69,905	58,263	-	-
Less: restricted balances	(6,153)	(9,173)	-	-
Treasury bills and other eligible bills	5,931	12,661	-	-
Loans and advances to banks	11,879	10,144	-	-
Loans and advances to customers	25,829	24,586	-	-
Investments	244	1,114	-	-
Amounts owed by and due to subsidiary undertakings	-	-	10,294	7,417
Total	107,635	97,595	10,294	7,417

The Group's cash and cash equivalents balance for 31 December 2022 has been restated to increase the balance by \$8,876 million as balances with central banks that met the cash and cash equivalents definition were originally included in loans and advances to customers (\$24,586 million) but not included in cash and cash equivalents and there were balances included in cash and cash equivalents related to loans and advances to banks (\$10,414 million), treasury bills and other eligible bills (\$5,275 million) as well as Investments (\$21 million) that did not meet the cash and cash equivalents definition. The cash and cash equivalents balance at the beginning of the year for 2022 has also been restated to decrease the balance by \$4,659 million. On the 2022 cash flow statement for Group, the change in operating assets has also been restated by \$13,534 million as a result of these changes.

36. Related party transactions

Directors and officers

Details of directors' remuneration and interests in shares are disclosed in the Directors' remuneration report.

IAS 24 Related party disclosures requires the following additional information for key management compensation.

Key management comprises non-executive directors, executive directors of Standard Chartered PLC, the Court directors of Standard Chartered Bank and the persons discharging managerial responsibilities (PDMR) of Standard Chartered PLC.

	2023 \$million	2022 \$million
Salaries, allowances and benefits in kind	42	39
Share-based payments	26	26
Bonuses paid or receivable	5	4
Termination benefits	-	1
Total	73	70

Transactions with directors and others

At 31 December 2023, the total amounts to be disclosed under the Companies Act 2006 (the Act) and the Listing Rules of the Hong Kong Stock Exchange Limited (Hong Kong Listing Rules) about loans to directors were as follows:

	2023 Number	2023 \$million	2022 Number	2022 \$million
Directors ¹	4	-	3	-

¹ Outstanding loan balances were below \$50,000

36. Related party transactions continued

The loan transactions provided to the directors of Standard Chartered PLC were a connected transaction under Chapter 14A of the Hong Kong Listing Rules. It was fully exempt as financial assistance under Rule 14A.87(1), as it was provided in our ordinary and usual course of business and on normal commercial terms.

As at 31 December 2023, Standard Chartered Bank had in place a charge over \$68 million (31 December 2022: \$89 million) of cash assets in favour of the independent trustee of its employer financed retirement benefit scheme.

Other than as disclosed in the Annual Report and Accounts, there were no other transactions, arrangements or agreements outstanding for any director, connected person or officer of the Company which have to be disclosed under the Act, the rules of the UK Listing Authority or the Hong Kong Listing Rules.

Details of non-revenue transactions with Temasek Holdings (Private) Limited are set out on page 220.

Company

The Company has received \$1,469 million (31 December 2022: \$1,012 million) of net interest income from its subsidiaries. The Company issues debt externally and lends proceeds to Group companies.

The Company has an agreement with Standard Chartered Bank that in the event of Standard Chartered Bank defaulting on its debt coupon interest payments, where the terms of such debt requires it, the Company shall issue shares as settlement for non-payment of the coupon interest.

	2023			2022		
	Standard Chartered Bank \$million	Standard Chartered Bank (Hong Kong) Limited \$million	Others ¹ \$million	Standard Chartered Bank \$million	Standard Chartered Bank (Hong Kong) Limited \$million	Others ¹ \$million
Assets						
Due from subsidiaries	10,208	60	25	6,860	141	255
Derivative financial instruments	62	12	–	47	–	–
Debt securities	20,524	4,775	1,070	18,787	4,469	526
Total assets	30,794	4,847	1,095	25,694	4,610	781
Liabilities						
Due to subsidiaries	–	–	–	2	–	–
Derivative financial instruments	1,104	–	–	1,283	61	–
Total liabilities	1,104	–	–	1,285	61	–

1 Others include Standard Chartered Bank (Singapore) Limited, Standard Chartered Holdings Limited and Standard Chartered I H Limited

Associate and joint ventures

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

	2023 \$million		2022 \$million
	Assets	Liabilities	
Assets			
Loans and advances	–	–	20
Financial Assets held at FVTPL	14	–	–
Derivative assets	12	–	18
Total assets	26	–	38
Liabilities			
Deposits	959	–	610
Other Liabilities	2	–	19
Total liabilities	961	–	629
Loan commitments and other guarantees¹	113	–	164

1 The maximum loan commitments and other guarantees during the period were \$113 million (2022: \$164 million)

37. Post balance sheet events

On 11 January 2024, Standard Chartered PLC issued \$1.5 billion 6.097 per cent Fixed Rate Reset Notes due 2035. On 19 January 2024, Standard Chartered PLC issued SGD 335 million 4.00 per cent Fixed Rate Reset Notes due 2030

A share buy-back for up to a maximum consideration of \$1 billion has been declared by the directors after 31 December 2023. This will reduce the number of ordinary shares in issue by cancelling the repurchased shares.

A final dividend for 2023 of 21 cents per ordinary share was declared by the directors after 31 December 2023.

38. Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, Ernst & Young LLP and its associates (together Ernst & Young LLP), are set out below. All services are approved by the Group Audit Committee and are subject to controls to ensure the external auditor's independence is unaffected by the provision of other services.

	2023 \$million	2022 \$million
Audit fees for the Group statutory audit	27.8	22.2
Of which fees for the audit of Standard Chartered Bank Group	20.6	16.3
Fees payable to EY for other services provided to the SC PLC Group:		
Audit of Standard Chartered PLC subsidiaries	13.4	12.8
Total audit fees	41.2	35.0
Audit-related assurance services	6.0	5.5
Other assurance services	7.0	4.3
Other non-audit services	0.8	0.1
Transaction related services	0.3	0.3
Total non-audit fees	14.1	10.2
Total fees payable	55.3	45.2

The following is a description of the type of services included within the categories listed above:

- Audit fees for the Group statutory audit are in respect of fees payable to Ernst & Young LLP for the statutory audit of the consolidated financial statements of the Group and the separate financial statements of Standard Chartered PLC
- Audit-related fees consist of fees such as those for services required by law or regulation to be provided by the auditor, reviews of interim financial information, reporting on regulatory returns, reporting to a regulator on client assets and extended work performed over financial information and controls authorised by those charged with governance
- Other assurance services include agreed-upon-procedures in relation to statutory and regulatory filings
- Transaction related services are fees payable to Ernst & Young LLP for issuing comfort letters

Expenses incurred in respect of their role as auditor, were reimbursed to EY LLP \$0.9 million (2022: \$0.6 million).

39. Standard Chartered PLC (Company)

Classification and measurement of financial instruments

Financial assets	2023				2022			
	Derivatives held for hedging \$million	Amortised cost \$million	Non-trading mandatorily at fair value through profit or loss \$million	Total \$million	Derivatives held for hedging \$million	Amortised cost \$million	Non-trading mandatorily at fair value through profit or loss \$million	Total \$million
Derivatives	80	–	–	80	61	–	–	61
Investment securities	–	6,944	19,425¹	26,369	–	8,423	15,358 ¹	23,781
Amounts owed by subsidiary undertakings	–	10,294	–	10,294	–	7,417	–	7,417
Total	80	17,238	19,425	36,743	61	15,840	15,358	31,259

¹ Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited issued Loss Absorbing Capacity (LAC) eligible debt securities

Instruments classified as amortised cost, which include investment securities and amounts owed by subsidiary undertakings, are recorded in stage 1 for the recognition of expected credit losses.

Derivatives held for hedging are held at fair value and are classified as Level 2 and Level 3 while the counterparty is Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited and external counterparties.

Debt securities comprise securities held at amortised cost issued by Standard Chartered Bank and SC Ventures Holdings Limited and have a fair value equal to carrying value of \$6,944 million (31 December 2022: \$8,423 million).

39. Standard Chartered PLC (Company) continued

In 2023 and 2022, amounts owed by subsidiary undertakings have a fair value equal to carrying value.

Financial liabilities	2023				2022			
	Derivatives held for hedging \$million	Amortised cost \$million	Designated at fair value through profit or loss \$million	Total \$million	Derivatives held for hedging \$million	Amortised cost \$million	Designated at fair value through profit or loss \$million	Total \$million
Derivatives	1,104	–	–	1,104	1,343	–	–	1,343
Debt securities in issue	–	17,142	14,007	31,149	–	13,891	10,397	24,288
Subordinated liabilities and other borrowed funds	–	9,248	2,697	11,945	–	11,239	2,445	13,684
Amounts owed to subsidiary undertakings	–	–	–	–	–	2	–	2
Total	1,104	26,390	16,704	44,198	1,343	25,132	12,842	39,317

Derivatives held for hedging are held at fair value and are classified as Level 2 while the counterparty is Standard Chartered Bank and Standard Chartered Bank (Hong Kong) Limited.

The fair value of debt securities in issue held at amortised cost is \$17,195 million (2022: \$13,611 million).

The fair value of subordinated liabilities and other borrowed funds held at amortised cost is \$8,717 million (2022: \$10,434 million).

Derivative financial instruments

Derivatives	2023			2022		
	Notional principal amounts \$million	Assets \$million	Liabilities \$million	Notional principal amounts \$million	Assets \$million	Liabilities \$million
Foreign exchange derivative contracts:						
Forward foreign exchange	8,968	32	–	9,351	47	61
Currency swaps	563	–	35	574	–	71
Interest rate derivative contracts:						
Swaps	14,819	43	1,069	15,423	–	1,211
Forward rate agreements and options	–	–	–	–	–	–
Credit derivative contracts	4,030	5	–	3,256	14	–
Total	28,380	80	1,104	28,604	61	1,343

Credit risk

	2023 \$million	2022 \$million
Derivative financial instruments	80	61
Debt securities	26,369	23,781
Amounts owed by subsidiary undertakings	10,294	7,417
Total	36,743	31,259

In 2023 and 2022, amounts owed by subsidiary undertakings were neither past due nor impaired; the Company had no individually impaired loans.

In 2023 and 2022, the Company had no impaired debt securities. The debt securities held by the Company are issued by Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank (China) Limited and Standard Chartered Bank (Singapore) Limited, subsidiary undertakings with credit ratings of A+.

There is no material expected credit loss on these instruments as they are Stage 1 assets, and of a high quality.

39. Standard Chartered PLC (Company) continued

Liquidity risk

The following table analyses the residual contractual maturity of the assets and liabilities of the Company on a discounted basis:

	2023									Total \$million
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million		
Assets										
Derivative financial instruments	32	–	–	–	–	10	27	11	80	
Investment securities	–	–	–	–	–	3,853	5,581	16,935	26,369	
Amount owed by subsidiary undertakings	1,598	504	1,530	12	1,073	1,082	3,254	1,241	10,294	
Investments in subsidiary undertakings	–	–	–	–	–	–	–	60,791	60,791	
Other assets	–	–	–	–	–	–	–	–	–	
Total assets	1,630	504	1,530	12	1,073	4,945	8,862	78,978	97,534	
Liabilities										
Derivative financial instruments	11	26	17	–	–	93	171	786	1,104	
Senior debt	–	–	–	–	–	7,242	14,020	9,887	31,149	
Amount owed to subsidiary undertakings	–	–	–	–	–	–	–	–	–	
Other liabilities	278	202	135	30	5	–	–	–	650	
Subordinated liabilities and other borrowed funds	996	51	8	172	440	330	1,952	7,996	11,945	
Total liabilities	1,285	279	160	202	445	7,665	16,143	18,669	44,848	
Net liquidity gap	345	225	1,370	(190)	628	(2,720)	(7,281)	60,309	52,686	
Assets										
Derivative financial instruments	45	–	–	–	–	–	–	16	–	61
Investment securities	2,000	–	–	–	–	–	–	5,351	16,430	23,781
Amount owed by subsidiary undertakings	719	1,250	140	–	840	1,523	2,081	864	7,417	
Investments in subsidiary undertakings	–	–	–	–	–	–	–	60,975	60,975	
Total assets	2,764	1,250	140	–	840	1,523	7,448	78,269	92,234	
Liabilities										
Derivative financial instruments	77	3	–	–	–	75	330	858	1,343	
Senior debt	–	–	–	–	–	2,090	14,155	8,043	24,288	
Other debt securities in issue	–	–	–	–	–	–	–	–	–	
Amount owed to subsidiary undertakings	–	–	–	–	–	–	–	2	2	
Other liabilities	175	134	95	14	5	–	–	–	423	
Subordinated liabilities and other borrowed funds	2,004	88	13	248	14	1,900	2,078	7,339	13,684	
Total liabilities	2,256	225	108	262	19	4,065	16,563	16,242	39,740	
Net liquidity gap	508	1,025	32	(262)	821	(2,542)	(9,115)	62,027	52,494	

39. Standard Chartered PLC (Company) continued

Financial liabilities on an undiscounted basis

	2023									Total \$million
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million		
Derivative financial instruments	11	26	17	–	–	93	171	786	1,104	
Debt securities in issue	247	57	328	398	278	8,490	16,396	11,279	37,473	
Subordinated liabilities and other borrowed funds	1,059	134	34	208	556	410	2,304	13,968	18,673	
Other liabilities	5	91	–	–	–	–	–	–	–	96
Total liabilities	1,322	308	379	606	834	8,993	18,871	26,033	57,346	
2022										
	One month or less \$million	Between one month and three months \$million	Between three months and six months \$million	Between six months and nine months \$million	Between nine months and one year \$million	Between one year and two years \$million	Between two years and five years \$million	More than five years and undated \$million		Total \$million
Derivative financial instruments	77	3	–	–	–	75	330	858	1,343	
Debt securities in issue	88	66	262	145	271	2,896	15,676	9,057	28,461	
Subordinated liabilities and other borrowed funds	2,097	174	33	273	17	2,035	2,552	14,668	21,849	
Other liabilities	9	15	–	–	–	–	–	–	–	24
Total liabilities	2,271	258	295	418	288	5,006	18,558	24,583	51,677	

40. Related undertakings of the Group

As at 31 December 2023, the Group's interests in related undertakings in accordance with Section 409 of the Companies Act 2006 are disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Funding (Jersey) Limited, Stanchart Nominees Limited, Standard Chartered Holdings Limited and Standard Chartered Nominees Limited are directly held subsidiaries, all other related undertakings are held indirectly.

Subsidiary Undertakings

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
FinVentures UK Limited	Investment Holding Company	United Kingdom	US\$1.00 Ordinary	100
SC (Secretaries) Limited	Others	United Kingdom	£1.00 Ordinary	100
SC Transport Leasing 1 LTD ⁷⁸	Leasing Business	United Kingdom	£1.00 Ordinary	100
SC Transport Leasing 2 Limited ⁷⁸	Leasing Business	United Kingdom	£1.00 Ordinary	100
SC Ventures G.P. Limited	Investment Holding Company	United Kingdom	£1.00 Ordinary	100
SC Ventures Holdings Limited	Investment Holding Company	United Kingdom	US\$1.00 Ordinary US\$1.00 Redeemable Preference	100
SC Ventures Innovation Investment L.P.	Investment Holding Company	United Kingdom	Limited Partnership Interest	100
SCMB Overseas Limited	Investment Holding Company	United Kingdom	£0.10 Ordinary	100
Shoal Limited	Digital marketplace for sustainable and "green" products.	United Kingdom	US\$1.00 Ordinary	100
Stanchart Nominees Limited ⁹	Nominee Services	United Kingdom	£1.00 Ordinary	100
Standard Chartered Africa Limited ⁷⁸	Investment Holding Company	United Kingdom	£1.00 Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
Standard Chartered Bank	Banking & Financial Services	United Kingdom	US\$0.01 Non-Cumulative Irredeemable Preference US\$1.00 Ordinary US\$5.00 Non-Cumulative Redeemable Preference	100 100 100
Standard Chartered Foundation ¹	Charity projects	United Kingdom	Guarantor	100
Standard Chartered Health Trustee (UK) Limited	Trustee Services	United Kingdom	£1.00 Ordinary	100
Standard Chartered Holdings Limited ⁹	Investment Holding Company	United Kingdom	US\$2.00 Ordinary	100
Standard Chartered I H Limited	Investment Holding Company	United Kingdom	US\$1.00 Ordinary	100
Standard Chartered Leasing (UK) Limited ^{7,8}	Leasing Business	United Kingdom	US\$1.00 Ordinary	100
Standard Chartered NEA Limited	Investment Holding Company	United Kingdom	US\$1.00 Ordinary	100
Standard Chartered Nominees (Private Clients UK) Limited	Nominee Services	United Kingdom	US\$1.00 Ordinary	100
Standard Chartered Nominees Limited ⁹	Nominee Services	United Kingdom	£1.00 Ordinary	100
Standard Chartered Securities (Africa) Holdings Limited ^{7,8}	Investment Holding Company	United Kingdom	US\$1.00 Ordinary	100
Standard Chartered Strategic Investments Limited ^{7,8}	Investment Holding Company	United Kingdom	£1.00 Ordinary US\$1.00 Ordinary	100 100
Standard Chartered Trustees (UK) Limited	Trustee Services	United Kingdom	£1.00 Ordinary	100
The BW Leasing Partnership 1 LP ¹	Leasing Business	United Kingdom	Limited Partnership Interest	100
The BW Leasing Partnership 2 LP ¹	Leasing Business	United Kingdom	Limited Partnership Interest	100
The BW Leasing Partnership 3 LP ¹	Leasing Business	United Kingdom	Limited Partnership Interest	100
The BW Leasing Partnership 4 LP ¹	Leasing Business	United Kingdom	Limited Partnership Interest	100
The BW Leasing Partnership 5 LP ¹	Leasing Business	United Kingdom	Limited Partnership Interest	100
The SC Transport Leasing Partnership 1	Leasing Business	United Kingdom	Limited Partnership Interest	100
The SC Transport Leasing Partnership 2	Leasing Business	United Kingdom	Limited Partnership Interest	100
The SC Transport Leasing Partnership 3	Leasing Business	United Kingdom	Limited Partnership Interest	100
The SC Transport Leasing Partnership 4	Leasing Business	United Kingdom	Limited Partnership Interest	100
The following companies have the address of 1 Poultry, London, EC2R 8EJ, United Kingdom				
Assembly Payments UK Ltd ¹	Payment Services Provider	United Kingdom	US\$1.00 Ordinary	100
CurrencyFair (UK) Limited ¹	Banking & Financial Services	United Kingdom	£1.00 Ordinary	100
Zai Technologies Limited ¹	Payment Services Provider	United Kingdom	£1.00 Ordinary	100
The following companies have the address of 2 More London Riverside, London, SE1 2JT, United Kingdom				
Bricks (C&K) LP ¹	Limited Partnership interest	United Kingdom	Limited Partnership Interest	100
Bricks (T) LP ¹	Limited Partnership interest	United Kingdom	Limited Partnership Interest	100
Bricks (C) LP ¹	Limited Partnership interest	United Kingdom	Limited Partnership Interest	100
The following companies have the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom				
Corrası Covered Bonds LLP	Trustee Services	United Kingdom	Membership Interest	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 5th Floor, Holland House 1-4 Bury Street, London, EC3A 5AW, United Kingdom				
Zodia Custody Limited	Custody Services	United Kingdom	US\$1.00 Voting Ordinary US\$2.70 Series A Preferred	95.1 15.911
Zodia Holdings Limited	Investment Holding Company	United Kingdom	US\$1.00 A Ordinary	100
The following companies have the address of 6th Floor, 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
Zodia Markets (UK) Limited	Banking & Financial Services	United Kingdom	US\$1.00 Ordinary	100
Zodia Markets Holdings Limited	Digital Venture: Holding Company for The Zodia Markets Group	United Kingdom	US\$1.00 Ordinary	80.461
The following company has the address of Edifício Kilamba, 8 Andar Avenida 4 de Fevereiro, Marginal, Luanda, Angola				
Standard Chartered Bank Angola S.A.	Banking & Financial Services	Angola	AOK8,742.05 Ordinary	60
The following companies have the address of Level 22, 120 Spencer Street, Melbourne VIC 3000 VIC 3000, Australia				
Assembly Payments Australia Pty Ltd ¹	Holding Company	Australia	US\$ Ordinary	100
Zai Australia Pty Ltd ¹	Payment Service Provider	Australia	AUD0.01 Ordinary	100
The following company has the address of Milsons Landing, Level 5, 6A Glen Street, Milsons Point NSW NSW 2061, Australia				
CurrencyFair Australia Pty Ltd ¹	Foreign Currency conversion services.	Australia	AUD Ordinary	100
The following company has the address of Level 5, 345 George St, Sydney NSW 2000, Australia				
Standard Chartered Grindlays Pty Limited	Investment Holding Company	Australia	AUD Ordinary	100
The following companies have the address of 5th Floor Standard House Bldg, The Mall, Queens Road, PO Box 496, Gaborone, Botswana				
Standard Chartered Bank Botswana Limited	Banking & Financial Services	Botswana	BWP Ordinary	75.827
Standard Chartered Bank Insurance Agency (Proprietary) Limited	Insurance Services	Botswana	BWP Ordinary	100
Standard Chartered Botswana Education Trust ²	CSR programme.	Botswana	Trust Interest	100
Standard Chartered Botswana Nominees (Proprietary) Limited	Nominee Services	Botswana	BWP Ordinary	100
Standard Chartered Investment Services (Proprietary) Limited	Nominee Services	Botswana	BWP Ordinary	100
The following company has the address of Avenida Brigadeiro Faria Lima, no 3.477, 6 andar, conjunto 62 - Torre Norte, Condomínio Patio Victor Malzoni, CEP 04538-133, São Paulo, Brazil				
Standard Chartered Representação e Participações Ltda	Banking & Financial Services	Brazil	BRL1.00 Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of G01-02, Wisma Haji Mohd Taha Building, , Jalan Gadong, BE4119, Brunei Darussalam				
Standard Chartered Securities (B) Sdn Bhd	Investment Management	Brunei Darussalam	BND1.00 Ordinary	100
The following company has the address of Standard Chartered Bank Cameroon S.A, 1155, Boulevard de la Liberté, Douala, B.P. 1784, Cameroon				
Standard Chartered Bank Cameroon S.A.	Banking & Financial Services	Cameroon	XAF10,000.00 Ordinary	100
The following company has the address of 66 Wellington Street, West, Suite 4100, Toronto Dominion Centre, Toronto ON M5K 1B7, Canada				
CurrencyFair (Canada) Ltd ¹	Digital Payment platform	Canada	CAD Common	100
The following company has the address of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands				
Cerulean Investments LP	Investment Holding Company	Cayman Islands	Limited Partnership Interest	100
The following company has the address of c/o Maples Finance Limited, PO Box 1093 GT, Queensgate House, Georgetown, Grand Cayman, Cayman Islands				
SCB Investment Holding Company Limited	Investment Holding Company	Cayman Islands	US\$1,000.00 Ordinary-A	99.999
The following company has the address of Room 2619, No 9, Linhe West Road, Tianhe District, Guangzhou, China				
Guangzhou CurrencyFair Information Technology Limited ^{1,3}	Foreign Currency conversion services.	China	CNY Ordinary	100
The following company has the address of 8A, Hony Tower, 1st Financial Street, Nanshan District, Shenzhen, China				
SC Ventures Investment Management (Shenzhen) Limited	Serve as a fund manager in China	China	US\$1.00 Ordinary	100
The following company has the address of Units 1101B (Office use only), No. 235 Tianhebei Rd., Tianhe District, Guangzhou City, Guangdong Province, China				
Standard Chartered (Guangzhou) Business Management Co., Ltd.	Business consulting services	China	US\$ Ordinary	100
The following company has the address of Standard Chartered Tower, 201 Century Avenue, Pudong, Shanghai, 200120, China				
Standard Chartered Bank (China) Limited ³	Commercial banking	China	CNY Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Unit 802B, 803, 1001A,100 2B,1003-1005,1101-1105,, 201-1205,1302C,1303, No. 235 Tianhe North Road, Tianhe District,, Guangzhou City, Guangdong Province, China				
Standard Chartered Global Business Services (Guangzhou) Co., Ltd. ³	Research, development, other services	China	US\$ Ordinary	100
The following company has the address of No. 35, Xinhuanbei Road, Teda, Tianjin, 300457, China				
Standard Chartered Global Business Services Co., Ltd ³	Research, development, other services	China	US\$ Ordinary	100
The following company has the address of 12011-2, 15-16, 12/F, Unit No.1, Building No.1, No. 1 Dongsanhuan Zhong Road, Chaoyang District, Beijing, China				
Standard Chartered Securities (China) Limited	Banking & Financial Services	China	CNY Ordinary	100
The following company has the address of No. 188 Yeshen Rd, 11F, A-1161 RM, Pudong New District, Shanghai, 31, 201308, China				
Standard Chartered Trading (Shanghai) Limited ³	wholesale of base metal and its products	China	US\$15,000,000.00 Ordinary	100
The following company has the address of Standard Chartered Bank Cote d'Ivoire, 23 Boulevard de la République, Abidjan 17, 17 B.P. 1141, Cote d'Ivoire				
Standard Chartered Bank Cote d' Ivoire SA	Banking & Financial Services	Cote d'Ivoire	XOF100,000.00 Ordinary	100
The following company has the address of 8 Ecowas Avenue, Banjul, Gambia				
Standard Chartered Bank Gambia Limited	Banking & Financial Services	Gambia	GMD1.00 Ordinary	74.852
The following company has the address of Taunusanlage 16, 60325, Frankfurt am Main, Germany				
Standard Chartered Bank AG	Banking & Financial Services	Germany	€ Ordinary	100
The following company has the address of Standard Chartered Bank Building, 87 Independence Avenue, Ridge, ACCRA, Greater ACCRA, GA-016-4621, Ghana				
Solvezy Technology Ghana Ltd	Digital Venture	Ghana	GHS Ordinary	100
The following companies have the address of Standard Chartered Bank Building, No. 87, Independence Avenue, P.O. Box 768, Accra, Ghana				
Standard Chartered Bank Ghana PLC	Banking & Financial Services	Ghana	GHS Ordinary GHS0.52 Non-cumulative Irredeemable Preference	69.416 87.043
Standard Chartered Ghana Nominees Limited	Nominee Services	Ghana	GHS Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Standard Chartered Bank Ghana Limited, 87, Independence Avenue, Post Office Box 678, Accra, Ghana				
Standard Chartered Wealth Management Limited Company	Investment Management	Ghana	GHS Ordinary	100
The following company has the address of 31/F, Tower 2 Times Square, 1 Matheson St, Causeway Bay, Hong Kong				
Assembly Payments HK Limited ¹	Online payment platform	Hong Kong	HKD Ordinary	100
The following company has the address of Suites 1103-4 AXA Tower, Landmark East, 100 How Ming Street, Kwun Tong, Hong Kong				
CurrencyFair Asia Limited ¹	Foreign Currency conversion services	Hong Kong	HKD Ordinary	100
The following company has the address of 18/F, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong				
Horsford Nominees Limited	Nominee Services	Hong Kong	HKD Ordinary	100
The following companies have the address of 15/F, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong				
Marina Acacia Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Amethyst Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Angelite Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Beryl Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Emerald Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Flax Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Gloxinia Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Hazel Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Ilex Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Iidot Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Mimosa Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Moonstone Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Peridot Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Sapphire Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Marina Tourmaline Shipping Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Standard Chartered Securities (Hong Kong) Limited	Corporate Finance & Advisory Services	Hong Kong	HKD Ordinary	100
Marina Leasing Limited	Leasing Business	Hong Kong	US\$ Ordinary	100
Standard Chartered Leasing Group Limited	Investment Holding Company	Hong Kong	US\$ Ordinary	100
Standard Chartered Trade Support (HK) Limited	Corporate Finance & Advisory Services	Hong Kong	HKD Ordinary	100
The following company has the address of 39/F, Oxford House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong				
Mox Bank Limited	Banking & Financial Services	Hong Kong	HKD Ordinary	68.291

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 13/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong,				
Standard Chartered Asia Limited	Investment Holding Company	Hong Kong	HKD Deferred HKD Ordinary	100 100
The following company has the address of 32/F, 4-4A Des Voeux Road, Central, Hong Kong				
Standard Chartered Bank (Hong Kong) Limited ⁹	Banking & Financial Services	Hong Kong	HKD Ordinary-A HKD Ordinary-B US\$ Ordinary-C US\$ Ordinary-D	100 100 100 100
The following company has the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong				
Standard Chartered PF Real Estate (Hong Kong) Limited	Ultimate Holding Company	Hong Kong	US\$ Ordinary	100
The following company has the address of 13/F Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong				
Standard Chartered Private Equity Limited	Investment Holding Company	Hong Kong	HKD Ordinary	100
The following companies have the address of 14/F, Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong				
Standard Chartered Trust (Hong Kong) Limited	Investment Management	Hong Kong	HKD Ordinary	100
Standard Chartered Trustee (Hong Kong) Limited	Trustee Services	Hong Kong	HKD Ordinary	100
The following company has the address of 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong				
Zodia Custody (Hong Kong) Limited	Custody Services	Hong Kong	US\$0.01 Ordinary	100
The following company has the address of 2 Floor Sabari Complex 24 Field Marshal, Capriappa RD Shanthala Nagar, Ashok Nagar, Bangalore, Karnataka, 560025, India				
Assembly Payments India Private Limited ¹	Activities auxiliary to financial intermediation	India	INR100.00 Ordinary	100
The following companies have the address of Ground Floor, Crescenzo Building, G Block, C 38/39 , Bandra Kurla Complex, Bandra (East), Mumbai , Maharashtra , 400051, India				
St Helen's Nominees India Private Limited	Nominee Services	India	INR10.00 Equity	100
Standard Chartered Private Equity Advisory (India) Private Limited	Support Services	India	INR1,000.00 Equity	100
The following company has the address of Vaishnavi Serenity, First Floor, No. 112, Koramangala Industrial Area, 5th Block, Koramangala, Bangalore, Karnataka, 560095, India				
Standard Chartered (India) Modeling and Analytics Centre Private Limited	Support Services	India	INR10.00 Equity	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Crescenzo, 6th Floor, Plot No 38-39 G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra , 400051, India				
Standard Chartered Capital Limited	Banking & Financial Services	India	INR10.00 Equity	100
The following company has the address of 90 M.G.Road, II Floor, Fort, Mumbai, Maharashtra, 400001, India				
Standard Chartered Finance Private Limited	Support Services	India	INR10.00 Ordinary	98.683
The following company has the address of 1st Floor, Europe Building, No.1, Haddows Road, Nungambakkam, Chennai, 600 006, India				
Standard Chartered Global Business Services Private Limited	Offshore Support Services	India	INR10.00 Equity	100
The following company has the address of Second Floor, Indique Edge, Khata No. 571/630/6/4, Sy.No.6/4, Ambalipura Village, Varthur Hobli, Marathahalli Sub-Division, Ward No. 150, Bengaluru, 560102, India				
Standard Chartered Research and Technology India Private Limited	Support Services	India	INR10.00 Compulsory Convertible Cumulative Preference INR10.00 Equity Class - A	100 100
The following company has the address of 2nd Floor, 23-25 M.G. Road, Fort, Mumbai 400 001, India				
Standard Chartered Securities (India) Limited	Banking & Financial Services	India	INR10.00 Equity	100
The following company has the address of B001, Metrotech Forest View, Sy.No, 67/5 BSK 6th Stage, Thalaghattapura Bengaluru 560062, Karnataka, India				
SCV Research and Development Pvt. Ltd.	Others	India	INR 10.00 Ordinary	100
The following company has the address of The Icon Business Park Blok P Nomor 03, RT 03/RW 09Sampora, Kec, Cisauk, Kabupaten Tangerang, Banten, 15345, Indonesia				
PT Labamu Sejahtera Indonesia	Others	Indonesia	IDR10,000.00 Ordinary	100
The following companies have the address of 91 Pembroke Road, Dublin 4, Ballsbridge, Dublin, D04 EC42, Ireland				
CurrencyFair (Canada) Limited ¹	Digital Payment platform	Ireland	€1.00 Ordinary	100
CurrencyFair Limited ^{1,10}	FX transfer services	Ireland	€0.001 A Ordinary €0.001 Ordinary	100 27.951
CurrencyFair Nominees Limited ¹	Nominee company	Ireland	€1.00 Ordinary	100
The following company has the address of 27 Fitzwilliam Street, Dublin, D02 TP23, Ireland				
Zodia Custody (Ireland) Limited	Custody Services	Ireland	US\$1.00 Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 32 Molesworth Street, Dublin 2, D02Y512, Ireland				
Zodia Markets (Ireland) Limited	Banking & Financial Services	Ireland	US\$1.00 Ordinary	100
The following companies have the address of 1st Floor, Goldie House, 1-4 Goldie Terrace, Upper Church Street, Douglas, IM11EB, Isle of Man				
Standard Chartered Assurance Limited	Insurance Services	Isle of Man	US\$1.00 Ordinary US\$1.00 Redeemable Preference	100
Standard Chartered Isle of Man Limited ⁵	Insurance & Reinsurance Company	Isle of Man	US\$1.00 Ordinary	100
The following company has the address of 21/F, Sanno Park Tower, 2-11-1 Nagatacho, Chiyoda-ku, Tokyo, 100-6155, Japan				
Standard Chartered Securities (Japan) Limited	Banking & Financial Services	Japan	JPY Ordinary	100
The following company has the address of 15 Castle Street, St Helier, JE4 8PT, Jersey				
SCB Nominees (CI) Limited	Nominee Services	Jersey	US\$1.00 Ordinary	100
The following company has the address of IFC 5, St Helier, JE11ST, Jersey				
Standard Chartered Funding (Jersey) Limited ⁵⁹	Investment Holding Company	Jersey	£1.00 Ordinary	100
The following companies have the address of Standard Chartered@ Chiromo, 48 Westlands Road, P. O. Box 30003 - 00100, Nairobi, Kenya				
Standard Chartered Bancassurance Intermediary Limited	Insurance Services	Kenya	KES100.00 Ordinary	100
Standard Chartered Bank Kenya Limited	Banking & Financial Services	Kenya	KES5.00 Ordinary KES5.00 Preference	74.318 100
Standard Chartered Financial Services Limited	Merchant Banking	Kenya	KES20.00 Ordinary	100
Standard Chartered Investment Services Limited	Investment services	Kenya	KES20.00 Ordinary	100
Standard Chartered Kenya Nominees Limited ⁶¹	Nominee Services	Kenya	KES20.00 Ordinary	100
Standard Chartered Securities (Kenya) Limited	Corporate Finance & Advisory Services	Kenya	KES10.00 Ordinary	100
Solvezy Technology Kenya Limited	Digital Venture	Kenya	KES1,000.00 Ordinary	100
Tawi Fresh Kenya Limited	Digital Marketplace, Ecommerce	Kenya	KES1,000.00 Ordinary	100
The following company has the address of 47, Jong-ro, Jongno-gu, Seoul, 110-702, Korea, Republic of				
Standard Chartered Bank Korea Limited	Banking & Financial Services	Korea, Republic of	KRW5,000.00 Ordinary	100
The following company has the address of 2F, 47, Jong-ro, Jongno-gu, Seoul, Korea, Republic of				
Standard Chartered Securities Korea Co., Ltd	Asset Management	Korea, Republic of	KRW5,000.00 Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Atrium Building, Maarat Street, 3rd Floor, P.O. Box 11-4081 Raid El Solh, Beirut Central District, Lebanon				
Standard Chartered Metropolitan Holdings SAL	Investment Holding Company	Lebanon	US\$10.00 Ordinary A	100
The following company has the address of Level 13, Menara 1 Sentrum 201, Jalan Tun Sambanthan, Brickfields, 50470 Kuala Lumpur, Malaysia				
Assembly Payments Malaysia Sdn. Bhd. ¹	Other financial service activities	Malaysia	RM Ordinary	100
The following companies have the address of Level 25, Equatorial Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia				
Cartaban (Malaya) Nominees Sdn Berhad	Nominee Services	Malaysia	RM Ordinary	100
Cartaban Nominees (Asing) Sdn Bhd	Nominee Services	Malaysia	RM Ordinary	100
Cartaban Nominees (Tempatan) Sdn Bhd	Nominee Services	Malaysia	RM Ordinary	100
Golden Maestro Sdn Bhd	Investment Holding Company	Malaysia	RM Ordinary	100
Price Solutions Sdn Bhd	Direct Sales/Collection Services	Malaysia	RM Ordinary	100
SCBMB Trustee Berhad	Trustee Services	Malaysia	RM Ordinary	100
Standard Chartered Bank Malaysia Berhad	Banking & Financial Services	Malaysia	RM Irredeemable Convertible Preference RM Ordinary	100 100
Standard Chartered Saadiq Berhad	Banking & Financial Services	Malaysia	RM Ordinary	100
The following companies have the address of TMF Trust Labuan Limited, Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan F.T., Malaysia				
Marina Morganite Shipping Limited ⁶	Ownership and Leasing of vessels	Malaysia	US\$ Ordinary	100
Marina Moss Shipping Limited ⁶	Ownership and Leasing of vessels	Malaysia	US\$ Ordinary	100
Marina Tanzanite Shipping Limited ⁶	Ownership and Leasing of vessels	Malaysia	US\$ Ordinary	100
The following company has the address of Suite 18-1, Level 18, Vertical Corporate Tower B, Avenue 10, The Vertical, Bangsar South City , No. 8, Jalan Kerinchi , 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia				
Resolution Alliance Sdn Bhd	Investment Holding Company	Malaysia	Ordinary	91
The following company has the address of 12th Floor, Menara Symphony , No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya , Selangor, Malaysia				
Solv Sdn. Bhd.	B2B digital platform offering financial services	Malaysia	RM5.00 Ordinary	100
The following company has the address of Level 1, Wisma Standard Chartered, Jalan Teknologi 8, Taman Teknologi Malaysia, Bukit Jalil, 57000 Kuala Lumpur, Wilayah Persekutuan, Malaysia				
Standard Chartered Global Business Services Sdn Bhd	Offshore Support Services	Malaysia	RM Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands				
Marina Angelica Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Aventurine Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Citrine Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Dahlia Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Dittany Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Lilac Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Lolite Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Obsidian Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Quartz Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Remora Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Turquoise Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
Marina Zircon Shipping Limited ⁶	Ownership and Leasing of vessels	Marshall Islands	USD1.00 Ordinary	100
The following company has the address of 6th Floor, Standard Chartered Tower, 19, Bank Street, Cybercity, Ebene, 72201, Mauritius				
Standard Chartered Bank (Mauritius) Limited	Banking & Financial Services	Mauritius	Ordinary No Par Value	100
The following companies have the address of c/o Ocorian Corporate Services (Mauritius) Ltd, 6th Floor, Tower A, 1 Cybercity, Ebene, 72201, Mauritius				
Standard Chartered Private Equity (Mauritius) II Limited	Investment Management	Mauritius	US\$1.00 Ordinary	100
Standard Chartered Private Equity (Mauritius) Limited	Investment Management	Mauritius	US\$1.00 Ordinary	100
Standard Chartered Private Equity (Mauritius) III Limited	Investment Management	Mauritius	US\$1.00 Ordinary	100
The following company has the address of Mondial Management Services Ltd, Unit 2L, 2nd Floor Standard Chartered Tower, 19 Cybercity, Ebene, Mauritius				
Subcontinental Equities Limited	Investment Holding Company	Mauritius	US\$1.00 Ordinary	100
The following company has the address of IQEQ Corporate Services (Mauritius) Ltd, 33, Edith Cavell Street, Port Louis, 11324, Mauritius				
Actis Treit Holdings (Mauritius) Limited ¹	Investment Holding Company	Mauritius	Class A \$1.00 Ordinary	62.001

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Standard Chartered Bank Nepal Limited, Madan Bhandari Marg, Ward No.31, Kathmandu Metropolitan City, Kathmandu District, Bagmati Province, Kathmandu, 44600, Nepal				
Standard Chartered Bank Nepal Limited	Banking & Financial Services	Nepal	NPR100.00 Ordinary	70.21
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
Standard Chartered Holdings (Africa) B.V. ⁵	Holding Company	Netherlands	€4.50 Ordinary	100
Standard Chartered Holdings (Asia Pacific) B.V. ⁵	Holding Company	Netherlands	€4.50 Ordinary	100
Standard Chartered Holdings (International) B.V. ⁵	Holding Company	Netherlands	€4.50 Ordinary	100
Standard Chartered MB Holdings B.V. ⁵	Holding Company	Netherlands	€4.50 Ordinary	100
The following company has the address of PromisePay, 4 All good Place, Rototuna North, Hamilton, 3210, New Zealand				
PromisePay Limited ¹	Payment Services Provider	New Zealand	NZD Ordinary	100
The following companies have the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria				
Standard Chartered Bank Nigeria Limited	Banking & Financial Services	Nigeria	NGN1.00 B Redeemable Preference NGN1.00 Irredeemable Non Cumulative Preference NGN1.00 Ordinary	100 100 100
Standard Chartered Capital & Advisory Nigeria Limited	Corporate Finance & Advisory Services	Nigeria	NGN1.00 Ordinary	100
Standard Chartered Nominees (Nigeria) Limited	Custody Services	Nigeria	NGN1.00 Ordinary	100
The following company has the address of 3rd Floor Main SCB Building, I.I Chundrigar Road, Karachi, Sindh, 74000, Pakistan				
Price Solution Pakistan (Private) Limited	Banking & Financial Services	Pakistan	PKR10.00 Ordinary	100
The following company has the address of P.O. Box No. 5556, I.I. Chundrigar Road, Karachi, 74000, Pakistan				
Standard Chartered Bank (Pakistan) Limited	Banking & Financial Services	Pakistan	PKR10.00 Ordinary	98.986
The following company has the address of 8th Floor, Makati Sky Plaza Building 6788, Ayala Avenue San Lorenzo, City of Makati, Fourth District, National Capital, 1223, Philippines				
Standard Chartered Group Services, Manila Incorporated	Offshore Support Services	Philippines	PHP1.00 Ordinary	100
The following company has the address of Rondo Ignacego Daszyńskiego 2B, 00-843, Warsaw, Poland				
Standard Chartered Global Business Services spółka z ograniczoną odpowiedzialnością	Offshore Support Services	Poland	PLN50.00 Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Al Faisaliah Office Tower Floor No 7 (T07D), King Fahad Highway, Olaya District, Riyadh P.O box 295522, Riyadh, 11351, Saudi Arabia				
Standard Chartered Capital (Saudi Arabia)	Custody Services	Saudi Arabia	SAR10.00 Ordinary	100
The following company has the address of 9 & 11, Lightfoot Boston Street, Freetown, Sierra Leone				
Standard Chartered Bank Sierra Leone Limited	Banking & Financial Services	Sierra Leone	SLL1.00 Ordinary	80.656
The following company has the address of 9 Raffles Place, #27-00 Republic Plaza, 048619, Singapore				
Actis Treit Holdings No.1 (Singapore) Private Limited ¹	Investment Holding Company	Singapore	SGD Ordinary	100
Actis Treit Holdings No.2 (Singapore) Private Limited ¹	Investment Holding Company	Singapore	SGD Ordinary	100
The following companies have the address of 38 Beach Road, #29-11 South Beach Tower, 189767, Singapore				
Assembly Payments Pte. Ltd. ¹	Investment Holding Company	Singapore	US\$ Ordinary US\$ Preference	100 100
Assembly Payments SGP Pte. Ltd. ¹	Transaction/Payment Processing Services	Singapore	SGD Ordinary	100
The following companies have the address of Raffles Place, #26-01 Republic Plaza, Singapore , 048619, Singapore				
Audax Financial Technology Pte. Ltd	Support Services	Singapore	US\$ Ordinary-A	100
Autumn Life Pte. Ltd.	Support Services	Singapore	US\$ Ordinary-A	96.623
CashEnable Pte. Ltd.	Digital Venture: Financial Services	Singapore	US\$ Ordinary-A	100
Huma.Eco Pte. Ltd.	Support Services	Singapore	US\$ Ordinary	100
Letsbloom Pte. Ltd.	Others	Singapore	US\$ Ordinary-A	100
Libeara (Singapore) Pte. Ltd.	Digital Venture: Investment Services	Singapore	US\$ Ordinary	100
Libeara Pte. Ltd.	Digital Venture: Investment Services	Singapore	US\$ Ordinary	100
Pegasus Dealmaking Pte. Ltd.	Mergers and Acquisitions (M&A) marketplace	Singapore	US\$ Ordinary	100
The following company has the address of 1 Robinson Road, #17-00, AIA Tower, 048542, Singapore				
CurrencyFair (Singapore) Pte.Ltd ¹	Foreign Currency conversion services.	Singapore	SGD Ordinary	100
The following companies have the address of 9 Raffles Place, #26-01 Republic Plaza, 048619 , Singapore				
SCV Research and Development Pte. Ltd.	Others	Singapore	US\$ Ordinary-A	100
Zodia Custody (Singapore) Limited	Custody Services	Singapore	US\$ Ordinary	100
Inveco Pte. Ltd.	Venture: Carbon Credit Marketplace	Singapore	US\$1.00 Ordinary	100
The following companies have the address of 8 Marina Boulevard, Level 26, Marina Bay Financial Centre, Tower 1, 018981, Singapore				
Marina Aquata Shipping Pte. Ltd.	Leasing Business	Singapore	US\$ Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
Marina Aruana Shipping Pte. Ltd.	Leasing Business	Singapore	SGD Ordinary	100
			US\$ Ordinary	100
Marina Cobia Shipping Pte. Ltd.	Leasing Business	Singapore	SGD Ordinary	100
			US\$ Ordinary	100
Marina Fatmarini Shipping Pte. Ltd.	Leasing Business	Singapore	US\$ Ordinary	100
Marina Frabandari Shipping Pte. Ltd.	Leasing Business	Singapore	US\$ Ordinary	100
Marina Gerbera Shipping Pte. Ltd.	Leasing Business	Singapore	US\$ Ordinary	100
Marina Opah Shipping Pte. Ltd.	Leasing Business	Singapore	SGD Ordinary	100
			US\$ Ordinary	100
Marina Partawati Shipping Pte. Ltd.	Leasing Business	Singapore	US\$ Ordinary	100
The following company has the address of Tricor WP Corporate Services Pte Ltd, 80 Robinson Road #02-00, 068898, Singapore				
Solv-India Pte. Ltd.	Investment Holding Entity	Singapore	US\$ Ordinary	100
The following companies have the address of 9 Raffles Place, #26-01 Republic Plaza, Singapore , 048619, Singapore				
Power2SME Pte. Ltd.	Investment Holding Entity	Singapore	US\$ Ordinary	90.6
SCV Master Holding Company Pte. Ltd.	Investment Holding Entity	Singapore	US\$ Ordinary	100
The following company has the address of 7 Changi Business Park Crescent, #03-00 Standard Chartered @ Changi, 486028, Singapore				
Raffles Nominees (Pte.) Limited	Nominee Services	Singapore	SGD Ordinary	100
The following companies have the address of 8 Marina Boulevard, #27-01 Marina Bay Financial Centre Tower 1, 018981, Singapore				
SCTS Capital Pte. Ltd	Nominee Services	Singapore	SGD Ordinary	100
SCTS Management Pte. Ltd.	Nominee Services	Singapore	SGD Ordinary	100
Standard Chartered Bank (Singapore) Limited	Banking & Financial Services	Singapore	SGD Non-cumulative Class C Tier-1 preference	100
			SGD Non-cumulative Class D Tier-1 Preference	100
			SGD Ordinary-A	100
			US\$ Non-cumulative Class B Tier-1 Preference	100
			US\$ Ordinary-A	100
			US\$ Ordinary-B	100
			US\$ Ordinary-C	100
Standard Chartered Holdings (Singapore) Private Limited	Investment Holding Company	Singapore	SGD Ordinary	100
			US\$ Ordinary	100
Standard Chartered Nominees (Singapore) Pte Ltd	Nominee Services	Singapore	SGD Ordinary	100
Standard Chartered Trust (Singapore) Limited	Trustee Services	Singapore	SGD Ordinary	100
The following company has the address of Abogado Pte Ltd, No. 8 Marina Boulevard, #05-02 MBFC Tower 1, 018981, Singapore				
Standard Chartered IL&FS Management (Singapore) Pte. Limited	Investment Management	Singapore	USD Ordinary	50

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 9 Raffles Place, #26-01 Republic Plaza, 048619, Singapore				
Standard Chartered Private Equity (Singapore) Pte. Ltd	Investment Holding Company	Singapore	US\$ Ordinary	100
Standard Chartered Real Estate Investment Holdings (Singapore) Private Limited	Investment Holding Company	Singapore	US\$ Ordinary	100
The following company has the address of 77 Robinson Road, #25-00 Robinson 77, 068896, Singapore				
Trust Bank Singapore Limited	Banking & Financial Services	Singapore	SGD Ordinary	60
The following companies have the address of 2nd Floor, 115 West Street, Sandton, Johannesburg, 2196, South Africa				
CMB Nominees (RF) PTY Limited	Nominee Services	South Africa	ZAR1.00 Ordinary	100
Standard Chartered Nominees South Africa Proprietary Limited (RF)	Nominee Services	South Africa	ZAR Ordinary	100
The following company has the address of 6 Fort Street, PO 785848,, Birnam, Sandton, 2196 2146, South Africa				
Promisepay (PTY) Ltd ¹	Payment Services Provider	South Africa	ZAR1.00 Ordinary	100
The following company has the address of 1F, No.177 & 3F-6F, 17F-19F, No.179, Liaoning Street, Zhongshan Dist., Taipei, 104, Taiwan				
Standard Chartered Bank (Taiwan) Limited	Banking & Financial Services	Taiwan (Province of China)	TWD10.00 Ordinary	100
The following companies have the address of 1 Floor, International House, Shaaban Robert Street / Garden Avenue, PO Box 9011, Dar Es Salaam, Tanzania, United Republic of				
Standard Chartered Bank Tanzania Limited	Banking & Financial Services	Tanzania, United Republic of	TZS1,000.00 Ordinary TZS1,000.00 Preference	100
Standard Chartered Tanzania Nominees Limited	Nominee Services	Tanzania, United Republic of	TZS1,000.00 Ordinary	100
The following company has the address of No. 140, 11th, 12th and 14th Floor, Wireless Road, Lumpini, Patumwan, Bangkok, 10330, Thailand				
Standard Chartered Bank (Thai) Public Company Limited	Banking & Financial Services	Thailand	THB10.00 Ordinary	99.871
The following company has the address of Buyukdere Cad. Yapi Kredi Plaza C Blok, Kat 15, Levent, Istanbul, 34330, Turkey				
Standard Chartered Yatirim Bankasi Turk Anonim Sirketi	Banking & Financial Services	Turkey	TRL0.10 Ordinary	100
The following company has the address of Standard Chartered Bank Bldg, 5 Speke Road, PO Box 7111, Kampala, Uganda				
Standard Chartered Bank Uganda Limited	Banking & Financial Services	Uganda	UGS1,000.00 Ordinary	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 14 Mackinnon Road, Nakasero, Kampala, 141769, Uganda				
Furaha Finserve Uganda Limited	Banking & Financial Services	Uganda	US\$1.00 Ordinary	20
The following company has the address of EX-26, Ground Floor, Bldg 16-Co Work, Dubai Internet City, Dubai, United Arab Emirates				
Appro Onboarding Solutions FZ-LLC	IT solutions provider and support service provider.	United Arab Emirates	AED1,000.00 Ordinary	100
The following company has the address of Suites 508, 509, 15th Floor, Al Sarab Tower, Adgm Square, Al Maryah Island, Abu Dhabi, United Arab Emirates				
Financial Inclusion Technologies Ltd	Digital wallet and technology payments platform	United Arab Emirates	US\$ Ordinary-A	100
The following company has the address of Unit GV-00-10-07-OF-02, Level 7, Gate Village Building 10, Dubai International Financial Centre, Dubai, United Arab Emirates				
Furaha Holding Ltd	Micro-lending Company	United Arab Emirates	US\$1.00 Ordinary	100
The following company has the address of Standard Chartered Bank, 7th Floor, Building One, Gate Precinct, DIFC, PO Box 999, Dubai, United Arab Emirates				
Global Digital Asset Holdings Limited	Investment vehicle - Strategic investment	United Arab Emirates	US\$ Ordinary	100
The following company has the address of Part of Level 15, Standard Chartered Bank Building, Plot 8, Burj Downtown, Dubai, United Arab Emirates				
myZoi Financial Inclusion Technologies LLC	Digital Venture: Activity auxiliary to financial intermediation	United Arab Emirates	AED1.00 Ordinary	100
The following company has the address of 25 Taylor St, San Francisco CA 94102-3916, United States				
Assembly Escrow Inc ¹	Payment Services Provider	United States	US\$0.0001 Ordinary	100
The following company has the address of 251 Little Falls Drive, Wilmington DE 19808, United States				
CurrencyFair (USA) Inc ¹	Digital Payment platform	United States	US\$1.00 Uncertificated	100
The following company has the address of 1095 Avenue of Americas, New York City NY 10036, United States				
Standard Chartered Bank International (Americas) Limited	Banking & Financial Services	United States	US\$1,000.00 Ordinary	100
The following companies have the address of Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States				
Standard Chartered Holdings Inc.	Investment Holding Company	United States	US\$100.00 Common	100
Standard Chartered Securities (North America) LLC	Banking & Financial Services	United States	Membership Interest	100

40. Related undertakings of the Group continued

Subsidiary undertakings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 50 Fremont Street, San Francisco CA 94105, United States				
Standard Chartered Overseas Investment, Inc.	Ultimate Holding Company	United States	US\$10.00 Ordinary	100
The following company has the address of C/O Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States				
Standard Chartered Trade Services Corporation	Trade Services	United States	US\$0.01 Common	100
The following company has the address of Level 3, #CP1.L01 and #CP2.L01, Capital Place, 29 Lieu Giai Street, Ngoc Khanh Ward, Ba Dinh District, Ha Noi, 10000, Vietnam				
Standard Chartered Bank (Vietnam) Limited	Banking & Financial Services	Vietnam	VND Charter Capital	100
The following company has the address of The Company's Registered Office, Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, Virgin Islands, British				
Sky Harmony Holdings Limited ⁶	Investment Holding Company	Virgin Islands, British	USD1.00 Ordinary	100
The following companies have the address of Stand No. 4642, Corner of Mwaimwena Road and Addis Ababa Dri, Lusaka, 10101, Zambia				
Standard Chartered Bank Zambia Plc	Banking & Financial Services	Zambia	ZMW0.25 Ordinary	90
Standard Chartered Zambia Securities Services Nominees Limited	Nominee Services	Zambia	ZMW0.0203 Ordinary	100
The following companies have the address of Africa Unity Square Building, 68 Nelson Mandela Avenue, Harare, Zimbabwe				
Africa Enterprise Network Trust ²	Investment Holding Company	Zimbabwe	Trust Interest	100
Standard Chartered Bank Zimbabwe Limited	Banking & Financial Services	Zimbabwe	US\$1.00 Ordinary	100
Standard Chartered Nominees Zimbabwe (Private) Limited	Ultimate Holding Company	Zimbabwe	US\$2.00 Ordinary	100

1. The Group has determined that these undertakings are excluded from being consolidated into the Groups accounts, and do not meet the definition of a Subsidiary under IFRS. See note 32 for the consolidation policy and disclosure of the undertaking.
 2. No share capital by virtue of being a trust
 3. Limited liability company
 4. The Group has determined the principal place of operation to be Ireland
 5. The Group has determined the principal place of operation to be United Kingdom
 6. The Group has determined the principal place of operation to be Hong Kong
 7. Company is exempt from the requirements of the companies Act relating to the audit of individual accounts by virtue of S479A
 8. Company numbers of the subsidiaries taking an audit exemption are SC Transport Leasing 1 LTD 06787116, SC Transport Leasing 2 Limited 06787090, Standard Chartered Leasing (UK) Limited 05513184, Standard Chartered Africa Limited 00002877, Standard Chartered Securities (Africa) Holdings Limited 05843604 and Standard Chartered Strategic Investments Limited 01388304
 9. Directly held related undertaking
- 10 Group's ultimate ownership for CurrencyFair entities is 43.422%

40. Related undertakings of the Group continued

Joint ventures

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of Tricor WP Corporate Services Pte Ltd, 80 Robinson Road #02-00, 068898, Singapore				
Olea Global Pte. Ltd.	Provision of trade finance products and services.	Singapore	\$ Ordinary \$ Preference	41 100

Associates

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 41 Luke Street, London, EC2A 4DP, United Kingdom				
Fintech for International Development Ltd	Financial intermediation	United Kingdom	\$0.0001 Ordinary-A	58.9
The following company has the address of Bohai Bank Building, No.218 Hai He Dong Lu, Hedong District, Tianjin, China, 300012, China				
China Bohai Bank Co., Ltd.	General commercial banking businesses	China	CNY1.00 Ordinary	16,263
The following company has the address of 17/F, 100, Gongpyeong-dong, Jongno-gu, Seoul, Korea, Republic of				
Ascenta IV	Investment making	Korea, Republic of	Partnership Interest	39,100
The following company has the address of 1 Raffles Quay, #23-01, One Raffles Quay, 048583, Singapore				
Clifford Capital Holdings Pte. Ltd.	Investment Holding Company	Singapore	\$1.00 Ordinary	9.9
The following company has the address of 10 Marina Boulevard #08-08, Marina Bay, Financial Centre, 018983, Singapore				
Verified Impact Exchange Holdings Pte. Ltd	Exchange offering liquidity of trade	Singapore	SGD Ordinary	15
The following company has the address of Victoria House, State House Avenue, Victoria, MAHE, Seychelles				
Seychelles International Mercantile Banking Corporation Limited.	Commercial Bank	Seychelles	SCR1,000.00 Ordinary	22
The following company has the address of Gervinusstrasse 17, 60322, Frankfurt am Main, Hesse, Germany				
SWIAT GmbH	Digital Venture: Financial Services	Germany	€1.00 Ordinary	30
The following company has the address of Izumi Garden Tower 19F, 1-6-1 Roppongi, Minato-ku, Tokyo, Japan				
SBI Zodia Custody Co. Ltd	Others	Japan	JPY50,000.00 Ordinary	100
The following company has the address of 60B, Orchard Road, #06-18, Tower 2, The Atrium @ Orchard, 238891, Singapore				
Partior Holdings Pte. Ltd.	Financial Services	Singapore	SGD1.00 Ordinary SGD1.00 Series A Preferred	24.999 25.014

40. Related undertakings of the Group continued

Significant investment holdings and other related undertakings

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom				
Corrası Covered Bonds (LM) Limited	Liquidation member (Bond holders)	United Kingdom	£1.00 Ordinary	20
The following company has the address of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman , KY1-9005, Cayman Islands				
ATSC Cayman Holdco Limited	Investment holding	Cayman Islands	\$0.01 Ordinary-A \$0.01 Ordinary-B	5.272 100
The following companies have the address of Unit 605-07, 6/F Wing On Centre, 111 Connaught Road, Central, Sheung Wan, Hong Kong				
Actis Temple Stay Holdings (HK) Limited	Investment holding	Hong Kong	\$ Class A Ordinary \$ Class B Ordinary	39.689 39.689
Actis Rivendell Holdings (HK) Limited	Investment holding	Hong Kong	\$ Class A Ordinary \$ Class B Ordinary	39.671 39.671
The following company has the address of 1221A, Devika Tower, 12th Floor, , 6 Nehru Place, New Delhi 110019, New Delhi, 110019, India				
Mikado Realtors Private Limited	Other business activities	India	INR10.00 Ordinary	26
The following company has the address of 4thFloor, 274, Chitalia House, Dr. Cawasji Hormusji Road, Dhobi Talao, Mumbai City, Maharashtra, India 400 002, Mumbai, 400 002, India				
Industrial Minerals and Chemical Co. Pvt. Ltd	Minerals and Chemical	India	INR100.00 Ordinary	26
The following company has the address of 17F, 47, Jong-ro, Jongno-gu, (17F, 100, Gongpyeong-dong, Jongno-gu), Seoul, Korea, Republic of				
Ascenta III	Investment making	Korea	KRW1.00 Class B Equity Interest	31
The following company has the address of 3 Jalan Pisang, c/o Watiga Trust Ltd, 199070 Singapore				
SCIAIGF Liquidating Trust ¹	Investment Holding Company	Singapore	Trust Interest	43.96
The following company has the address of 251 Little Falls Drive, Wilmington, New Castle DE 19808, United States				
Paxata, Inc.	Data Analytics	United States	US\$0.0001 Series C2 Preferred Stock US\$0.0001 Series C3 Preferred Stock	40.74 8.908

1. The Group has determined the principal place of operation to be Singapore

40. Related undertakings of the Group continued

In liquidation

Subsidiary Undertakings

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of C/O Teneo Financial Advisory Limited, The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, B4 6AT, United Kingdom				
Standard Chartered Masterbrand Licensing Limited	To manage intellectual property for Group	United Kingdom	\$1.00 Ordinary Shares	100
The following companies have the address of Bucktrout House, Glategny Esplanade, St Peter Port, GY13HQ, Guernsey				
Birdsong Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Nominees One Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Nominees Two Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Songbird Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Secretaries (Guernsey) Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
Standard Chartered Trust (Guernsey) Limited	Fiduciary Services	Guernsey	£1.00 Ordinary shares	100
The following company has the address of 30 Rue Schrobilgen, 2526, Luxembourg				
Standard Chartered Financial Services (Luxembourg) S.A.	Corporate Finance & Advisory Services	Luxembourg	€25.00 Ordinary shares	100
The following company has the address of Jiron Huascar 2055, Jesus Maria, Lima 15072, Peru				
Banco Standard Chartered en Liquidacion	Banking services	Peru	\$75.133 Ordinary shares	100
The following company has the address of Luis Alberto de Herrera 1248, Torre II, Piso 11, Esc. 1111, Uruguay				
Standard Chartered Uruguay Representacion S.A.	Financial counselling services	Uruguay	UYU1.00 Ordinary shares	100
The following company has the address of 555 Washington Av, St Louis, MO, United States of America, 63101				
Assembly Payments Inc ¹	Payment services provider	United States	\$0.0001 Ordinary	100
The following companies have the address of C/O Teneo Financial Advisory Limited, The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, B4 6AT, United Kingdom				
Standard Chartered Leasing (UK) 3 Limited	Leasing Business	United Kingdom	\$1.00 Ordinary shares	100

40. Related undertakings of the Group continued

Liquidated/dissolved/sold

Subsidiary/Associate undertakings and Significant investment holdings

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of C/O Teneo Financial Advisory Limited, 156 Great Charles Street, Queensway, Birmingham, West Midlands, B3 3HN, United Kingdom				
Standard Chartered Leasing (UK) 2 Limited	Leasing Business	United Kingdom	\$1.00 Ordinary shares	100
The following companies have the address of C/o WALKERS CORPORATE LIMITED, 190 Elgin Avenue George Town Grand Cayman KY1-9008 , Cayman Islands				
Sirat Holdings Limited	Investment Holding Entity	Cayman Islands	\$0.01 Ordinary shares	100
The following companies have the address of TMF Trust Labuan Limited, Brumby Centre, Lot 42,, Jalan Muhibbah, 87000 Labuan F.T., Malaysia				
Pembroke Leasing (Labuan) 3 Berhad	Leasing Business	Malaysia	\$ Ordinary shares	100
The following companies have the address of c/o Ocarian Corporate Services (Mauritius) Ltd, 6th Floor, Tower A, 1 Cybercity, Ebene, 72201, Mauritius				
Standard Chartered Financial Holdings	Investment Holding Company	Mauritius	\$1.00 Ordinary shares	100
The following companies have the address of 142, Ahmadu Bello Way, Victoria Island, Lagos, 101241, Nigeria				
Cherroots Nigeria Limited	Investment Holding Company	Nigeria	NGN1.00 Ordinary Shares	100
The following companies have the address of 80 Robinson Road, #02-00, 068898, Singapore				
Cardspal Pte. Ltd.	Support Services	Singapore	\$ Ordinary shares	100
The following companies have the address of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, Virgin Islands, British				
Sky Favour Investments Limited	Investment Holding Company	Virgin Islands, British	\$1.00 Ordinary shares	100
The following companies have the address of 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.				
Kozagi Limited	Investment Holding Company	Hong Kong	HKD Ordinary shares	100
The following company has the address of Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands				
Pembroke Holland B.V.	Leasing Business	Netherlands	€450.00 Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary/Associate undertakings and Significant investment holdings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following companies have the address of 32 Molesworth Street, Dublin 2, D02Y512, Ireland				
Inishbrophy Leasing Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Inishcannon Leasing Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Inishcrean Leasing Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Inishdawson Leasing Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Inisherkin Leasing Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Inishoo Leasing Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Nightjar Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 1 Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 2 Limited	Leasing Business	Ireland	€1.00 Ordinary shares	100
Pembroke Aircraft Leasing 3 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 4 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 5 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 6 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 7 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 8 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 9 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 10 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 11 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 12 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 13 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 14 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 15 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing 16 Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Aircraft Leasing Holdings Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
Pembroke Capital Limited	Leasing Business	Ireland	€1.25 Ordinary shares US\$1.00 Ordinary	100
Skua Limited	Leasing Business	Ireland	\$1.00 Ordinary shares	100
The following company has the address of First Names House, Victoria Road, Douglas, IM2 4DF, Isle of Man				
Pembroke Group Limited	Aircraft leasing, fleet advisory and technical services	Isle of Man	\$0.01 Ordinary shares	100
The following company has the address of No.1034, Managed by Tianjin Dongjiang Secretarial Services , Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone,, Tianjin Pilot Free Trade Zone, China				
Pembroke Aircraft Leasing (Tianjin) Limited	Holding Company	China	\$1.00 Ordinary shares	100
The following company has the address of No.1035, Managed by Tianjin Dongjiang Secretarial Services , Co., Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone,, Tianjin Pilot Free Trade Zone, China				
Pembroke Aircraft Leasing Tianjin 1 Limited	SPV for Aircraft Operating Lease Business	China	CNY1.00 Ordinary shares	100

40. Related undertakings of the Group continued

Subsidiary/Associate undertakings and Significant investment holdings continued

Name and registered address	Activity	Place of incorporation	Description of shares	Proportion of shares held (%)
The following company has the address of No.1036, Managed by Tianjin Dongjiang Secretarial Services , Co, Ltd., Room 202, Office Area of Inspection Warehouse,, No.6262 Ao Zhou Road, Dongjiang Free Trade Port Zone,, Tianjin Pilot Free Trade Zone, China				
Pembroke Aircraft Leasing Tianjin 2 Limited	SPV for Aircraft Operating Lease Business	China	CNY1.00 Ordinary shares	100
The following companies have the address of 1 Basinghall Avenue, London, EC2V 5DD, United Kingdom				
Pembroke Aircraft Leasing (UK) Limited	Leasing Business	United Kingdom	£1.00 Ordinary shares	100
The following companies have the address of Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands				
Marina Alysse Shipping Limited	Ownership and Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Amandier Shipping Limited	Ownership and Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Ambroisee Shipping Limited	Ownership and Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Buxus Shipping Limited	Ownership and Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Dorado Shipping Limited	Ownership and Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
Marina Protea Shipping Limited	Ownership and Leasing of vessels	Marshall Islands	\$1.00 Ordinary shares	100
The following company has the address of 3, Floor 1, No.1, Shiner Wuxingcayuan, West Er Huan Rd, , Xi Shan District, Kunming, Yunnan Province, PRC, China				
Yunnan Golden Shiner Property Development Co, Ltd.	Real Estate Developers	China	CNY1.00 Ordinary shares	42.5
The following companies has the address of 49, Sungei Kadut Avenue, #03-01 S729673, Singapore				
Omni Centre Pte. Ltd.	Real Estate Owners & Developers	Singapore	SGD Redeemable Convertible Preference shares	99.998
The following company has the address of 505 Howard St. #201, San Francisco, CA 94105, United States				
SC Studios, LLC	Offshore Support Services	United States	US\$1.00 Membership Interest	100
The following company has the address of Avenue de Tivoli 2, 1007, Lausanne, Switzerland				
Metaco SA	Integrated infrastructure solutions	Switzerland	CHF 0.01 Preference A Shares	29.505

Save for those disclosed in this Annual Report , there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries during the year under review. Apart from those disclosed in this Annual Report, there were no material investments or additions of capital assets authorised by the Board at the date of this Annual Report.

Supplementary information

- 490 Supplementary financial information
- 498 Supplementary people information
- 504 Supplementary sustainability information
- 508 2023 Sustainability Aspirations
- 511 TCFD summary and alignment index
- 517 Shareholder information
- 522 Main awards and accolades
- 523 Glossary

• Our weather photographers of the year •

We are showcasing three of the most striking weather and climate photographs captured by our colleagues, as voted for by over 4,000 employees.

These pictures were originally submitted as part of the annual Standard Chartered Weather Photographer of the Year competition, organised by the UK's Royal Meteorological Society.

Climate change will hit hardest in many of the communities and markets where we operate. Its impact on the environment and human health significantly affects sustainable economic growth and the future of society. These pictures aim to draw attention to the beauty of the planet and the importance of its conservation. We're committed to net zero carbon emissions in our own operations by 2025, and financing by 2050.



Read more on sc.com/scwpy

Zhangjiajie National Forest Park, China

Photographer: Irene Yuan



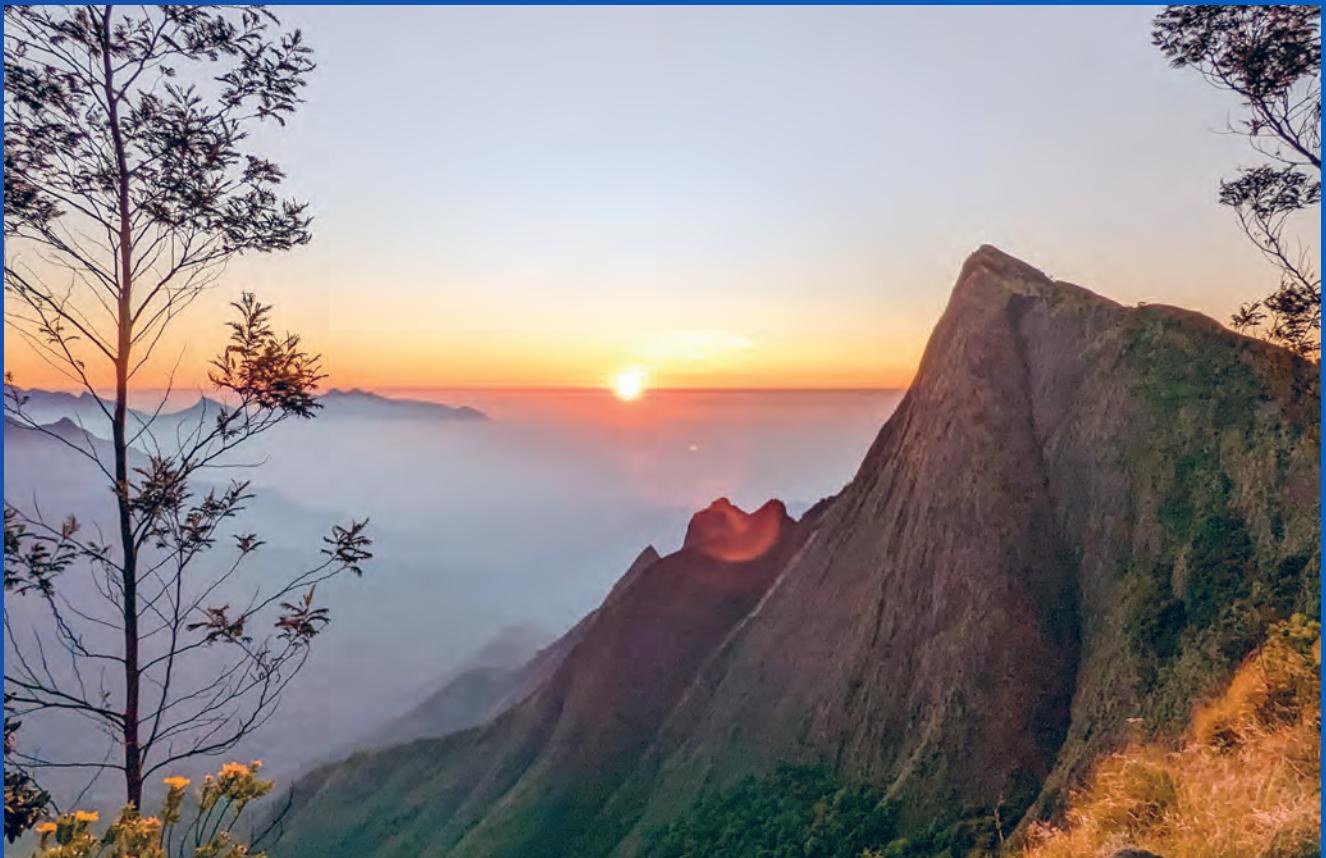
Amboseli, Kenya

Photographer: Arvind Karthik



Kolukkumalai Peak, Tamil Nadu, India

Photographer: Akshat Tholia



Supplementary financial information

Five-year summary

	2023 \$million	2022 \$million	2021 \$million	2020 \$million	2019 \$million
Operating profit before impairment losses and taxation	6,468	5,405	3,777	4,374	4,484
Impairment losses on loans and advances and other credit risk provisions	(508)	(836)	(254)	(2,325)	(908)
Other impairment ¹	(1,008)	(425)	(372)	(98)	(136)
Profit before taxation	5,093	4,286	3,347	1,613	3,713
Profit attributable to shareholders	3,469	2,948	2,315	724	2,303
Loans and advances to banks ²	44,977	39,519	44,383	44,347	53,549
Loans and advances to customers ²	286,975	310,647	298,468	281,699	268,523
Total assets	822,844	819,922	827,818	789,050	720,398
Deposits by banks ²	28,030	28,789	30,041	30,255	28,562
Customer accounts ²	469,418	461,677	474,570	439,339	405,357
Shareholders' equity	44,445	43,162	46,011	45,886	44,835
Total capital resources ³	62,389	63,731	69,282	67,383	66,868
Information per ordinary share					
Basic earnings per share	108.6c	85.9c	61.3c	10.4c	57.0c
Underlying earnings per share	128.9c	97.9c	85.8c	36.1c	75.7c
Dividends per share ⁴	27.0c	18.0c	12.0c	–	22.0c
Net asset value per share	1,629.0c	1,453.3c	1,456.4c	1,409.3c	1,358.3c
Net tangible asset value per share	1,393.0c	1,249.0c	1,277.0c	1,249.0c	1,192.5c
Return on assets ⁵	0.4%	0.4%	0.3%	0.1%	0.3%
Ratios					
Reported return on ordinary shareholders' equity	7.2%	6.0%	4.2%	0.8%	4.2%
Reported return on ordinary shareholders' tangible equity	8.4%	6.8%	4.8%	0.9%	4.8%
Underlying return on ordinary shareholders' equity	8.7%	6.9%	5.9%	2.6%	5.6%
Underlying return on ordinary shareholders' tangible equity	10.1%	7.7%	6.8%	3.0%	6.4%
Reported cost to income ratio (excluding UK Bank Levy)	63.5%	66.3%	73.6%	68.1%	68.7%
Reported cost to income ratio (including UK Bank Levy)	64.1%	66.9%	74.3%	70.4%	70.9%
Underlying cost to income ratio (excluding UK Bank levy)	63.4%	65.5%	69.8%	66.4%	65.9%
Underlying cost to income ratio (including UK Bank levy)	64.1%	66.2%	70.5%	68.7%	68.2%
Capital ratios:					
CET ¹ ⁶	14.1%	14.0%	14.1%	14.4%	13.8%
Total capital ⁶	21.2%	21.7%	21.3%	21.2%	21.2%

1 Other Impairment includes \$850 million (2022: \$308 million) impairment charge relating to the Group's investment in its associate China Bohai Bank (Bohai)

2 Excludes amounts held at fair value through profit or loss

3 Shareholders' funds, non-controlling interests and subordinated loan capital

4 Dividend paid during the year per share

5 Represents profit attributable to shareholders divided by the total assets of the Group

6 Unaudited

Analysis of underlying performance by key market

The following tables provide information for key markets in which the Group operates. The numbers are prepared on a management view. Refer to Note 2 for details.

	2023									
	Hong Kong \$million	Korea \$million	China \$million	Taiwan \$million	Singapore \$million	India \$million	Indonesia \$million	UAE \$million	UK \$million	US \$million
Operating income	4,167	1,074	1,158	558	2,455	1,206	241	794	102	870
Operating expenses	(1,927)	(731)	(894)	(331)	(1,214)	(865)	(191)	(392)	(870)	(634)
Operating profit/(loss) before impairment losses and taxation	2,240	343	264	227	1,241	341	50	402	(768)	(236)
Credit impairment	(372)	(48)	(113)	(42)	(48)	(31)	(8)	24	14	12
Other impairment	(17)	1	(5)	(5)	(14)	(11)	(2)	(5)	(15)	(5)
Profit from associates and joint ventures	-	-	114	-	-	-	-	-	-	-
Underlying profit/(loss) before taxation	1,851	296	260	180	1,179	299	40	421	(769)	243
Total assets employed	190,484	56,638	41,508	21,638	102,724	33,781	5,470	20,376	149,982	88,113
Of which: loans and advances to customers ¹	87,590	33,443	15,882	11,634	62,030	13,832	2,533	8,495	31,067	27,434
Total liabilities employed	183,112	46,666	38,252	20,365	109,825	26,532	4,355	17,214	92,168	72,583
Of which: customer accounts ¹	155,446	37,032	31,211	18,621	86,282	18,709	3,024	13,924	72,610	40,846

	2022 ²									
	Hong Kong \$million	Korea \$million	China \$million	Taiwan \$million	Singapore \$million	India \$million	Indonesia \$million	UAE \$million	UK \$million	US \$million
Operating income	3,441	1,140	1,154	473	1,909	1,222	214	621	1,013	1,031
Operating expenses	(1,816)	(733)	(844)	(336)	(1,082)	(766)	(183)	(369)	(742)	(603)
Operating profit before impairment losses and taxation	1,625	407	310	137	827	456	31	252	271	428
Credit impairment	(579)	(55)	(200)	(15)	84	(31)	4	81	36	13
Other impairment	(1)	(1)	(3)	(1)	(2)	(1)	–	–	35	–
Profit from associates and joint ventures	–	–	179	–	–	–	–	–	–	–
Underlying profit before taxation	1,045	351	286	121	909	424	35	333	342	441
Total assets employed	171,086	68,903	39,508	21,919	97,914	30,412	5,237	19,624	187,832	67,019
Of which: loans and advances to customers ¹	85,359	49,264	15,652	11,283	59,872	15,025	2,403	7,913	39,356	19,951
Total liabilities employed	165,499	58,992	33,124	20,216	104,318	23,210	4,257	16,256	140,160	64,825
Of which: customer accounts ¹	138,713	43,620	24,347	18,509	79,409	15,199	2,924	12,710	104,482	28,424

1. Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

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

Analysis of operating income by product and segment

The following tables provide a breakdown of the Group's underlying operating income by product and client segment.

	2023				
	Corporate, Commercial & Institutional Banking \$million	Consumer, Private & Business Banking \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Transaction Banking	5,656	181	–	–	5,837
Trade & Working capital	1,246	48	–	–	1,294
Cash Management	4,410	133	–	–	4,543
Financial Markets	5,099	–	–	–	5,099
Macro Trading	2,827	–	–	–	2,827
Credit Markets	1,803	–	–	–	1,803
Credit Trading	554	–	–	–	554
Financing Solutions & Issuance ²	1,249	–	–	–	1,249
Financing & Securities Services ²	469	–	–	–	469
Lending & Portfolio Management	469	29	–	–	498
Wealth Management	–	1,944	–	–	1,944
Retail Products	1	4,927	41	–	4,969
CCPL and other unsecured lending	–	1,068	93	–	1,161
Deposits	1	3,488	(52)	–	3,437
Mortgage & Auto	–	236	–	–	236
Other Retail Products	–	135	–	–	135
Treasury	–	–	30	(932)	(902)
Other	(7)	25	85	(170)	(67)
Total underlying operating income	11,218	7,106	156	(1,102)	17,378

	2022 (Restated) ¹				
	Corporate, Commercial & Institutional Banking ¹ \$million	Consumer, Private & Business Banking ¹ \$million	Ventures \$million	Central & other items (segment) \$million	Total \$million
Transaction Banking	3,751	123	–	–	3,874
Trade & Working capital	1,288	55	–	–	1,343
Cash Management	2,463	68	–	–	2,531
Financial Markets	5,345	–	–	–	5,345
Macro Trading	2,965	–	–	–	2,965
Credit Markets	1,761	–	–	–	1,761
Credit Trading	488	–	–	–	488
Financing Solutions & Issuance ²	1,273	–	–	–	1,273
Financing & Securities Services ²	619	–	–	–	619
Lending & Portfolio Management	521	37	–	–	558
Wealth Management	1	1,795	–	–	1,796
Retail Products	1	4,013	13	–	4,027
CCPL and other unsecured lending	–	1,180	22	–	1,202
Deposits	1	2,029	(9)	–	2,021
Mortgage & Auto	–	633	–	–	633
Other Retail Products	–	171	–	–	171
Treasury	–	–	5	332	337
Other	(11)	1	11	(176)	(175)
Total underlying operating income	9,608	5,969	29	156	15,762

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

2 Shipping Finance is now reported under "Financing Solutions & Issuance" which was reported under "Financing & Securities Services" in Q1'23

Insured and uninsured deposits

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

	2023		2022	
	Bank deposits \$million	Customer accounts \$million	Bankdeposits \$million	Customer accounts \$million
Insured deposits	10	66,753	28	60,008
Current accounts	9	15,767	8	16,373
Savings deposits	–	27,376	–	26,973
Time deposits	1	23,517	20	16,599
Other deposits	–	93	–	63
Uninsured deposits	35,500	467,868	36,795	460,221
Current accounts	20,969	150,559	22,425	144,931
Savings deposits	–	91,425	–	90,937
Time deposits	8,295	176,977	6,870	176,090
Other deposits	6,236	48,907	7,500	48,263
Total	35,510	534,621	36,823	520,229

UK and non-UK deposits

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

	2023		2022	
	Bank deposits \$million	Customer accounts \$million	Bank deposits \$million	Customer accounts \$million
UK deposits	2,918	29,318	4,163	38,557
Current accounts	925	7,062	903	8,955
Savings deposits	–	330	–	420
Time deposits	310	5,412	1,004	6,760
Other deposits	1,683	16,514	2,256	22,422
Non-UK deposits	32,592	505,303	32,660	481,672
Current accounts	20,053	159,264	21,530	152,349
Savings deposits	–	118,471	–	117,490
Time deposits	7,986	195,082	5,886	185,929
Other deposits	4,553	32,486	5,244	25,904
Total	35,510	534,621	36,823	520,229

Contractual maturity of Loans, Investment securities and Deposits

	2023						
	Loans and advances to banks \$million	Loans and advances to customers \$million	Investment securities – Treasury and other eligible Bills \$million	Investment securities – Debt securities \$million	Investment securities – Equity shares \$million	Bank deposits \$million	Customer accounts \$million
One year or less	72,717	197,125	38,877	59,023	–	31,333	485,908
Between one and five years	3,975	52,532	4	69,075	–	4,174	46,365
Between five and ten years	837	19,184	1	18,804	–	2	567
Between ten years and fifteen years	35	14,084	–	9,276	–	–	1,341
More than fifteen years and undated	226	62,561	–	18,155	3,932	–	441
Total	77,790	345,486	38,882	174,333	3,932	35,509	534,622
Total amortised cost and FVOCI exposures	44,977	286,975					
Fixed interest rate exposures	38,505	168,697					
Floating interest rate exposures	6,472	118,278					
2022							
	Loans and advances to banks \$million	Loans and advances to customers \$million	Investment securities – Treasury and other eligible Bills \$million	Investment securities – Debt securities \$million	Investment securities – Equity shares \$million	Bank deposits \$million	Customer accounts \$million
One year or less	60,132	208,691	42,269	47,193	–	35,240	508,125
Between one and five years	3,630	52,563	482	63,523	–	1,576	10,281
Between five and ten years	411	18,067	–	20,078	–	7	694
Between ten years and fifteen years	92	13,305	–	12,921	–	–	598
More than fifteen years and undated	184	65,104	–	15,720	4,037	–	531
Total	64,449	357,730	42,751	159,435	4,037	36,823	520,229
Total amortised cost and FVOCI exposures	39,519	310,647					
Fixed interest rate exposures	36,218	170,609					
Floating interest rate exposures	3,301	140,038					

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

	One year or less		Between one and five years		Between five and ten years		More than ten years		Total	
	\$million	Yield %	\$million	Yield %	\$million	Yield %	\$million	Yield %	\$million	Yield %
Central and Central and other government agencies										
– US	1,861	1.39	9,171	1.61	5,799	1.67	4,524	3.89	21,355	2.09
– UK	39	2.75	85	1.06	101	0.67	–	–	225	1.18
– Other	5,045	2.72	9,560	2.80	2,289	3.12	81	4.74	16,975	2.84
Other debt securities	2,487	6.45	2,658	5.37	2,262	5.44	10,973	5.13	18,380	5.38
As at 31 December 2023	9,432	3.44	21,474	2.61	10,451	2.79	15,578	4.77	56,935	3.37
	One year or less		Between one and five years		Between five and ten years		More than ten years		Total	
	\$million	Yield %	\$million	Yield %	\$million	Yield %	\$million	Yield %	\$million	Yield %
Central and other government agencies										
– US	2,208	1.58	5,437	1.41	6,317	1.32	4,498	3.47	18,460	1.90
– UK	–	–	85	1.98	60	0.50	47	0.90	192	1.26
– Other	3,599	2.71	9,659	1.98	3,541	2.24	44	4.00	16,843	2.19
Other debt securities	4,752	4.53	2,869	5.07	1,454	4.09	15,144	3.55	24,219	3.96
As at 31 December 2022	10,559	3.29	18,050	2.30	11,372	1.96	19,733	3.53	59,714	2.82

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

Average balance sheets and yields and volume and price variances

Average balance sheets and yields

The following tables set out the average balances and yields for the Group's assets and liabilities for the periods ended 31 December 2023 and 31 December 2022 under the revised definition of net interest margin. For the purpose of these tables, average balances have been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. The Group does not believe that the information presented in these tables would be significantly different had such balances been determined on a daily basis.

	2023				
	Average non-interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield %	Gross yield total balance %
Average assets					
Cash and balances at central banks	10,466	67,634	2,833	4.19	3.63
Gross loans and advances to banks	34,743	44,161	2,095	4.74	2.66
Gross loans and advances to customers	55,235	301,570	15,698	5.20	4.40
Impairment provisions against loans and advances to banks and customers	-	(5,894)	-	-	-
Investment securities – Treasury and Other Eligible Bills	7,955	32,026	1,596	4.98	3.99
Investment securities – Debt Securities	29,912	133,023	5,005	3.76	3.07
Investment securities – Equity Shares	3,190	-	-	-	-
Property, plant and equipment and intangible assets	8,861	-	-	-	-
Prepayments, accrued income and other assets	126,539	-	-	-	-
Investment associates and joint ventures	1,628	-	-	-	-
Total average assets	278,529	572,520	27,227	4.76	3.20
	2022				
	Average non-interest earning balance \$million	Average interest earning balance \$million	Interest income \$million	Gross yield %	Gross yield total balance %
Average assets					
Cash and balances at central banks	19,700	54,503	765	1.40	1.03
Gross loans and advances to banks	29,576	42,953	853	1.99	1.18
Gross loans and advances to customers	61,480	306,880	10,168	3.31	2.76
Impairment provisions against loans and advances to banks and customers	-	(5,867)	-	-	-
Investment securities – Treasury and Other Eligible Bills	5,564	25,924	630	2.43	2.00
Investment securities – Debt Securities	23,618	140,977	2,836	2.01	1.72
Investment securities – Equity Shares	4,152	-	-	-	-
Property, plant and equipment and intangible assets	8,821	-	-	-	-
Prepayments, accrued income and other assets	142,599	-	-	-	-
Investment associates and joint ventures	2,152	-	-	-	-
Total average assets	297,662	565,370	15,252	2.70	1.77

Average liabilities

	2023				
	Average non-interest bearing balance \$million	Average interest bearing balance \$million	Interest expense \$million	Rate paid %	Rate paid total balance %
Average liabilities					
Deposits by banks	14,238	24,066	796	3.31	2.08
Customer accounts:					
Current accounts	41,911	132,537	3,619	2.73	2.07
Savings deposits	–	112,046	1,981	1.77	1.77
Time deposits	15,345	186,287	8,204	4.40	4.07
Other deposits	44,211	6,527	488	7.48	0.96
Debt securities in issue	12,259	65,579	3,367	5.13	4.33
Accruals, deferred income and other liabilities	132,442	1,009	52	5.15	0.04
Subordinated liabilities and other borrowed funds	–	12,299	951	7.73	7.73
Non-controlling interests	373	–	–	–	–
Shareholders' funds	49,920	–	–	–	–
	310,699	540,350	19,458	3.60	2.29
Adjustment for Financial Markets funding costs and financial guarantee fees on interest earning assets					
Total average liabilities and shareholders' funds	310,699	540,350	17,680	3.27	2.08
2022					
Average liabilities	Average non-interest bearing balance \$million	Average interest bearing balance \$million	Interest expense \$million	Rate paid %	Rate paid total balance %
	17,039	27,241	433	1.59	0.98
Customer accounts:					
Current accounts	51,375	132,709	1,480	1.12	0.80
Savings deposits	–	131,571	832	0.63	0.63
Time deposits	11,586	152,118	3,021	1.99	1.85
Other deposits	52,962	5,094	110	2.16	0.19
Debt securities in issue	6,720	60,559	1,169	1.93	1.74
Accruals, deferred income and other liabilities	147,814	1,065	44	4.13	0.03
Subordinated liabilities and other borrowed funds	–	14,994	570	3.80	3.80
Non-controlling interests	312	–	–	–	–
Shareholders' funds	49,873	–	–	–	–
	337,681	525,351	7,659	1.46	0.89
Adjustment for Financial Markets funding costs and financial guarantee fees on interest earning assets					
Total average liabilities and shareholders' funds	337,681	525,351	7,276	1.38	0.84

Net interest margin

	2023 \$million	2022 \$million
Interest income (Reported)	27,227	15,252
Average interest earning assets	572,520	565,370
Gross yield (%)	4.76	2.70
Interest expense (Reported)	19,458	7,659
Adjustment for Financial Markets funding costs and financial guarantee fees on interest earning assets	(1,778)	(383)
Interest expense adjusted for Financial Markets trading book funding costs and financial guarantee fees on interest-earning assets	17,680	7,276
Average interest-bearing liabilities	540,350	525,351
Rate paid (%)	3.27	1.38
Net yield (%)	1.49	1.32
Net interest income adjusted for Financial Markets funding costs and Financial guarantee fees on interest earning assets	9,547	7,976
Net interest margin (%)	1.67	1.41

Volume and price variances

The following table analyses the estimated change in the Group's net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and changes in their respective interest rates for the years presented. Volume and rate variances have been determined based on movements in average balances and average exchange rates over the year and changes in interest rates on average interest-earning assets and average interest-bearing liabilities.

	2023 versus 2022		
	(Decrease)/increase in interest due to:		Net increase/(decrease) in interest \$million
	Volume \$million	Rate \$million	
Cash and unrestricted balances at central banks	550	1,518	2,068
Loans and advances to banks	57	1,185	1,242
Loans and advances to customers	(284)	5,814	5,530
Investment securities	(74)	3,209	3,135
Total interest earning assets	249	11,726	11,975
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	(208)	589	381
Deposits by banks	(105)	468	363
Customer accounts:			
Current accounts and savings deposits	(458)	3,769	3,311
Time and other deposits	1,601	3,945	5,546
Debt securities in issue	258	1,940	2,198
Total interest bearing liabilities	1,088	10,711	11,799
	2022 versus 2021		
	(Decrease)/increase in interest due to:		Net increase/(decrease) in interest \$million
	Volume \$million	Rate \$million	
Interest earning assets			
Cash and unrestricted balances at central banks	(21)	694	673
Loans and advances to banks	(60)	423	363
Loans and advances to customers	(17)	2,611	2,594
Investment securities	228	1,148	1,376
Total interest earning assets	130	4,876	5,006
Interest bearing liabilities			
Subordinated liabilities and other borrowed funds	(58)	131	73
Deposits by banks	(3)	300	297
Customer accounts:			
Current accounts and savings deposits	18	1,428	1,446
Time and other deposits	157	1,635	1,792
Debt securities in issue	27	576	603
Total interest bearing liabilities	141	4,070	4,211

Supplementary people information

Global ¹	2023	2022	2021	% change
Full-time equivalent (FTE)	84,958	83,195	81,904	2.1
Headcount (year end)	85,007	83,266	81,957	2.1
Employed workers (permanent)	84,073	82,319	80,605	2.1
of which female	37,598	37,259	36,644	0.9
Fixed term workers (temporary)	934	947	1,352	(1.4)
of which female	453	429	637	5.6
Non-employed workers (NEW)	12,537	13,962	13,845	(10.2)
Non-outsourced NEW ²	4,925	5,873	6,130	(16.1)
Outsourced NEW ³	7,612	8,089	7,715	(5.9)
Headcount (12-month average)	85,353	82,987	82,736	2.9
Male				
FTE	45,993	44,709	44,033	2.9
Headcount	46,004	44,734	44,045	2.8
Full-time	45,975	44,683	44,002	2.9
Part-time	29	51	43	(43.1)
Female				
FTE	38,014	37,642	37,240	1.0
Headcount	38,051	37,688	37,281	1.0
Full-time	37,926	37,551	37,138	1.0
Part-time	125	137	143	(8.8)
Undisclosed ⁴				
FTE	950	844	631	12.6
Headcount	952	844	631	12.8
Full-time	944	843	630	12.0
Part-time	8	1	1	700.0
Nationalities	129	131	132	(1.5)
Position type	2023	2022	2021	% change
Management team	13	13	15	-
of which female	7	6	5	16.7
of which female (%)	53.8%	46.2%	33.3%	16.7
Management team and their direct reports ⁵	133	131	116	1.5
of which female	48	43	33	11.6
of which female (%)	36.1%	32.8%	28.4%	9.9
Senior leadership ⁶	4,541	4,422	4,227	2.7
of which female	1,474	1,420	1,299	3.8
of which female (%)	32.5%	32.1%	30.7%	1.1
Rest of Employees	80,466	78,844	77,730	2.1
of which female	36,577	36,268	35,982	0.9
of which female (%)	45.5%	46.0%	46.3%	(1.2)
of which who have supervisory responsibilities	11,009	11,067	11,109	(0.5)
of which female	3,905	3,995	4,009	(2.3)
of which female (%)	35.5%	36.1%	36.1%	(1.7)
Business FTE ⁷	29,909	30,589	30,921	(2.2)
Business headcount	29,929	30,619	30,940	(2.3)
of which female	15,335	15,794	15,997	(2.9)
Support services FTE ⁷	55,049	52,607	50,983	4.6
Support services headcount	55,078	52,647	51,017	4.6
of which female	22,716	21,894	21,284	3.8

Region	2023	2022	2021	% change
Asia FTE	71,097	69,329	67,840	2.6
Asia headcount	71,123	69,364	67,870	2.5
Asia female headcount	32,452	32,033	31,470	1.3
Asia employed workers headcount	70,394	68,585	66,968	2.6
Asia fixed term workers headcount	729	779	902	(6.4)
Asia full time headcount	71,051	69,257	67,774	2.6
Asia part time headcount	72	107	96	(32.7)
AME FTE	8,575	8,905	9,372	(3.7)
AME headcount	8,577	8,921	9,373	(3.9)
AME female headcount	3,766	3,918	4,100	(3.9)
AME employed workers headcount	8,432	8,813	8,999	(4.3)
AME fixed term workers headcount	145	108	374	34.3
AME full time headcount	8,574	8,917	9,369	(3.8)
AME part time headcount	3	4	4	(25.0)
EA FTE	5,286	4,962	4,691	6.5
EA headcount	5,307	4,981	4,714	6.5
EA female headcount	1,833	1,737	1,711	5.5
EA employed workers headcount	5,247	4,921	4,638	6.6
EA fixed term workers headcount	60	60	76	-
EA full time headcount	5,220	4,903	4,627	6.5
EA part time headcount	87	78	87	11.5
Age	2023	2022	2021	% change
< 30 years FTE	13,168	13,826	14,063	(4.8)
< 30 years headcount	13,176	13,836	14,069	(4.8)
< 30 years female headcount	6,848	7,397	7,623	(7.4)
30-50 years FTE	63,309	61,651	60,891	2.7
30-50 years headcount	63,334	61,691	60,919	2.7
30-50 years female headcount	27,432	26,870	26,583	2.1
> 50 years FTE	8,480	7,718	6,949	9.9
> 50 years headcount	8,497	7,739	6,969	9.8
> 50 years female headcount	3,771	3,421	3,075	10.2

Talent management ⁸	2023	2022	2021	% change
Global voluntary turnover – FTE	8,200	12,645	10,214	(35.1)
Global turnover – FTE	9,712	14,388	13,160	(32.5)
Global voluntary turnover rate (%)	9.7%	15.5%	12.6%	(37.1)
Global turnover rate (%)	11.5%	17.6%	16.2%	(34.5)
Male turnover FTE	5,214	8,021	7,332	(35.0)
Male (%)	11.4%	18.2%	16.7%	(37.2)
Female turnover FTE	4,394	6,230	5,736	(29.5)
Female (%)	11.6%	16.8%	15.6%	(30.9)
Female as a % of global turnover FTE	45.2%	43.3%	43.6%	4.5
Asia turnover FTE	8,293	12,501	11,004	(33.7)
Asia (%)	11.8%	18.4%	16.4%	(35.9)
AME turnover FTE	858	1,046	1,454	(18.0)
AME (%)	9.9%	11.7%	15.4%	(15.1)
EA turnover FTE	562	841	703	(33.2)
EA (%)	10.9%	17.7%	15.5%	(38.5)
< 30 years turnover FTE	2,593	4,137	3,712	(37.3)
< 30 years (%)	19.2%	30.5%	26.1%	(37.3)
30-50 years turnover FTE	6,242	9,303	8,144	(32.9)
30-50 years (%)	9.9%	15.2%	13.5%	(34.8)
> 50 years turnover FTE	878	947	1,304	(7.3)
> 50 years (%)	11.0%	13.1%	19.3%	(16.5)
Average tenure (years) – Male	7.3	7.1	7.2	2.8
Average tenure (years) – Female	7.9	7.6	7.7	3.9
Global new hires – FTE	12,145	17,432	12,660	(30.3)
Global new hire rate (%)	14.2%	21.0%	15.3%	(32.3)
Male new hire FTE	6,875	9,683	6,758	(29.0)
Male (%)	14.9%	21.7%	15.2%	(31.2)
Female new hire FTE	5,044	7,384	5,580	(31.7)
Female (%)	13.2%	19.6%	14.9%	(32.9)
Female as a % of global new hires FTE	41.5%	42.4%	44.1%	(1.9)
Asia new hire FTE	10,653	15,441	11,387	(31.0)
Asia (%)	14.9%	22.4%	16.7%	(33.2)
AME new hire FTE	615	934	431	(34.2)
AME (%)	7.0%	10.2%	4.3%	(31.7)
EA new hire FTE	877	1,056	842	(17.0)
EA (%)	16.8%	21.9%	18.2%	(23.4)
< 30 years new hire FTE	4,963	7,673	5,857	(35.3)
< 30 years (%)	35.5%	54.7%	39.6%	(35.1)
30-50 years new hire FTE	6,841	9,357	6,514	(26.9)
30-50 years (%)	10.8%	15.2%	10.7%	(28.8)
> 50 years new hire FTE	341	401	290	(15.1)
> 50 years (%)	4.2%	5.4%	4.2%	(23.3)
Roles filled internally (%)	32.3%	37.3%	40.8%	(13.5)
of which filled by females (%)	41.6%	41.0%	42.8%	1.5
Absenteeism rate ⁹ (%)	1.3%	1.4%	1.6%	(2.9)
Employee job satisfaction (%)	83.0%	80.0%	81.0%	3.7

Learning¹⁰	2023	2022	2021	% change
Employees receiving training (%)	99.5%	99.5%	99.4%	0.0
Employees receiving training for personal development (%)	96.2%	91.6%	91.7%	5.0
Female (%)	95.8%	90.0%	91.2%	6.4
Senior leadership (%) ⁶	93.4%	94.9%	96.2%	(1.5)
Average number of training hours per employee	38.0	36.9	37.8	3.1
Female	37.0	35.4	37.1	4.5
Male	38.8	38.1	38.3	1.8
Employed workers	38.1	37.1	37.9	2.7
Fixed term workers	33.3	21.9	34.1	52.3
Average cost of training per employee (\$) ¹¹	730	743	708	(1.8)
Diversity	2023	2022	2021	% change
% of women remained employed 12 months after their return from parental leave	75.2%	72.4%	78.9%	3.9
% of Information Technology (IT) and/or Engineering roles filled by women ¹²	24.2%	24.0%	23.8%	0.7
% of senior leadership and managerial roles filled by women ^{6,13}	34.6%	35.0%	34.6%	(0.9)
% of middle management roles filled by women ¹³	35.5%	36.1%	36.1%	(1.6)
% of non-managerial positions filled by women ¹³	47.0%	47.6%	48.0%	(1.2)
% of women total promotions	46.0%	46.1%	45.3%	(0.2)
Executive and non-executive directors ¹⁴				
Men	8	8	9	–
Women	5	6	4	(16.7)
% of men	61.5%	57.1%	69.2%	7.7
% of women	38.5%	42.9%	30.8%	(10.3)
White British or other White (including minority-White groups)	9	11	10	(18.2)
Asian/Asian British	4	3	3	33.3
Black/African/Caribbean/Black British	0	0	0	–
Mixed/Multiple Ethnic Groups	0	0	0	–
White British or other White (including minority-White groups) (%)	69.2%	78.6%	76.9%	(11.9)
Asian/Asian British (%)	30.8%	21.4%	23.1%	43.6
Black/African/Caribbean/Black British (%)	0.0%	0.0%	0.0%	–
Mixed/Multiple Ethnic Groups (%)	0.0%	0.0%	0.0%	–
Number of senior positions (CEO, CFO, SID and Chair) ¹⁵				
Men	3	3	3	–
Women	1	1	1	–
White British or other White (including minority-White groups)	4	4	4	–
Asian/Asian British	0	0	0	–
Black/African/Caribbean/Black British	0	0	0	–
Mixed/Multiple Ethnic Groups	0	0	0	–

Diversity	2023	2022	2021	% change
% of Board members that have a cultural background different from the location of the corporate headquarters ¹⁶	38.5%	35.7%	38.5%	7.7
Executive management ¹⁷	14	14	16	-
Men	7	8	11	(12.5)
Women	7	6	5	16.7
% of men	50.0%	57.1%	68.8%	(12.5)
% of women	50.0%	42.9%	31.3%	16.7
White British or other White (including minority-White groups)	5	6	9	(16.7)
Asian/Asian British	6	6	5	-
Black/African/Caribbean/Black British	1	1	-	-
Mixed/Multiple Ethnic Groups	-	-	1	-
Not specified/prefer not to say	2	1	1	100.0
White British or other White (including minority-White groups) (%)	35.7%	42.9%	56.3%	(16.7)
Asian/Asian British (%)	42.9%	42.9%	31.3%	-
Black/African/Caribbean/Black British (%)	7.1%	7.1%	0.0%	-
Mixed/Multiple Ethnic Groups (%)	0.0%	0.0%	6.3%	-
Not specified/prefer not to say (%)	14.3%	7.1%	6.3%	100.0
UK senior leadership ^{6,18} (% declared)				
UK Black Ethnicity	2.5%	2.5%	2.7%	(0.2)
UK Black, Asian and Minority Ethnicity	27.8%	26.4%	22.1%	5.2
US senior leadership ^{6,18} (% declared)				
US Black Ethnicity	4.0%	4.7%	3.8%	(13.8)
US Hispanic or Latinx Ethnicity	10.1%	9.9%	10.2%	2.1
Work-related Health & Safety	2023	2022	2021	% change
Fatalities ¹⁹	2	1	0	100.0
Fatalities (rate per million hours worked)	0.010	0.005	0.000	100.0
Major injuries ^{19,20,21,22}	16	20	24	(20.0)
Major injuries (rate per million hours worked ²³)	0.08	0.11	0.13	(27.3)
Recordable work-related injuries ²⁴	108	83	79	30.1
Recordable work-related injuries (rate per million hours worked ²³)	0.56	0.44	0.43	27.6
Work-related ill-health (fatalities)	0	0	0	-

- 1 Excludes 699 employees (headcount) from Digital Ventures entities (Appro, Audax, Autumn, Letsbloom, MyZoi, Solv Ghana, Solv India, Solv Kenya, Solv Malaysia, TASConnect, Tawi, Zodia Custody, Zodia Markets). Excludes 412 Person of Interest (headcount) following a recategorisation of worker types from 2022, i.e. independent non-executive directors, advisors, external auditors and regulators. Includes employees operating in discontinued/restructured businesses. Percentage change refers to the percentage change from 2022 to 2023. All figures above are presented to 1 decimal place and the corresponding percentage changes are derived from actual data without rounding to 1 decimal place to remain as accurate as possible.
- 2 Non-outsourced NEWs are resources engaged on a time and materials basis where task selection and supervision is the responsibility of the Bank, such as agency workers.
- 3 Outsourced NEWs are arrangements with a third party vendor where the delivery is based on a specific service or outcome at an agreed price, irrespective of the number of resources required to perform the service. These resources are not considered as the Group's headcount.
- 4 The disclosure of gender information is not mandatory in some markets.
- 5 Management team (MT) and colleagues who report to them, excluding administrative or executive support roles (personal assistant, business planning managers).
- 6 Senior leadership is defined as Managing Directors and Bands 4 (including Management Team).
- 7 Business is defined as employees directly under the remit of the businesses. Support services include employees who support businesses' operations or investments where costs are fully recharged by the businesses. Increase in support services in 2023 is mainly due to increase in business demand for investment support resources and transfer of approximately 670 employees from CCIB business.
- 8 Turnover metrics are based on permanent employed workers only. New hire metrics are based on external new hires. Turnover and new hire metrics are based on average 12 month FTE. These metrics are not shown for the undisclosed gender population due to a small population size. Turnover in 2023 declined. Voluntary turnover in 2022 was at a historical high as experienced by many other organisations in the aftermath of Covid-19 pandemic. As turnover declined, the need for hiring reduced accordingly compared to 2022, resulting in lower new hires.
- 9 Represents health and disability related absence. Excludes Korea
- 10 Learning metrics exclude non-employed workers (NEWs). Training for personal development is defined as all training excluding mandatory or role specific training. Average training hours (including mandatory training) has been updated to include self-declared external training hours and prior periods have been restated for comparison.
- 11 Average cost of training per employee includes cost of learning management system.
- 12 Represents the % of Information Technology (IT) and/or Engineering roles filled by women. IT and/or engineering roles is defined as employees who work in the IT job function, including engineering roles (excluding Innovation, Transformation & Ventures) and/or certain job families in the Data and Analytics job function.
- 13 Represents the percentage of women that are in the respective population groups. For the purpose of this metric, managerial/middle management roles are considered as roles which have people leader responsibilities excluding senior leadership. Non-managerial roles do not have people leader responsibilities
- 14 Executive and non-executive directors refer to the UK PLC Board. Data has been collected by way of the directors' annual self-declarations.
- 15 For the purpose of this metric, senior positions in the Board include the Group Chairman, Group Chief Executive, Group Chief Financial Officer and Senior Independent Director
- 16 Percentage of Board Members whose cultural background (nationality) is different from the location of the corporate headquarters (UK)
- 17 For the purpose of this metric, executive management refers to Management team plus Group Company Secretary as defined by UK Listing Rules
- 18 Ethnicity % has been derived based on colleagues who have declared their ethnicity against the overall UK/US population respectively (including colleagues who have not made a declaration).
- 19 Includes commuting and contractors (2023 one fatality was a contractor commuting accident, one was a staff road accident)
- 20 Per UK HSE definition.
- 21 Most common types of major injury are fractures (75%)
- 22 2023 includes 5 contractor/visitor. 2022 includes 1 contractor/visitor. 2021 includes 4 contractors/visitors.
- 23 2023 hours worked = 192,870,120. 2022 hours worked = 188,758,285. 2021 hours worked = 184,997,097
- 24 2023 includes 31 contractor/visitors. 2022 includes 18 contractors/visitors. 2021 includes 23 contractors/visitors.

Supplementary sustainability information

Environmental and Social Risk Management (ESRM)

	2023	2022	2021
Number of participants in ESRM training sessions ¹	2,609²	4,944 ³	1,280
Number of transactions reviewed	708	550	547
Number of clients reviewed	1,341	1,170	786
Client exits due to non-compliance with Position Statements	41	14	-

Equator Principles reporting

	Project finance mandates			Project-related corporate loans			Project-related refinance ⁷			Project advisory mandates		
	Cat A ⁴	Cat B ⁵	Cat C ⁶	Cat A	Cat B	Cat C	Cat A	Cat B	Cat C	Cat A	Cat B	Cat C
Total 2021	8	12	3	1	6	-	-	-	1	-	-	-
Total 2022	6	7	1	2	3	4	-	-	-	-	-	-
Total 2023	11	22	3	1	4	1	-	-	1	-	1	-
2023	Project finance mandates			Project-related corporate loans			Project-related refinance			Project advisory mandates		
Sector	A	B	C	A	B	C	A	B	C	A	B	C
Mining	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	6	3	1	-	1	-	-	1	-	1	-
Oil and Gas	2	-	-	-	1	-	-	-	-	-	-	-
Power	9	15	-	-	1	-	-	-	-	-	-	-
Others ⁸	-	1	-	-	2	-	-	-	-	-	-	-
Region	Americas	2	-	-	-	-	-	-	-	1	-	-
Americas	1	2	-	-	-	-	-	-	1	-	-	-
Asia-Pacific	6	11	1	-	2	-	-	-	-	-	-	-
Europe, Middle East and Africa	4	9	2	1	2	1	-	-	-	-	1	-
Designation ⁹	Designated Country	3	10	1	-	1	-	-	-	1	-	-
Non-Designated Country	8	12	2	1	3	1	-	-	-	-	1	-
Independent Review	Yes	10	17	-	1	2	-	-	-	-	-	1
Yes	10	17	-	1	2	-	-	-	-	-	-	1
No	1	5	3	-	2	1	-	-	1	-	-	-

1 Metric was updated in 2023 as all participants are counted for each live training or e-learning session. An employee may attend either or both types of training during the year.

2 Includes 1,338 participants in live training sessions and 1,271 participants who completed e-learning sessions.

3 Figure in 2022 was higher as the Group's mandatory Sustainable Finance Foundation training was launched in this year, incorporating ESRM as part of the curriculum. Frontline colleagues were first required to complete the training in 2022, for other functions the timeline extended into 2023.

4 Cat A or Category A are projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented.

5 Cat B or Category B are projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

6 Cat C or Category C are projects with minimal or no adverse environmental and social risks and/or impacts.

7 In line with Equator Principles (EP4), Standard Chartered now reports those transactions that trigger project-related refinance.

8 Sectors covered under "Others" include Agro-industries, Transport, Chemicals and Manufacturing.

9 Designation is split into Designated and Non-Designated Countries. Designated Countries are deemed by the Equator Principles to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. Non-Designated Countries are countries that are not found on the list of Designated Countries. The list of countries can be found at www.equator-principles.com.

Environment

	Units	Footnote	2023		2022		2021		2022-2023 % change
			Measured	Scaled up	Measured	Scaled up	Measured	Scaled up	
Reporting coverage of data									
Offices reporting	No. of offices		762		875		838		(13)
Net internal area of occupied property	m ²		864,932	880,515	930,327	946,234	976,520	998,571	(7)
Annual operating income from 1 October to 30 September	\$million	1	17,414		15,863		14,541		10
Scope 1 and 2 GHG emissions		1,2, 4							
Scope 1 emissions	tCO ₂ e	12	8,454	8,488	2,027	2,071	2,834	2,902	310
Scope 2 emissions (location-based)	tCO ₂ e	3	84,741	85,741	88,450	89,410	94,564	96,256	(4)
Scope 2 emissions (market-based)	tCO ₂ e	13	25,469	26,246	41,492	47,363	73,016	82,761	(45)
Total Scope 1 and 2 emissions (market-based)	tCO ₂ e		33,923	34,734	43,519	49,434	75,850	85,663	(30)
Scope 1 and 2 emissions (UK and offshore area only)	tCO ₂ e			248		-	-	-	100
Scope 3 GHG emissions		1,2							
Category 1: Purchased goods and services (other)	tCO ₂ e	5		286,304		380,732		330,244	(25)
Category 1: Purchased goods and services (data centres)	tCO ₂ e	5		4,431		7,060		43,132	(37)
Category 2: Capital goods	tCO ₂ e			42,707		34,496		47,217	24
Category 3: Fuel- and energy-related activities	tCO ₂ e	6		nm		nm		nm	nm
Category 4: Upstream transportation and distribution	tCO ₂ e			24,125		20,300		20,949	19
Category 5: Waste generated in operations	tCO ₂ e	7,8		520		747			(30)
Category 6: Business travel (air travel)	tCO ₂ e			60,279		39,107		3,654	54
Category 6: Business travel (miscellaneous other than air travel)	tCO ₂ e			8,918		2,654		4,994	236
Category 7: Employee commuting	tCO ₂ e	8		71,228		61,917			15
Category 8: Upstream leased assets	tCO ₂ e	6		nm		nm		nm	nm
Category 9: Downstream transportation and distribution	tCO ₂ e	6		nm		nm		nm	nm
Category 10: Processing of sold products	tCO ₂ e	6		nm		nm		nm	nm
Category 11: Use of sold products	tCO ₂ e	6		nm		nm		nm	nm
Category 12: End-of-life treatment of sold products	tCO ₂ e	6		nm		nm		nm	nm
Category 13: Downstream leased assets (real estate)	tCO ₂ e	8, 9		7,898		8,594			(8)
Category 14: Franchises	tCO ₂ e	6		nm		nm		nm	nm
Category 15: Investments (financed emissions)	tCO ₂ e	10, 14		41,944,000		49,512,000		45,200,000	(15)
Total Scope 3	tCO ₂ e			42,450,410		50,067,607		45,650,190	(15)
Total Scope 1, 2 and 3	tCO ₂ e			42,485,144		50,117,041		45,735,853	(15)

Environment continued

	Units	Footnote	2023		2022		2021		2022-2023 % change
			Measured	Scaled up	Measured	Scaled up	Measured	Scaled up	
Scope 1 and 2 GHG emissions (market-based) intensity	tCO ₂ e/\$ million			2		3		6	(36)
Environmental resource efficiency									
Energy									
Indirect non-renewable energy consumption	GWh		139	142	140	142	139	142	-
Indirect renewable energy consumption	GWh		16	16	23	24	27	28	(33)
Direct non-renewable energy consumption	GWh		13	13	10	10	12	12	30
Direct renewable energy consumption	GWh		2	2	1	1	1	1	100
Energy consumption	GWh		170	173	174	177	179	183	(2)
Energy consumption intensity	kWh/m ²	11		196		187		183	5
Energy consumption (UK and offshore area only)	GWh			6		6		5	-
Water									
Water consumption	Million litres		289	393	265	385	256	384	2
Water intensity	m ³ /m ²	11		0.45		0.41		0.38	10
Waste									
Waste generated	kg			998,407		1,575,954		3,633,870	(37)
Waste intensity	kg/m ²	11		1.1		1.7		3.6	(32)
Waste reused or recycled	%			52		35		32	49

- 1 The reporting period for carbon emissions is 1 October to 30 September. This only differs for Category 1: Purchased Goods (other); Category 2: Capital Goods; Category 4: Upstream transportation and distribution; Category 6: Business travel (miscellaneous other than air travel) and Category 15: Investments where a period of 1 January to 31 December is used. Emissions data for these categories is also on a one-year lag with emissions reported in 2023 based on 2022 emissions data.
- 2 Scope 1 figure includes fugitive emissions for the first time in 2023. For more information on the methodology and assumptions used to calculate GHG emissions, please refer to the Environmental Reporting Criteria at sc.com/sustainabilityhub.
- 3 Location based emissions have been restated for prior comparative periods. Emissions erroneously included renewable energy certificates and power purchase agreements. Other scope 2 reductions outside clean power are attributed to footprint reduction and efficiency gains.
- 4 We use an independent third-party assurance provider to verify our Scope 1 and 2 GHG emissions. In 2023, limited assurance was completed by Global Documentation Ltd, excluding fugitive emissions in this first reporting year.
- 5 Scope 3 Category 1: Purchased goods and services is made up of third-party on-premise data centres (data centres) and all other purchased goods and services (other). Purchased goods and services (data centres) have been restated from 706tCO₂e to 7,060tCO₂e due to an error in converting the unit of emissions.
- 6 Scope 3 Category 3, Category 8, Category 9, Category 10, Category 11, Category 12 and Category 14 are not relevant for the Group due to the nature of our business, products and services and operations. GHG emissions associated with these categories are not deemed as relevant and/or material.
- 7 Scope 3 Category 5: Waste generated from operations emissions have been restated for the 2022 reporting period due to an out of date emissions factor being used in prior year.
- 8 Emissions for Scope 3 Category 5: Waste generated in operations, Category 7: Employee commuting and Category 13: Downstream leased assets were measured and reported for the first time in 2022.
- 9 Reporting of emissions associated with downstream leased aircrafts related to the Group's aircraft leasing business has been paused following the sale of this business during 2023.
- 10 Scope 3 Category 15 emissions includes financed emissions associated with the Group's transactions with clients. 2022 absolute emissions have been restated from 58.5MtCO₂e to 49.5MtCO₂e. This is due to (i) reduction in shipping absolute emissions as improved data has resulted in individual ship-level fair values being obtained, (ii) pausing of aviation emissions reporting due to the sale of the Group's aviation leasing and lending business, (iii) decreases in Automotive Manufacturers' emissions due to changes in the industry emissions reporting methodology referenced earlier, (iv) decreases in emissions from the 'Others' sector where improved data has been obtained to calculate emissions and (v) the sectoral baselining of emissions reporting for the Cement and Commercial Real Estate as separate high-emitting sectors.
- 11 Energy intensity metric updated to kWh per square meter in the current year from kWh per headcount in 2022. Water intensity metric updated to cubic litres of water per square meter in the current year from cubic litres of water per headcount in 2022. Waste intensity metric updated to cubic kilograms of waste per square meter in the current year from cubic metres of waste per headcount in 2022.
- 12 Scope 1 figure includes fugitive emissions for the first time in 2023 (2023: 5,266 tCO₂e). Prior year data was not available for fugitive emissions. For more information on the methodology and assumptions used to calculate GHG emissions, please refer to the Environmental Reporting Criteria at sc.com/sustainabilityhub.
- 13 Market based emissions has decreased from 2022 to 2023 due to footprint reduction, efficiency gains and the purchase of additional energy attribution certificates by the Group.
- 14 Financed emissions are included on page 110. A facilitated emissions baseline was measured for the first time during the year. Refer to page 112 for more details.

Supplier spend

	Portion of total third-party spend ^{1,2}	Number of supplier organisations with spend in 2023 ^{1,2}	Number of local suppliers by payment market ^{1,2}	Number of global ³ suppliers (by payment market) ^{1,2}
Top 10 sourcing locations by % overall spend				
Singapore	36%	1,447	966	481
United Kingdom	14%	881	563	318
India	11%	2,256	2,080	176
Hong Kong	11%	761	483	278
China ³	5%	936	813	123
Korea	3%	497	472	25
United Arab Emirates	3%	408	241	167
Malaysia	2%	565	427	138
United States	2%	294	161	133
Taiwan	2%	492	416	76
Regional spend				
Asia	74%	8,936	7,225	1,711
Europe and Americas	18%	1,704	1,041	663
Africa and the Middle East	8%	3,409	2,507	902
Category spend				
Technology	43%	1,578	1,346	232
Professional Services	16%	2,066	1,870	196
Property	13%	2,490	2,431	59
Marketing	13%	1,913	1,823	90
Human Resources	7%	1,503	1,395	108
Banking Operations	3%	362	338	24
Travel	3%	485	443	42
Office Supplies	1%	786	753	33
Others	1%	380	374	6

1 Suppliers are counted by generic name (e.g. all DHL legal entities are counted as one DHL).

2 The same supplier may be used in more than one market.

3 'China' refers to the People's Republic of China and, for the purposes of this document only, excludes Hong Kong Special Administrative Region (Hong Kong), Macau Special Administrative Region (Macau) and Taiwan, 'Korea' or 'South Korea'.

4 Suppliers with payments in more than one market.

Charitable giving

	2023 \$million	2022 \$million	2021 \$million
Cash contributions	31.2	23.7	28.2
Employee time (non-cash item)	28.7	17.5	11.4
Gifts in-kind (non-cash item) ¹	0.4	0.3	2.6
Management costs	5.4	5.0	4.7
Total (direct contributions by Group)	65.7	46.5	46.9
Leverage ²	2.9	4.8	1.9
Total (including leverage)	68.6	51.3	48.8
Percentage of prior year operating profit (PYOP)	1.6	1.5	3.0

1 Gifts in-kind comprises all non-monetary donations.

2 Leverage relates to the proceeds from staff and other fundraising.

2023 Sustainability Aspirations

1. Mobilise Sustainable Finance

Pillar	Key performance indicators	Period	Status	2023 progress update
Sustainable Finance	Mobilise \$300 billion in Sustainable Finance (SF) ¹	2021–2030	○	Mobilised \$87.2bn between January 2021 and September 2023. Strong progress in 2023. We anticipate that mobilisation of SF will not be linear and will likely increase over time as the market matures and we help our clients transition. We remain on track for overall target in 2030.

2. Operationalise interim 2030 financed emissions targets to meet our 2050 net zero ambition

Pillar	Key performance indicators	Period	Status	2023 progress update
Operations	Net zero in our operations (Scope 1 and 2 GHG)	2019–2025	○	We reduced our Scope 1 and 2 emissions by 30% to 34,734 tCO ₂ e during 2023. Our measured real estate decreased by 7% during that time. The Group purchased and retired carbon credits for our residual operational Scope 1 and 2 emissions. We remain on track for overall target 2025.
	Increase renewable energy sourcing to 100% by 2025 (RE100 compliant)	2022–2025	○	66% of our electricity came from renewable sources across our portfolio after matching consumption with Renewable Energy Certificates (RECs). We remain on track for overall target 2025.
	Achieve and maintain flight emissions 28% lower than our 2019 baseline of 94,000 tCO ₂ e	2021–2023	✓	Achieved 36% reduction in flight emissions compared to 2019 baseline.
	Divert 90% of waste from the landfill by 2030	2020–2030	○	In 2023, we reduced our overall waste generated by 37% and achieved 52% avoidance of landfill (up from 31%).
Financed Emissions	Achieve 2030 interim financed emissions reduction in our most carbon-intensive sectors ² :	2020/2021–2030	○	During the year, Oil and Gas sector's revenue-based target was changed to absolute target, effectively placing a carbon budget on the sector. Power and Steel sector targets changed from revenue-based to production-based intensity targets, which are considered best in class for these sectors. We remain on track for all interim 2030 sectoral science-based targets; however, transition alignment is needed for Shipping and Cement. For further information on the progress against each sector-specific 2030 target, refer to pages 109–117.
	<ul style="list-style-type: none"> • -29% in Oil and Gas (absolute) • -45–67% in Power (production intensity) • -20–30% in Steel (production intensity) • -85% emissions reduction in Thermal Coal Mining (absolute) • Maintain production-intensity in Aluminium • Reduce our alignment delta in Shipping to 0% • -53–82% in Automotive Manufacturers (physical intensity) 	2021–2024	○	Targets have been set for Commercial Real Estate, Cement, Residential Mortgages and Aluminium and presented in this Annual Report, refer to pages 109–117. Target for Agriculture will be developed in 2024. We remain on track for overall target for 2024.

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

2 Refer to the Group's 'Net zero methodological white paper – The journey continues' via sc.com/sustainabilityhub and aligned with our Position Statements available at sc.com/sustainabilityhub. For Aviation, the Group completed the sale of its global aviation finance leasing business and the majority of its aviation lending book in August 2023. Noting the distortive effects that the sale of this business would create in our emissions profile for this sector, the progress against this target has been paused for year-end 2023. This will be re-assessed based on the size and materiality of the remaining portfolio in 2024.

3. Enhance and deepen leadership within the sustainability ecosystem

Pillar	Key performance indicators	Period	Status	2023 progress update
Market Integrity, Trust, Conduct and Compliance	Partnering to lead the fight against financial crimes: <ul style="list-style-type: none"> Participating in public-private partnerships to contribute to understanding most recent developments, share intelligence and good practices Contribute to developing typologies and red flags for financial flows 	Ongoing	○	During 2023, the Group undertook a series of engagements across multiple jurisdictions in furtherance of this aspiration. The Group continued engagement with international and regional standard-setters, such as the Financial Action Task Force and Wolfsberg Group. In many jurisdictions, the Group contributed, either directly or via trade bodies, to reform of financial crime legislation and regulation, and to public-private partnerships to tackle financial crime. The Group has participated in a number of financial crime conferences across our footprint - chairing and leading many panel discussions, and contributing subject-matter expertise whenever possible. In addition, the Group has been engaged in planning discussions with countries and bodies seeking to establish new partnerships and information-sharing arrangements.
	Develop and deliver a targeted outreach programme, including through key international platforms, aimed at safely and transparently reducing barriers to capital mobilisation for sustainable development	2022–2024	○	The Group continued to proactively engage in policy discussions via a number of major international and regional platforms and conferences. Through these activities, the Group sought to promote robust policy and regulatory frameworks to ensure the credibility and integrity of sustainable investments and to support capital mobilisation for sustainable finance.

4. Drive social impact with our clients and communities

Pillar	Key performance indicators	Period	Status	2023 progress update
People	Increase gender representation to 35% women in senior roles ³	2016–2025	○	Women leadership representation at the end of 2023 was 32.5%. We remain on track for our overall target in 2025.
	Create Supplier Diversity and Inclusion Plans for all in-scope markets with Supply Chain Management (SCM) team presence to support 40 per cent of our newly onboarded suppliers being diverse ⁴	2022–2025	✓	100% of in-scope markets have Supplier Diversity and Inclusion Plans and 40% of our newly onboarded suppliers were diverse.
	Increase our Culture of Inclusion score to 84.5% ⁵	2020–2024	○	83.23% of employees reported positive sentiments around our culture of inclusion. We remain on track for our overall 2024 target.
	Grow our employee MyVoice score to the question “The way we operate day-to-day is aligned with our sustainability strategy” from 2021 baseline of 84% to 88%	2022–2024	○	86% of employees have said the way we operate day to day is aligned with our sustainability strategy. We remain on track for our overall 2024 target.

3 Senior roles refer to roles that are at least at the level of Executive Director (Band 4) and Managing Directors (Band 3) as of 31 December of each reporting year.

4 For Standard Chartered diverse suppliers are defined as:

- Small Enterprise (10-49 employees + turnover <USD10 million)
- Micro Enterprise (<10 employees + turnover <USD2 million)
- Medium Enterprise (50-249 employees + turnover <USD50 million)
- Women Owned (51 per cent or more owned by Women (South Africa 30 per cent owned by women as per local government regulations))
- Ethnic Minority (Owned 51 per cent owned by ethnic minorities)
- Veteran Owned (51 per cent or more owned by veterans)
- Disabled Owned (51 per cent or more owned by differently abled people)
- LGBT+ Owned (Owned 51 per cent owned by LGBT+ (not possible in some countries due to local legal regulations))
- Social Enterprises (NGOs and Charities)

5 The ‘Culture of Inclusion’ score is based on several questions in MyVoice employee engagement survey that relate to different concepts of inclusion, including being respected and valued for contributions, being heard and involved in decisions, career development and opportunities, and work life balance.

4. Drive social impact with our clients and communities continued

Pillar	Key performance indicators	Period	Status	2023 progress update
Communities	Invest 0.75% of prior year operating profit (PYOP) in our communities	Ongoing	✓	Achieved 1.6% PYOP, refer to page 509 for additional details.
	Education: Reach one million girls and young women through Goal	2006–2023	✓	Goal projects reported strong results in 2023 with the programme reaching over 200,000 young girls, enabling the programme to successfully surpass the longstanding target to reach one million girls by December 2023.
	Employability: Reach 275,000 young people	2019–2023	✓	A new aspirational target was set in 2022 to reach 275,000 young people by December 2023. We have achieved as the pace of implementation for employability projects continued to increase in 2023, including large projects in China and India delivering both intensive and non-intensive (lighter touch) interventions. 165,056 young people participated in employability programmes in 2023.
	Entrepreneurship: Reach 125,000 young people	2019–2023	✓	A new aspirational target was set in 2022 to reach 125,000 young people by 2023. We have achieved and exceeded this target as Futuremakers entrepreneurship projects more than doubled the number of young people reached in 2023, primarily driven by non-intensive tech-enabled solutions and online learning materials that allowed projects to access a much larger number of participants. 378,108 young people participated in entrepreneurship programmes in 2023.
	Increase participation for employee volunteering (EV) to 55%	2020–2023	✓	We achieved and surpassed our target of 55% with an outstanding EV participation rate of 61% as of end of December 2023. 52,377 volunteers have logged 76,126 days of EV leave. Going forward, we aim to shift the focus of EV to skills-based volunteering, for which we have included the target for 2024 of 75,000 hours.

Concluded in the year

✓ Achieved ⚠ Not achieved

Ongoing aspirations

○ On track △ Not on track

TCFD summary and alignment index

The following table sets out the recommendations and recommended disclosures of the Taskforce on Climate-related Financial Disclosures (TCFD) and summarises where information can be found in this Annual Report.

Recommendation	Response	Disclosure location
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities		
Process and frequency of communication to the Board	<ul style="list-style-type: none"> The Board and its supporting committees are responsible for the oversight of climate- and sustainability-related risks and opportunities. The Board Risk Committee (BRC) receives Climate Risk updates in Group Chief Risk Officer (GCRO) reports six times a year and reviews the Climate Risk Information Report quarterly. The Audit Committee (AC) is responsible for oversight of the Group's quantitative reporting metrics and controls over those metrics. The AC is updated annually in the fourth quarter and more frequently if any material disclosures are made outside of the Group's annual reporting cycle. The Culture and Sustainability Committee (CSC) reviews the Group's overall sustainability strategy and monitors the implementation of the Group's public commitment to net zero financed emissions by 2050. The CSC received updates three times during 2023. 	Strategic report – page 76 Sustainability review – pages 120-123 Directors' report – pages 162-176 Risk review and Capital review – pages 298-313
Incorporation of climate-related issues into Board and Board committee planning and decisions	<ul style="list-style-type: none"> The Board reviewed and approved our sustainability strategy including progress on our roadmap to achieve net zero financed emissions by 2050, key performance indicators and public commitments. The BRC reviewed, discussed, and challenged the Group's (i) progress on embedding climate risk in line with PRA SS 3/19; (ii) the results of the Group's first bespoke short-term base case and tail risk scenarios; (iii) development of the Group's internal modelling capabilities; and (iv) key focus areas for 2024. 	Sustainability review – pages 120-123
Board oversight of climate-related goals and targets	<ul style="list-style-type: none"> The Board oversees the Group's overall net zero 2050 ambition and in 2023 reviewed progress on delivery against the Group's net zero roadmap. It approved the Group's Climate Risk Appetite Statement and related Board-level metrics. Any breaches to the risk appetite metrics are reported to the Group Risk Committee and the Board Risk Committee. 	Sustainability review – pages 120-123
b) Describe management's role in assessing and managing climate-related risks and opportunities		
Roles and responsibilities for climate-related risks and opportunities	<ul style="list-style-type: none"> Each member of the Group Management Team (MT) is responsible for strategically driving climate considerations within their geography, business segment or function in line with our net zero roadmap. Responsibility for identifying and managing financial risks from climate change sits with the GCRO as the appropriate Senior Management Function (SMF) under the Senior Managers Regime (SMR). The Global Head, ESG and Reputational Risk is responsible for ensuring and executing the delivery of the Climate Risk workplan. The Chief Sustainability Officer's (CSO) organisation, as led by the CSO, is responsible for creating the Group-wide sustainability strategy and working across business segments and functional teams to deliver on our goals, targets and net zero roadmap. Roles and responsibilities associated with climate-related risks and opportunities have been set out in the "Climate and sustainability-related governance" section of this Annual Report. 	Sustainability review – pages 120-123
Processes used to inform management	<ul style="list-style-type: none"> Management is informed by several committees and forums, with climate- and sustainability-related information communicated via reports and committee papers. This includes channels including our Climate Risk Information Reports, and updates to the Sustainability Executive Committee and CCIB and CPBB management teams. 	Sustainability review – pages 120-123

Recommendation	Response	Disclosure location
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term		
Relevant short, medium and long-term time horizons	<ul style="list-style-type: none"> In our strategic business planning, we consider “short-term” to be less than two years, “medium-term” to be two to five years and “long-term” to be beyond this. For climate scenario analysis, we can run 30-year scenarios for both physical and transition risk. Some elements of our physical risk scenario analysis can also extend to 2100. In 2023, we significantly strengthened our stress testing and scenario analysis abilities for a range of short, medium and long-term management scenarios that are more plausible, including the first bespoke short-term base case and tail risk scenarios. 	Risk review and Capital review – pages 298-313
Processes used to determine material risks and opportunities	<ul style="list-style-type: none"> We utilise a range of tools and methodologies to assess transition and physical Climate Risk, which we apply to our clients, portfolios and our own operations. These include: scenario analysis, location-based hazard and risk scores and temperature alignment scores. In addition, we engage with our corporate clients to understand their transition and physical risks, as well as their plans to prepare for climate change. Detailed processes to determine material risks across the impacted risk types are discussed in more detail within the “Risk review and Capital review” section. 	Risk review and Capital review – pages 298-313
Climate-related risks and opportunities identified	<ul style="list-style-type: none"> The Group is exposed to Climate Risk through our clients, our own operations, our suppliers and from the industries and markets we operate in. The Group defines Climate Risk as the potential for financial loss and non-financial detriments arising from climate change and society’s response to it. Physical risk may arise from increasing severity and frequency of climate- and weather-related events, which can damage property and other infrastructure, disrupt supply chains, and impact food production. It may also reduce asset valuations leading to lower profitability for companies. Indirect effects on the macroeconomic environment, such as lower output and productivity may exacerbate these direct impacts. Transition risk may arise from the adjustment towards a carbon-neutral economy, which will require significant structural changes to the economy. These changes will prompt a reassessment of a wide range of asset values, a change in energy prices, and a fall in income and creditworthiness of some borrowers. In turn, this entails credit losses for lenders and market losses for investors. Our work to scale Sustainable and Transition Finance is an opportunity for the Group to create resilience against transition risks and help provide capital and financing for our clients’ transition to a low carbon economy. Through supporting our clients on their decarbonisation journeys as they adapt their business models to be less carbon-intensive over time, we help manage their, and our transition risk. We aim to achieve Sustainable Finance income of \$1 billion by 2025, mobilise \$300 billion of Sustainable Finance between 2021 and 2030, and continue to grow the Sustainable Finance asset and liability books. 	Strategic report – pages 76-78 Sustainability review – pages 126-129 Risk review and Capital review – pages 298-313 Note 1 significant judgement and estimates – pages 367-369
Significant concentrations of credit exposure to carbon-related assets	<ul style="list-style-type: none"> We aim to become net zero in our financed emissions by 2050, and have set interim 2030 targets set for 11 high-emitting sectors in line with Net-Zero Banking Alliance (NZBA) Guidance: Aluminium; Automotive Manufacturers, Aviation, Cement; Commercial Real Estate, Oil and Gas, Power, Residential Mortgages, Shipping, Steel and Thermal Coal Mining. The 12th sector, Agriculture, will have a target developed in 2024. We have disclosed our exposures to high-emitting sectors, which are identified and grouped as per the International Standard Industrial Classification (ISIC) system and exposure numbers have been updated to include all in-scope ISIC codes used for target setting among the high-carbon sectors. The full exposure does not provide an indication of how many clients have net zero pathways in alignment with our own, and hence can be banked as they transition and/or decarbonise their business models . 	Sustainability review – pages 108-117 Risk review and Capital review – pages 298-305

Recommendation	Response	Disclosure location
Strategy continued		
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	<p>Impact of climate-related risks and opportunities on business areas</p> <p>Enterprise Risk</p> <ul style="list-style-type: none"> We manage Climate Risk according to the characteristics of the impacted risk types and are embedding climate-risk considerations into relevant frameworks and processes. Details on the risks identified such as sectors vulnerable to climate risks, loan impairment intensities, client-level climate risk grading, exposure concentration to physical risk hazards for residential mortgage portfolios and across our own operations are discussed in more detail within the "Risk review and Capital review" section. <p>Products and services</p> <ul style="list-style-type: none"> We have Product Programme Guidance documents which underpin each Sustainable Finance product that we offer, signed off by a delegate of the Sustainable Finance Governance Committee (SFGC) following approval of the product construct by the SFGC. The SFGC is our forum for reviewing Sustainable Finance products and derives its authority from the Group Reputational and Responsibility Risk Committee. SFGC is our foremost committee on greenwashing risk in Sustainable Finance product design and labelling. Our Green and Sustainable Product Framework governs all activities we as an organisation view as green or sustainable. It is publicly available and externally verified by Morningstar Sustainalytics. The Sustainability Bond Framework provides the basis for issuance of Green, Social and Sustainability bonds, drawing on the activities that we view as green or sustainable. Informed by the IEA NZE Energy 2050 scenario, we outline what assets and activities qualify for labelling as "transition" in our Transition Finance Framework. <p>In our own operations</p> <ul style="list-style-type: none"> Since 2018 we have been actively targeting a reduction in our Scope 1 and 2 greenhouse gas (GHG) emissions. We aim to optimise our office and branch network by retiring unused or inefficient space and creating a working environment that matches office and hybrid-working patterns of our workforce. We are actively seeking to increase the proportion of our electricity usage that comes from renewable sources. These can take the form of power purchase agreements, clean energy contracts, on-site solar installations and renewable energy certificates. <p>In our supply chain</p> <ul style="list-style-type: none"> Through our Supplier Charter, we expect our suppliers to support and promote environmental protection, and to comply with local environmental laws and regulations. We expect our suppliers to promote the development and distribution of environmentally friendly technologies and manage environmental concerns in their own supply chains. With 11,563 suppliers, we recognise our contribution to climate impacts through the goods and services we procure. Severe weather events could result in material disruptions to our supply chain that may potentially impact our ability to serve our clients. As such, we work to gather site locations for our material suppliers to assess their physical risk exposures, such that suitable continuity plans can be developed. We continue to engage with our suppliers to collect emissions data, directly from them, thereby improving the accuracy of our Scope 3 Categories 1, 2, 4 and 6 (miscellaneous other than air travel) emissions calculations and reporting. <p>Incorporating climate-related inputs into the financial planning process</p> <ul style="list-style-type: none"> In 2023, climate-related risks and opportunities were considered as part of our formal annual corporate plan, strategy, and financial planning process, and included if considered material. In addition, we developed management scenarios with an aim to strengthen business strategy and financial planning to support the Group's net zero roadmap. From a capital perspective, Climate Risk considerations have been part of our Internal Capital Adequacy Assessment Process (ICAAP) submissions. 	<p>Strategic report – pages 70; 76-78</p> <p>Sustainability review – pages 105-107; 126-129</p> <p>Directors' report – pages 226-227</p> <p>Risk review and Capital review – pages 298-313</p>

Recommendation	Response	Disclosure location
Strategy continued		
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a two degrees Celsius or lower scenario		
Approach to scenario analysis	<ul style="list-style-type: none"> Over recent years, we have progressively strengthened our scenario analysis capabilities and developed our infrastructure and capabilities to incorporate Climate Risk into data, modelling and analysis. Our work to date, using current assumptions and proxies, indicates that our business is resilient to three scenarios from Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and three in-house bespoke scenarios that were explored. 	Risk review and Capital review – pages 309-313
Scenarios used	<ul style="list-style-type: none"> In 2023, we developed bespoke internal modelling capabilities to provide greater transparency of scenarios and models. We assessed the impact on our CCB corporate client portfolio based on three Phase 3 scenarios from the NGFS and three in-house bespoke scenarios. We also assessed the impact of sea level rises under various Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) scenarios to explore the physical risk impacts on the Consumer, Private & Business Banking (CPBB) residential mortgage portfolio over short- and long-term time horizons for internal risk management purposes. The results of scenario analyses have provided further validation to the actions we are taking as a Group in terms of our net zero ambitions and strategy. 	Risk review and Capital review – pages 309-313
Impact of climate-related risks and opportunities on business strategy	<ul style="list-style-type: none"> We are working with clients in high-emitting and carbon-intensive sectors, aiming to support their transition to a low carbon economy, including through the adoption of emission reduction plans and new technological solutions. Our work to scale our Sustainable Finance franchise, along with our targets to (i) mobilise \$300 billion Sustainable Finance between 2021 and 2030, and (ii) scale Sustainable Finance income to \$1 billion by 2025, supported by our Sustainable Finance frameworks are elements of a robust response to transition risks in the short term, strengthening our resilience towards a two degrees Celsius or lower transition scenario. 	Strategic report – page 70 Sustainability review – pages 96; 99-101
Risk Management		
a) Describe the organisation's processes for identifying and assessing climate-related risks		
Processes for identifying and assessing risk	<ul style="list-style-type: none"> We manage Climate Risk according to the characteristics of the impacted risk types and are embedding climate-risk considerations into relevant frameworks and processes. To support the management and monitoring of climate-related physical and transition risks, we continue to conduct case level reviews for enhanced due diligence on high 'Climate Credit Risk' and 'Climate and Reputational and Sustainability Risk' for our corporate clients. We continuously monitor the Risk Appetite metrics that aim to measure and manage financial and non-financial risks arising from climate change. To assess climate-related risks and opportunities in the short-, medium- and long-term, we use scenario analysis to consider how risks and opportunities may evolve under different situations. 	Strategic report – pages 76-78 Sustainability review – pages 126-129 Risk review and Capital review – pages 298-313
Existing and emerging regulatory requirements related to climate change	<ul style="list-style-type: none"> Key financial regulators across our footprint have proposed or set supervisory expectations on climate and environmental risk management. Those expectations are broadly aligned with the Basel Committee principles for the management of climate-related financial risks, but local implementations vary. We have been actively engaging with industry bodies and regulators to drive consistency in policymaking across our markets. A process has been established for tracking various Climate Risk-related regulatory developments and obligations set by both financial and non-financial service regulators at Group, regional and country level, with roles and responsibilities set out in the Group's Climate Risk Policy. Regulatory requirements or enhancements needed are recorded through workplans across various teams. The workplans are coordinated and monitored through various working groups by having the relevant accountable executives participate in the relevant forums. 	Strategic report – page 78
Characterising climate-related risks in the context of traditional banking industry risk categories	<ul style="list-style-type: none"> We have identified seven Principal Risk Types (PRT) that are most materially impacted by potential climate risks and describe transmission channels for Climate Risk manifesting as financial and non-financial risk. 	Strategic report – page 78 Risk review and Capital review – pages 298-309

Recommendation	Response	Disclosure location
Risk Management continued		
b) Describe the organisation's processes for managing climate-related risks		
Processes for managing and mitigating risks	<ul style="list-style-type: none"> We manage Climate Risk according to the characteristics of these seven PRTs and are embedding climate-risk considerations into the relevant frameworks and processes as well as setting risk appetites. Detailed processes for managing and mitigating climate risks across the impacted risk types are discussed in more detail within the 'Risk review and Capital review' section of this Annual Report. Our Climate Risk Appetite Statement (RAS) is approved annually by the Board and any breaches are reported to the Group Risk Committee and the Board Risk Committee. We regularly review the scope and coverage of our Risk Appetite metrics for enhanced risk identification and management. Additional metrics to address our public targets across key sectors and a stress loss metric built on scenario outcomes have been identified and are being monitored in 2024. 	Strategic report – pages 76-78 Sustainability review – pages 126-129 Risk review and Capital review – pages 298-313
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management		
Integration into Enterprise Risk Management Framework	<ul style="list-style-type: none"> Climate Risk is recognised in the Group Enterprise Risk Management Framework (ERMF) as manifesting through existing risk types and is managed in line with the impacted risk type frameworks. In 2023, we have continued to build Climate Risk into existing risk-management processes, focusing on identifying, assessing, and monitoring across risk types. 	Strategic report – pages 76-78 Sustainability review – pages 127-129 Risk review and Capital review – pages 298-313
Metrics and Targets		
a) Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process		
Key metrics used to measure and manage climate-related risks and opportunities as well as metrics used to assess the impact of (transition and physical) climate-related risks on their lending and other financial intermediary business activities	<ul style="list-style-type: none"> We disclose the following metrics in order to measure and manage climate-related risks and opportunities: <p>GHG emissions:</p> <ul style="list-style-type: none"> Scope 1, Scope 2 and relevant Categories of Scope 3 emissions, in particular Category 15 – Investments (financed emissions). <p>Climate-related transition risks:</p> <ul style="list-style-type: none"> Loan impairment intensities for the corporate portfolio and key sectors across a range of scenarios. Transition risk exposure concentration for residential mortgages using Energy Performance Certificate (EPC). Client-level Climate Risk Assessment (CRA) scores by region for measuring gross transition risk and mitigation plans. Distribution of climate risk grading across key markets. Weighted Average Temperature Alignment (WATA) scores by sectors and regions. Gross Country Risk exposure distribution. <p>Climate-related physical risks:</p> <ul style="list-style-type: none"> Exposure concentration of gross flood and sea level rise risk for residential mortgage portfolio by regions. Physical risk vulnerabilities of our own operating locations across a range of acute and chronic physical risk events. Client-level CRA scores by region for measuring gross physical risk and adaptation measures. Gross Country Risk exposure distribution. <p>Climate-related opportunities:</p> <ul style="list-style-type: none"> Sustainable Finance income. Green and Social Finance assets. Sustainable liabilities. Sustainability-Linked assets. <p>Capital deployment:</p> <ul style="list-style-type: none"> Mobilisation of Sustainable Finance. 	Strategic report – pages 68; 72 Sustainability review – pages 94; 99-101; 105; 110-117; 126-129 Risk review and Capital review – pages 298-313
Climate-related incentive structures	<ul style="list-style-type: none"> Selected sustainability measures aligned with the Group's Sustainability Aspirations and Sustainability Strategic Pillars continue to be incorporated into the Group scorecard which informs variable remuneration for the majority of employees. Sustainability-related targets continue to be also included in the 2024-2026 Long-Term Incentive Plan (LTIP) performance measures. Members of the Group Management Team are eligible for LTIP awards, which may also be granted to other employees in the Group. 	Sustainability review – page 124 Risk review and Capital review – pages 202-207

Recommendation	Response	Disclosure location
Metrics and Targets continued		
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks		
In our own operations	<ul style="list-style-type: none"> We reduced our Scope 1 and 2 emissions by 30% to 34,734 tCO₂e. Our measured real estate decreased by 7% during this time. This was possible through investments into energy-efficiency and utilising 66% of electricity from renewable sources across our portfolio after matching consumption with Renewable Energy Certificates (RECs). During the year, we started measuring the fugitive emissions from our own operations. 	Sustainability review – pages 105-106 Supplementary sustainability information – pages 505-506
In our supply chain	<ul style="list-style-type: none"> We continued to partner with an independent climate consultancy using a hybrid methodology (supplier-specific data and spend emissions factors) to measure our supplier emissions for Scope 3 Categories 1, 2, 4 and 6 (miscellaneous other than air travel). These emissions are reported on a one-year lag. Overall, our emissions associated with the products, services and equipment that we purchase and those related to business travel (excluding air travel) – Scope 3 Categories 1, 2, 4 and 6 (miscellaneous other than air travel) – have shown an estimated 17% year-on-year reduction to a total of 362,054 tCO₂e since the previous reporting year, excluding Scope 3 category 1 data centres. We continued to improve the accuracy of our supply chain emissions data collection by increasing the number of primary data sources and updating the CEDA emissions factor calculations. Our 2023 reported emissions are based on 2022 supplier spend. Our Scope 3 Category 6 (air travel) emissions totalled 60,279 tCO₂e. We have seen an increase in emissions associated with air travel since the previous reporting year. Nonetheless, the Group was able to exceed its target and managed to reduce these emissions by 36% compared to its 2019 baseline. 	Sustainability review – page 109 Supplementary sustainability information – pages 505-506
Measuring our financed emissions	<ul style="list-style-type: none"> Analysing our exposure to high-emitting sectors is the starting point of our financed emission calculations. The Group has set targets for 11 of the 12 high-emitting sectors as mandated by the NZBA with targets for Aluminium, Cement, Commercial Real Estate, and Residential Mortgages set during the year. The Group has further set a baseline for facilitated emissions in 2023. 	Strategic report – pages 73-74 Sustainability review – pages 105; 108-117
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		
Details of targets set and whether they are absolute or intensity based	<ul style="list-style-type: none"> The targets we have set for climate-related risks are primarily our net zero, across Scopes 1, 2 and specifically 3 financed emissions, starting in 2030, with thermal coal targets in the shorter term from 2024. Our progress is set out in the Financed emissions section. On climate-related opportunities, we have \$1 billion of Sustainable Finance income and \$300 billion mobilisation of Sustainable Finance targets for 2025 and 2030 respectively. During the year, we revised the measurement of our Oil and Gas sector emissions from an income-based carbon intensity metric to absolute financed emissions to better reflect the sector emission profile, effectively creating a carbon budget for the sector that is intended to decrease over time. In addition to this, our Power target was revised from an income-based carbon intensity to a production intensity target. Target methodologies have evolved in the Shipping and Automotive Manufacturers sectors which has led us to restate some of our existing targets to better align them with the latest scientific views in those sectors. In 2023, we continued to expand the coverage of our financed emissions targets with four additional targets for Aluminium, Cement, Commercial Real Estate and Residential Mortgages. 	Strategic report – pages 68; 70; 72; 74 Sustainability review – pages 94; 99-101; 106; 107; 110-111
A description of the methodologies used to calculate targets and measures	<ul style="list-style-type: none"> The methodologies used to calculate baseline emissions are set out in the updated 'Net zero methodological white paper – The journey continues', available at sc.com/sustainabilityhub. 	Sustainability review – pages 109-117
Other key performance indicators used	<ul style="list-style-type: none"> The Group's approach to sustainability is underpinned by our Sustainability Aspirations. During 2023, we refreshed and consolidated our Sustainability Aspirations into four overarching long-term goals, each supported by key performance indicators. 	Sustainability review – pages 94-98 2023 Sustainability Aspirations – pages 508-510

Shareholder information

Dividend and interest payment dates

Ordinary shares	Final dividend
Results and dividend announced	23 February 2024
Ex-dividend date	7 (UK) 6 (HK) March 2024
Record date for dividend	8 March 2024
Last date to amend currency election instructions for cash dividend*	23 April 2024
Dividend payment date	17 May 2024

* In either United States dollars, sterling or Hong Kong dollars

Preference shares

7½ per cent non-cumulative irredeemable preference shares of £1 each	1 April 2024	1 October 2024
8¼ per cent non-cumulative irredeemable preference shares of £1 each	1 April 2024	1 October 2024
6.409 per cent non-cumulative redeemable preference shares of \$5 each	30 January and 30 April 2024	30 July and 30 October 2024
7.014 per cent non-cumulative redeemable preference shares of \$5 each	30 January 2024	30 July 2024

Annual General Meeting

The Annual General Meeting (AGM) will be held on Friday 10 May 2024 at 11:00 UK time (18:00 Hong Kong time). Further details regarding the format, location and business to be transacted at the meeting will be disclosed within the 2024 Notice of AGM.

 Details of voting at the Company's AGM and of proxy votes cast can be found on the Company's website at sc.com/agm

Interim results

The interim results will be announced to the London Stock Exchange and the Stock Exchange of Hong Kong Limited and put on the Company's website.

Country-by-Country Reporting

In accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013, the Group will publish additional country-by-country information in respect of the year ended 31 December 2023, on or before 31 December 2024. We have also published our approach to tax and tax policy.

 This information will be available on the Group's website at sc.com

Pillar 3 Reporting

In accordance with the Pillar 3 disclosure requirements, the Group will publish the Pillar 3 Disclosures in respect of the year ended 31 December 2023, on or before 23 February 2024.

 This information will be available on the Group's website at sc.com

ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account. It allows you to hold your Standard Chartered PLC shares in a nominee account. Your shares will be held in electronic form so you will no longer have to worry about keeping your share certificates safe. If you join ShareCare, you will still be invited to attend the Company's AGM and you will receive any dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay.

 If you would like to receive more information, please visit our website at <https://www.sc.com/sharecare> or contact the shareholder helpline on 0370 702 0138

Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. There is no implication for capital gains tax (no gain or loss) when you donate shares to charity and UK taxpayers may be able to claim income tax relief on the value of their donation.

 Further information can be obtained from the Company's registrars or from ShareGift on 020 7930 3737 or from sharegift.org

Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account.

 Please register online at investorcentre.co.uk or contact our registrar for a dividend mandate form

Registrars and shareholder enquiries

If you have any enquiries relating to your shareholding and you hold your shares on the UK register, please contact our registrar at investorcentre.co.uk and click on the 'ASK A QUESTION' link at the bottom of the page. Alternatively, please contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ or call the shareholder helpline number on 0370 702 0138.

If you hold your shares on the Hong Kong branch register and you have enquiries, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

 You can check your shareholding at computershare.com/hk/investors

Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO). As a result of this exemption, shareholders, directors and chief executives, no longer have an obligation under Part XV of the SFO (other than Divisions 5, 11 and 12 thereof) to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO, nor a register of directors' and chief executives' interests under

section 352 of the SFO. The Company is, however, required to file with The Stock Exchange of Hong Kong Limited any disclosure of interests made in the UK.

Taxation

No tax is currently withheld from payments of dividends by Standard Chartered PLC. Shareholders and prospective purchasers should consult an appropriate independent professional adviser regarding the tax consequences of an investment in shares in light of their particular circumstances, including the effect of any national, state or local laws.

Previous dividend payments (unadjusted for the impact of the 2015/2010/2008 rights issues)

Dividend and financial year	Payment date	Dividend per ordinary share	Cost of one new ordinary share under share dividend scheme
Final 2008	15 May 2009	42.32c/28.4693p/HK\$3.279597	£8.342/\$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK\$1.645304	£13.876/\$22.799
Final 2009	13 May 2010	44.80c/29.542233p/HK\$3.478306	£17.351/\$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK\$1.811274/INR0.984124 ¹	£17.394/\$27.190
Final 2010	11 May 2011	46.65c/28.272513p/HK\$3.623404/INR1.9975170 ¹	£15.994/\$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK\$1.928909813/INR1.13797125 ¹	£14.127/\$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK\$3.9776083375/INR2.6667015 ¹	£15.723/\$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK\$2.111362463/INR1.349803950 ¹	£13.417/\$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK\$4.4048756997/INR2.976283575 ¹	£17.40/\$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK\$2.233204992/INR1.6813 ¹	£15.362/\$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK\$4.43464736/INR3.354626 ¹	£11.949/\$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK\$2.2340016000/INR1.671842560 ¹	£12.151/\$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK\$4.43329/INR3.514059 ¹	£9.797/\$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK\$1.115985456/INR0.86139372 ¹	£8.5226/\$13.34383
Final 2015	No dividend declared	N/A	N/A
Interim 2016	No dividend declared	N/A	N/A
Final 2016	No dividend declared	N/A	N/A
Interim 2017	No dividend declared	N/A	N/A
Final 2017	17 May 2018	11.00c/7.88046p/HK\$0.86293/INR0.653643340 ¹	£7.7600/\$10.83451
Interim 2018	22 October 2018	6.00c/4.59747p/HK\$0.46978/INR0.3696175 ¹	£6.7104/\$8.51952
Final 2018	16 May 2019	15.00c/11.569905p/HK\$1.176260/INR0.957691650 ¹	N/A
Interim 2019	21 October 2019	7.00c/5.676776p/HK\$0.548723/INR0.425028600 ¹	N/A
Final 2019	Dividend withdrawn	N/A	N/A
Interim 2020	No dividend declared	N/A	N/A
Final 2020	20 May 2021	9.00c/6.472413p/HK\$0.698501	N/A
Interim 2021	22 October 2021	3.00c/2.204877p/HK\$0.233592	N/A
Final 2021	12 May 2022	9.00c/6.894144p/HK\$0.705772	N/A
Interim 2022	14 October 2022	4.00c/3.675912p/HK\$0.313887	N/A
Final 2022	11 May 2023	14.00c/11.249168p/HK\$1.098083	N/A
Interim 2023	13 October 2023	6.00c/4.910412p/HK\$0.469085	N/A

¹ The INR dividend is per Indian Depository Receipt. In March 2020, the Group announced the termination of the IDR programme. The IDR programme was formally delisted from the BSE Limited (formerly the Bombay Stock Exchange) and National Stock Exchange of India Limited with effect from 22 July 2020

Chinese translation

If you would like a Chinese language version of the 2023 Annual Report, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

二〇二三年年報之中文譯本可向香港中央證券登記有限公司索取，地址：香港灣仔皇后大道東183號合和中心17M樓。

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of this Annual Report, the English text shall prevail.

Electronic communications

If you hold your shares on the UK register and in future you would like to receive the Annual Report electronically rather than by post, please register online at: investorcentre.co.uk. Click on 'register now' and follow the instructions. You will need to have your Shareholder or ShareCare reference number to hand. You can find this on your share certificate or ShareCare statement. Once you have registered and confirmed your email communication preference, you will receive future notifications via email enabling you to submit your proxy vote online. In addition, as a member of Investor Centre, you will be able to manage your shareholding online and change your bank mandate or address information.

Important notices

Forward-looking statements

The information included in this document may contain ‘forward-looking statements’ based upon current expectations or beliefs as well as statements formulated with assumptions about future events. Forward-looking statements include, without limitation, projections, estimates, commitments, plans, approaches, ambitions and targets (including, without limitation, ESG commitments, ambitions and targets). Forward-looking statements often use words such as ‘may’, ‘could’, ‘will’, ‘expect’, ‘intend’, ‘estimate’, ‘anticipate’, ‘believe’, ‘plan’, ‘seek’, ‘aim’, ‘continue’ or other words of similar meaning to any of the foregoing. Forward-looking statements may also (or additionally) be identified by the fact that they do not relate only to historical or current facts.

By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties and other factors that could cause actual results, and the Group’s plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Readers should not place reliance on, and are cautioned about relying on, any forward-looking statements.

There are several factors which could cause the Group’s actual results and its plans and objectives to differ materially from those expressed or implied in forward-looking statements. The factors include (but are not limited to): changes in global, political, economic, business, competitive and market forces or conditions, or in future exchange and interest rates; changes in environmental, geopolitical, social or physical risks; legal, regulatory and policy developments, including regulatory measures addressing climate change and broader sustainability-related issues; the development of standards and interpretations, including evolving requirements and practices in ESG reporting; the ability of the Group, together with governments and other stakeholders to measure, manage, and mitigate the impacts of climate change and broader sustainability-related issues effectively; risks arising out of health crises and pandemics; risks of cyber-attacks, data, information or security breaches or technology failures involving the Group; changes in tax rates or policy; future business combinations or dispositions; and other factors specific to the Group, including those identified in this Annual Report and financial statements of the Group. To the extent that any forward-looking statements contained in this document are based on past or current trends and/or activities of the Group, they should not be taken as a representation that such trends or activities will continue in the future.

No statement in this document is intended to be, nor should be interpreted as, a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date that it is made. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Please refer to this Annual Report and the financial statements of the Group for a discussion of certain of the risks and factors that could adversely impact the Group’s actual results, and cause its plans and objectives, to differ materially from those expressed or implied in any forward-looking statements.

Financial instruments

Nothing in this document shall constitute, in any jurisdiction, an offer or solicitation to sell or purchase any securities or other financial instruments, nor shall it constitute a recommendation or advice in respect of any securities or other financial instruments or any other matter.

Basis of Preparation and Caution Regarding Data Limitations

This section is specifically relevant to, amongst others, the sustainability and climate models, calculations and disclosures throughout this report.

The information contained in this document has been prepared on the following basis:

- i. disclosures in the Strategic report, Sustainability review, Directors’ report, Risk review and Capital review and Supplementary information are unaudited unless otherwise stated;
- ii. all information, positions and statements set out in this document are subject to change without notice;
- iii. the information included in this document does not constitute any investment, accounting, legal, regulatory or tax advice or an invitation or recommendation to enter into any transaction;
- iv. the information included in this document may have been prepared using models, methodologies and data which are subject to certain limitations. These limitations include: the limited availability of reliable data, data gaps, and the nascent nature of the methodologies and technologies underpinning this data; the limited standardisation of data (given, amongst other things, limited international coordination on data and methodology standards); and future uncertainty (due, amongst other things, to changing projections relating to technological development and global and regional laws, regulations and policies, and the current inability to make use of strong historical data);
- v. models, external data and methodologies used in information included in this document are or could be subject to adjustment which is beyond our control;
- vi. any opinions and estimates should be regarded as indicative, preliminary and for illustrative purposes only. Expected and actual outcomes may differ from those set out in this document (as explained in the “Forward-looking statements” section above);
- vii. some of the related information appearing in this document may have been obtained from public and other sources and, while the Group believes such information to be reliable, it has not been independently verified by the Group and no representation or warranty is made by the Group as to its quality, completeness, accuracy, fitness for a particular purpose or noninfringement of such information;
- viii. for the purposes of the information included in this document, a number of key judgements and assumptions have been made. It is possible that the assumptions drawn, and the judgement exercised may subsequently turn out to be inaccurate. The judgements and data presented in this document are not a substitute for judgements and analysis made independently by the reader;

- ix. any opinions or views of third parties expressed in this document are those of the third parties identified, and not of the Group, its affiliates, directors, officers, employees or agents. By incorporating or referring to opinions and views of third parties, the Group is not, in any way, endorsing or supporting such opinions or views;
- x. whilst the Group bears primary responsibility for the information included in this document, it does not accept responsibility for the external input provided by any third parties for the purposes of developing the information included in this document;
- xi. the data contained in this document reflects available information and estimates at the relevant time;
- xii. where the Group has used any methodology or tools developed by a third party, the application of the methodology or tools (or consequences of its application) shall not be interpreted as conflicting with any legal or contractual obligations and such legal or contractual obligations shall take precedence over the application of the methodology or tools;
- xiii. where the Group has used any underlying data provided or sourced by a third party, the use of the data shall not be interpreted as conflicting with any legal or contractual obligations and such legal or contractual obligations shall take precedence over the use of the data;
- xiv. this Important Notice is not limited in applicability to those sections of the document where limitations to data, metrics and methodologies are identified and where this Important Notice is referenced. This Important Notice applies to the whole document;
- xv. further development of reporting, standards or other principles could impact the information included in this document or any metrics, data and targets included in this document (it being noted that ESG reporting and standards are subject to rapid change and development); and
- xvi. while all reasonable care has been taken in preparing the information included in this document, neither the Group nor any of its affiliates, directors, officers, employees or agents make any representation or warranty as to its quality, accuracy or completeness, and they accept no responsibility or liability for the contents of this information, including any errors of fact, omission or opinion expressed.

You are advised to exercise your own independent judgement (with the advice of your professional advisers as necessary) with respect to the risks and consequences of any matter contained in this document.

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Main awards and accolades in 2023

Asian Banker

- Best Frictionless Customer Experience Initiative Award, China

Asian Banking and Finance Retail Banking Awards

- International Retail Bank of the Year, Singapore
- Investment Innovation Product of the Year, Taiwan
- Wealth Management Platform of the Year, Brunei
- International Retail Bank of the Year, Hong Kong

Asiamoney

- Best International Bank, Bangladesh
- Best Bank for Digital Solutions, Hong Kong
- Best Bank for Corporate Social Responsibility, Hong Kong



Bloomberg Businessweek Awards

- Excellence Award for 'Bank of the Year', Hong Kong
- Excellence Award for 'Retail Bank of the Year', Hong Kong
- Excellence Award for 'ESG Sustainability of the Year', Hong Kong

Digital Banker CX Awards

- Best Retail Bank for Digital CX (Highly Acclaimed), Hong Kong
- Best Hybrid CX (Highly Acclaimed), Hong Kong
- Best Retail Bank for Digital CX, Pakistan

Digital Banker Global Retail Banking Innovation Awards

- Best Digital Bank, Hong Kong

ESG Business Awards

- Renewable Energy Adoption Award, Bangladesh

Euromoney Global Private Banking Awards

- Best Domestic Private Bank, United Kingdom
- Best for ESG Investing, Korea & United Kingdom



European Chamber of Commerce

- Best ESG Communications, Singapore

Forbes

- Ranked 1st in the World's Best Banks 2023 list, China



Fortune India – Grant Thornton Bharat Study on India's Best Banks 2023

- Best Foreign Bank, India

Global Finance Magazine

- Best Bank in Sustainable Finance, Saudi Arabia
- Global Outstanding Leadership in Sustainable Finance, Global

International Business Magazine Awards

- Best Corporate and Social Responsibility Bank, Bangladesh
- Most Innovative Digital Bank, Bangladesh

International Finance Awards

- Most Innovative Wealth Management Bank, Ghana

MEA Finance Awards

- Best Global Bank, Middle East
- Best Cash Management Bank, United Arab Emirates

The Digital Banker

- Outstanding Digital Client Experience, China
- Best Mobile Banking Project, China

The Asset Triple A Awards

- Best RMB Bank Across East Africa, Kenya
- Best Service Providers for Trade Finance, Sri Lanka



The Asset Triple A Digital Awards

- Digital Bank of the Year, Bangladesh

The Asset Triple A Islamic Finance Awards

- Best Investment Bank, United Arab Emirates
- Best Retail Bank, United Arab Emirates
- Best Retail Bank, Standard Chartered Saadiq Bangladesh
- Sukuk Adviser of the Year, Saudi Arabia
- Islamic Bank of the Year, Middle East
- Islamic Bank of the Year, Standard Chartered Saadiq Bangladesh
- Best Supply Chain Bank, Middle East

The Asset Triple A Sustainable Investing Awards

- Best Domestic Custodian, Indonesia

The Asset Triple A Treasurise Awards

- Best RMB Bank, Indonesia
- Best ESG Solution for Liquidity and Investments, Malaysia, Taiwan & the Philippines
- Best Payments and Collections Solution, Malaysia, Taiwan & the Philippines
- Best Trade and Working Capital Finance Bank in South Asia, India – fifth consecutive year
- Best Transaction Bank, Hong Kong
- Best Cash Management Bank, Hong Kong
- Best E-Solutions Partner Bank, Hong Kong

Wallstreetcn

- Excellent Foreign Bank of the Year, China

WealthBriefing Europe Awards

- Best UK International Clients Team (Private Bank), United Kingdom
- Best UK Client Service (Private Bank), United Kingdom

Women in Marketing Communications Conference Awards

- Award for the Most Committed Brand Supporting Women-Owned Tech Businesses, Nigeria

Diversity & Inclusion and Employer awards**Asiamoney**

- Best Bank for Diversity and Inclusion, Hong Kong, Taiwan, the Philippines and Malaysia

Asian Banking and Finance Retail Banking Awards

- Employer of the Year (Regional Gold), Hong Kong

British Chamber of Commerce

- Diversity and Inclusion Champion of the Year, Singapore & United Kingdom

Equileap

- Ranked 15th for Gender Equality, Globally
- Ranked 3rd for Gender Equality, United Kingdom

Great Place to Work Accreditation

- Certified, Poland
- Certified, United Kingdom
- Certified, United States
- Certified, India
- Certified, Sri Lanka

India Workplace Equality Index

- Gold Employer of the Year, India

LGBT+ Inclusion Index - Presented by Community Business

- Ranked 4th for the Top Employers, Hong Kong
- Ranked 2nd for Top Organisations in Financial Services, Hong Kong

LinkedIn Top Companies List

- Ranked 2nd, Singapore

LinkedIn's Top 25 Workplaces to Grow Your Career List

- Ranked 8th, Kenya

Newsweek

- Listed in the Top 100 Most Loved Workplaces, United States

Points of Light

- The Civic 50: Most Community-Minded Company Honoree, United States

Priority for the Disabled

- Won the Top Award, Korea

Seramount

- Best Company for Multicultural Women, United States

The Straits Times

- Named as one of the Best Employers, Singapore

Top Employers Institute China

- Named Top Employer, China

**Financial Times**

- Listed in the Financial Times European Diversity Leaders for Workplace Inclusion, Europe – 4th consecutive year

Glossary

Absolute financed emissions

GHG emissions attributed to the Group's lending activities expressed in CO₂e and reported in the Group's emissions table under Scope 3, Category 15.

AT1 or Additional Tier 1 capital

Additional Tier 1 capital consists of instruments other than Common Equity Tier 1 that meet the conditions set out in Article 52(1) of the Capital Requirements Regulation (as it forms part of UK domestic law), as well as the share premium accounts related to those instruments.

Additional value adjustment

See Prudent valuation adjustment.

Advanced Internal Rating Based (AIRB) approach

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

Alignment delta

Alignment delta is a variant on the physical emissions intensity approach. It measures the coefficient of alignment against a particular reference scenario expressed in percentage terms i.e., how much a particular portfolio is above or below the net zero reference scenario.

Alternative performance measures

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

ASEAN

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

AUM or Assets under management

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

Basel II

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

Basel III

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

BCBS or Basel Committee on Banking Supervision

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

Basic earnings per share (EPS)

Represents earnings divided by the basic weighted average number of shares.

Basis point (bps)

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

CRD or Capital Requirements Directive

An EU capital adequacy legislative package largely implemented or onshored into UK law. The package comprises the Capital Requirements Directive and the Capital Requirements Regulation (CRR) and implements the Basel III framework together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014. The EU CRR II and CRD V amending the existing package came into force in June 2019 with most changes starting to apply from 28 June 2021. Only those parts of the EU CRR II that applied on or before 31 December 2020, when the UK was a member of the EU, have been implemented. The PRA has recently implemented the UK's version of CRR II.

Capital-lite income

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

Capital resources

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

CGU or Cash-generating unit

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

Cash shortfall

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

Clawback

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

Commercial real estate

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

CET1 or Common Equity Tier 1 capital

Common Equity Tier 1 capital consists of the items, including the common shares issued by the Group and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1, set out in Article 26(1) of the Capital Requirements Regulation (as it forms part of UK domestic law), capable of being available to the institution for unrestricted and immediate use to absorb losses as soon as these occur.

CET1 ratio

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

Contractual maturity

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

Countercyclical capital buffer

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

Counterparty credit risk

The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

CCF or Credit conversion factor

An estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default. This is either prescribed by CRR or modelled by the bank.

CDS or Credit default swaps

A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit grade

A standard alphanumeric Credit Risk grade system is used for CCIB Client Coverage. The numeric grades run from 1 to 14 and some of the grades are further sub-classified. Lower numeric credit grades are indicative of a lower likelihood of default. Credit grades 1 to 12 are assigned to performing customers, while credit grades 13 and 14 are assigned to nonperforming or defaulted customers

Credit institutions

An institution whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.

Credit risk mitigation

Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

CVA or Credit valuation adjustments

An adjustment to the fair value of derivative contracts that reflects the possibility that the counterparty may default such that the Group would not receive the full market value of the contracts.

Customer accounts

Money deposited by all individuals and companies which are not credit institutions including securities sold under repurchase agreement (see repo/reverse repo). Such funds are recorded as liabilities in the Group's balance sheet under customer accounts.

Days past due

One or more days that interest and/or principal payments are overdue based on the contractual terms.

DVA or Debit valuation adjustment

An adjustment to the fair value of derivative contracts that reflects the possibility that the Group may default and not pay the full market value of contracts.

Debt securities

Debt securities are assets on the Group's balance sheet and represent certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.

Debt securities in issue

Debt securities in issue are transferable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

Deferred tax asset

Income taxes recoverable in future periods in respect of deductible temporary differences between the accounting and tax base of an asset or liability that will result in tax deductible amounts in future periods, the carry-forward of tax losses or the carry-forward of unused tax credits.

Deferred tax liability

Income taxes payable in future periods in respect of taxable temporary differences between the accounting and tax base of an asset or liability that will result in taxable amounts in future periods.

Default

Financial assets in default represent those that are at least 90 days past due in respect of principal or interest and/or where the assets are otherwise considered to be unlikely to pay, including those that are credit-impaired.

Defined benefit obligation

The present value of expected future payments required to settle the obligations of a defined benefit scheme resulting from employee service.

Defined benefit scheme

Pension or other post-retirement benefit scheme other than a defined contribution scheme.

Defined contribution scheme

A pension or other post-retirement benefit scheme where the employer's obligation is limited to its contributions to the fund.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as arrears.

Deposits by banks

Deposits by banks comprise amounts owed to other domestic or foreign credit institutions by the Group including securities sold under repo.

Diluted earnings per share (EPS)

Represents earnings divided by the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Dividend per share

Represents the entitlement of each shareholder in the share of the profits of the Company. Calculated in the lowest unit of currency in which the shares are quoted.

Early alert, purely and non-purely precautionary

A borrower's account which exhibits risks or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded to credit grade 12 or worse. When an account is on early alert, it is classified as either purely precautionary or non-purely precautionary. A purely precautionary account is one that exhibits early alert characteristics, but these do not present any imminent credit concern. If the symptoms present an imminent credit concern, an account will be considered for classification as non-purely precautionary.

Effective tax rate

The tax on profit/ (losses) on ordinary activities as a percentage of profit/(loss) on ordinary activities before taxation.

Encumbered assets

On-balance sheet assets pledged or used as collateral in respect of certain of the Group's liabilities.

EU or European Union

The European Union (EU) is a political and economic union of 27 member states that are located primarily in Europe.

Eurozone

Represents the 19 EU countries that have adopted the euro as their common currency.

ECL or Expected credit loss

Represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

Expected loss

The Group measure of anticipated loss for exposures captured under an internal ratings-based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on probability of default, loss given default and exposure at default, with a one-year time horizon.

Exposures

Credit exposures represent the amount lent to a customer, together with any undrawn commitments.

EAD or Exposure at default

The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.

ECAI or External Credit Assessment Institution

External credit ratings are used to assign risk-weights under the standardised approach for sovereigns, corporates and institutions. The external ratings are from credit rating agencies that are registered or certified in accordance with the credit rating agencies regulation or from a central bank issuing credit ratings which is exempt from the application of this regulation.

ESG

Environmental, Social and Governance.

FCA or Financial Conduct Authority

The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well.

Forbearance

Forbearance takes place when a concession is made to the contractual terms of a loan in response to an obligor's financial difficulties. The Group classifies such modified loans as either 'Forborne – not impaired loans' or 'Loans subject to forbearance – impaired'. Once a loan is categorised as either of these, it will remain in one of these two categories until the loan matures or satisfies the 'curing' conditions described in Note 8 to the financial statements.

Forborne – not impaired loans

Loans where the contractual terms have been modified due to financial difficulties of the borrower, but the loan is not considered to be impaired. See 'Forbearance'.

Funded/unfunded exposures

Exposures where the notional amount of the transaction is funded or unfunded. Represents exposures where a commitment to provide future funding is made but funds have been released/not released.

FVA or Funding valuation adjustments

FVA reflects an adjustment to fair value in respect of derivative contracts that reflects the funding costs that the market participant would incorporate when determining an exit price.

G-SIBs or Global Systemically Important Banks

Global banking financial institutions whose size, complexity and systemic interconnectedness mean that their distress or failure would cause significant disruption to the wider financial system and economic activity. The list of G-SIBs is assessed under a framework established by the FSB and the BCBS. In the UK, the G-SIB framework is implemented via the CRD and G-SIBs are referred to as Global Systemically Important Institutions (G-SIIs).

G-SII buffer

A CET1 capital buffer which results from designation as a G-SII. The G-SII buffer is between 1 per cent and 3.5 per cent, depending on the allocation to one of five buckets based on the annual scoring. In the UK, the G-SII buffer is implemented via the CRD as Global Systemically Important Institutions (G-SII) buffer requirement.

Green and Sustainable Product Framework

Sets out the eligible themes and activities that may be considered as ‘green’, ‘social’ and ‘sustainable’ at Standard Chartered. The Framework has been developed with support from Morningstar Sustainalytics and is updated on an annual basis in collaboration with them. It is informed by industry principles and supervisory standards such as the ICMA Green Bond Principles and the EU Taxonomy for sustainable activities.

Hong Kong regional hub

Standard Chartered Bank (Hong Kong) Limited and its subsidiaries including the primary operating entities in China, Korea and Taiwan. Standard Chartered PLC is the ultimate parent company of Standard Chartered Bank (Hong Kong) Limited.

Interest rate risk

The risk of an adverse impact on the Group’s income statement due to changes in interest rates.

IRB or internal ratings-based approach

Risk-weighting methodology in accordance with the Basel Capital Accord where capital requirements are based on a firm’s own estimates of prudential parameters.

Internal model approach

The approach used to calculate market risk capital and RWA with an internal market risk model approved by the PRA under the terms of CRD/CRR.

IAS or International Accounting Standard

A standard that forms part of the International Financial Reporting Standards framework.

IASB or International Accounting Standards Board

An independent standard-setting body responsible for the development and publication of IFRS, and approving interpretations of IFRS standards that are recommended by the IFRS Interpretations Committee (IFRIC).

IFRS or International Financial Reporting Standards

A set of international accounting standards developed and issued by the International Accounting Standards Board, consisting of principles-based guidance contained within IFRSs and IASs. All companies that have issued publicly traded securities in the EU are required to prepare annual and interim reports under IFRS and IAS standards that have been endorsed by the EU.

IFRIC

The IFRS Interpretations Committee supports the IASB in providing authoritative guidance on the accounting treatment of issues not specifically dealt with by existing IFRSs and IASs.

Investment grade

A debt security, treasury bill or similar instrument with a credit rating measured by external agencies of AAA to BBB.

Leverage ratio

A ratio introduced under CRD IV that compares Tier 1 capital to total exposures, including certain exposures held off-balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk-based backstop measure.

Liquidation portfolio

A portfolio of assets which is beyond our current risk appetite metrics and is held for liquidation.

LCR or Liquidity coverage ratio

The ratio of the stock of high-quality liquid assets to expected net cash outflows under stressed conditions over the following 30 days. High-quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.

Loan exposure

Loans and advances to customers reported on the balance sheet held at amortised cost or FVOCI, non-cancellable credit commitments and cancellable credit commitments for credit cards and overdraft facilities.

Loans and advances to customers

This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument.

Loans and advances to banks

Amounts loaned to credit institutions including securities bought under Reverse repo.

LTV or loan-to-value ratio

A calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The loan-to-value ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loans past due

Loans on which payments have been due for up to a maximum of 90 days including those on which partial payments are being made.

Loans subject to forbearance – impaired

Loans where the terms have been renegotiated on terms not consistent with current market levels due to financial difficulties of the borrower. Loans in this category are necessarily impaired. See 'Forbearance'.

Loss rate

Uses an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances.

LGD or Loss given default

The percentage of an exposure that a lender expects to lose in the event of obligor default.

Low returning clients

See 'Perennial sub-optimal clients'.

Malus

An arrangement that permits the Group to prevent vesting of all or part of the amount of an unvested variable remuneration award, due to a specific crystallised risk, behaviour, conduct or adverse performance outcome.

Master netting agreement

An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination of, any one contract.

Mezzanine capital

Financing that combines debt and equity characteristics. For example, a loan that also confers some profit participation to the lender.

MREL or minimum requirement for own funds and eligible liabilities

A requirement set by resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks, implementing the FSB's Total Loss Absorbing Capacity (TLAC) standard. MREL is intended to ensure that there is a minimum amount of equity and subordinated debt to support an effective resolution.

Net asset value (NAV) per share

Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.

Net exposure

The aggregate of loans and advances to customers/loans and advances to banks after impairment provisions, restricted balances with central banks, derivatives (net of master netting agreements), investment debt and equity securities, and letters of credit and guarantees.

Net zero roadmap

The commitment to reaching net zero carbon emissions in our operations by 2025 and in our financed emissions by 2050.

NII or Net interest income

The difference between interest received on assets and interest paid on liabilities.

NSFR or Net stable funding ratio

The ratio of available stable funding to required stable funding over a one-year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one-year time horizon.

NPLs or non-performing loans

An NPL is any loan that is more than 90 days past due or is otherwise individually impaired. This excludes Retail loans renegotiated at or after 90 days past due, but on which there has been no default in interest or principal payments for more than 180 days since renegotiation, and against which no loss of principal is expected.

Non-linearity

Non-linearity of expected credit loss occurs when the average of expected credit loss for a portfolio is higher than the base case (median) due to the fact that bad economic environment could have a larger impact on ECL calculation than good economic environment.

Normalised items

See 'Underlying/Normalised' on page 87.

Operating expenses

Staff and premises costs, general and administrative expenses, depreciation and amortisation. Underlying operating expenses exclude expenses as described in 'Underlying earnings'. A reconciliation between underlying and reported earnings is contained in Note 2 to the financial statements.

Operating income or operating profit

Net interest, net fee and net trading income, as well as other operating income. Underlying operating income represents the income line items above, on an underlying basis. See 'Underlying earnings'.

OTC or Over-the-counter derivatives

A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.

OCA or Own credit adjustment

An adjustment to the Group's issued debt designated at fair value through profit or loss that reflects the possibility that the Group may default and not pay the full market value of the contracts.

Perennial sub-optimal clients

Clients that have returned below 3% return on risk-weighted assets for the last three years

Physical risks

The risk of increased extreme weather events including flood, drought and sea level rise.

Pillar 1

The first pillar of the three pillars of the Basel framework which provides the approach to calculation of the minimum capital requirements for credit, market and operational risk. Minimum capital requirements are 8 per cent of the Group's risk-weighted assets.

Pillar 2

The second pillar of the three pillars of the Basel framework which requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

Pillar 3

The third pillar of the three pillars of the Basel framework which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

Priority Banking

Priority Banking customers are individuals who have met certain criteria for deposits, AUM, mortgage loans or monthly payroll. Criteria varies by country.

Private equity investments

Equity securities in operating companies generally not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

PD or Probability of default

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation over a given time horizon.

Physical/production emission intensity

GHG emissions per a specific physical or production unit, for example: tCO₂e/tonne steel, kgCO₂e/square metre.

Probability weighted

Obtained by considering the values the metric can assume, weighted by the probability of each value occurring.

Profit (loss) attributable to ordinary shareholders

Profit (loss) for the year after non-controlling interests and dividends declared in respect of preference shares classified as equity.

PVA or Prudent valuation adjustment

An adjustment to CET1 capital to reflect the difference between fair value and prudent value positions, where the application of prudence results in a lower absolute carrying value than recognised in the financial statements.

PRA or Prudential Regulation Authority

The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a part of the Bank of England.

Regulatory consolidation

The regulatory consolidation of Standard Chartered PLC differs from the statutory consolidation in that it includes Ascenta IV, Olea Global group, Seychelles International Mercantile Banking Corporation Limited, and all of the legal entities in the Currency Fair group on a proportionate consolidation basis. These entities are considered associates for statutory accounting purposes.

The regulatory consolidation further excludes the following entities, which are consolidated for statutory accounting purposes; Audax Financial Technology Pte. Ltd, Cardspal Pte. Ltd, Letsbloom Pte. Ltd, SCV Research and Development Pte. Ltd., Standard Chartered Assurance Limited, Standard Chartered Isle of Man Limited, Corrası Covered Bonds LLP, Pegasus Dealmaking Pte. Ltd., Solv Sdn. Bhd., Standard Chartered Botswana Education Trust, Standard Chartered Bancassurance Intermediary Limited, Standard Chartered Bank Insurance Agency (Proprietary) Limited, Standard Chartered Research and Technology India Private Limited, Standard Chartered Trading (Shanghai) Limited, Tawi Fresh Kenya Limited.

Repo/reverse repo

A repurchase agreement or repo is a short-term funding agreement, which allows a borrower to sell a financial asset, such as asset-backed securities or government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is a reverse repurchase agreement or reverse repo.

Reported performance/results

Reported performance/results within this report means amounts reported under UK-adopted IAS and EU IFRS. In prior periods Reported performance/results were described as Statutory performance/results.

Residential mortgage

A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property, and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a home loan.

RoRWA or Return on risk-weighted assets

Profit before tax for year as a percentage of RWA. Profit may be reported or underlying and is specified where used. See 'RWA' and 'Underlying earnings'. Income RoRWA calculated as income for year as a percentage of RWA.

RWA or Risk-weighted assets

A measure of a bank's assets adjusted for their associated risks, expressed as a percentage of an exposure value in accordance with the applicable standardised or IRB approach provisions.

Risks-not-in-VaR (RNIV)

A framework for identifying and quantifying marginal types of market risk that are not captured in the Value at Risk (VaR) measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.

Roll rate

Uses a matrix that gives average loan migration rate from delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.

Scope 1 emissions

Direct GHG emissions that occur from sources owned or controlled by the Group - i.e., emissions from combustion in owned or controlled boilers, furnaces, vehicles, as well as fugitive emissions from pressure containing equipment at Group locations.

Scope 2 emissions

Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the Group.

Scope 3 emissions

All indirect GHG emissions (not included in Scope 2) that occur in the value chain of the Group, arising from sources not controlled by the Group. This comprises of both upstream and downstream value chain emissions and includes absolute financed emissions.

Secured (fully and partially)

A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.

Securitisation

Securitisation is a process by which credit exposures are aggregated into a pool, which is used to back new securities. Under traditional securitisation transactions, assets are sold to a structured entity which then issues new securities to investors at different levels of seniority (credit tranching). This allows the credit quality of the assets to be separated from the credit rating of the originating institution and transfers risk to external investors in a way that meets their risk appetite. Under synthetic securitisation transactions, the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originating institution.

Senior debt

Debt that takes priority over other unsecured or otherwise more 'junior' debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure than subordinated debt. In the event the issuer goes bankrupt, senior debt theoretically must be repaid before other creditors receive any payment.

SICR or Significant increase in credit risk

Assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after considering the passage of time).

Solo

The solo regulatory group as listed in the Prudential Regulation Authority waiver written notice dated 21 August 2023. This differs from Standard Chartered Bank in that it includes the full consolidation of three subsidiaries, namely Standard Chartered Holdings (International) BV, Standard Chartered Grindlays PTY Limited, SCMB Overseas Limited.

Sovereign exposures

Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned. Sovereign exposures, as defined by the European Banking Authority, include only exposures to central governments.

Stage 1

Assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

Stage 2

Assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3

Assets that are in default and considered credit-impaired (non-performing loans).

Standardised approach

In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

Structured note

An investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

Subordinated liabilities

Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

Sustainability Aspirations

The Group's approach to sustainability is underpinned by our Sustainability Aspirations, our long-term sustainability goals. Each Sustainability Aspiration encompasses a number of key performance indicators that we use to measure our progress and outcomes in areas in which we can make a contribution to the delivery of the UN Sustainable Development Goals (SDGs).

Sustainable Finance assets

Assets from clients whose business activities are aligned with the Sustainability Bond Framework, those generated from transactions for which the use of proceeds will be utilised towards eligible themes and activities set out within the Sustainability Bond Framework, or assets generated through Standard Chartered's own lending activities to small and medium sized enterprises (SMEs) in eligible markets as per the criteria set out in the Sustainability Bond Framework.

Sustainable Finance income

Income generated from Sustainable Finance products as listed in the Green and Sustainable Product Framework. Additional products may be approved throughout the year by the Sustainable Finance Governance Committee.

Sustainable Finance mobilised

Mobilisation of Sustainable Finance is defined as any investment or financial service provided to clients that supports: (i) the preservation and/or improvement of biodiversity, nature or the environment; (ii) the long-term avoidance/decrease of GHG emissions, including the alignment of a client's business and operations with a 1.5 degree Celsius trajectory (known as transition finance); (iii) a social purpose; or (iv) incentivises our clients to meet their own sustainability objectives (known as sustainability-linked finance).

Tier 1 capital

The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

Tier 1 capital ratio

Tier 1 capital as a percentage of risk-weighted assets.

Tier 2 capital

Tier 2 capital comprises qualifying subordinated liabilities and related share premium accounts.

TLAC or Total loss absorbing capacity

An international standard for TLAC issued by the FSB, which requires G-SIBs to have sufficient loss-absorbing and recapitalisation capacity available in resolution, to minimise impacts on financial stability, maintain the continuity of critical functions and avoid exposing public funds to loss.

Transition risks

The risk of changes to market dynamics or sectoral economics due to governments' response to climate change.

UK bank levy

A levy that applies to certain UK banks and the UK operations of foreign banks. The levy is payable each year based on a percentage of the chargeable equities and liabilities on the Group's UK tax resident entities' balance sheets. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting.

Unbiased

Not overly optimistic or pessimistic, represents information that is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to increase the probability that the financial information will be received favourably or unfavourably by users.

Unlikely to pay

Indications of unlikelihood to pay shall include placing the credit obligation on non-accrued status; the recognition of a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the Group taking on the exposure; selling the credit obligation at a material credit-related economic loss; the Group consenting to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or, where relevant fees; filing for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to the Group; the obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to the Group.

VaR or Value at Risk

A quantitative measure of market risk estimating the potential loss that will not be exceeded in a set time period at a set statistical confidence level.

ViU or Value-in-Use

The present value of the future expected cash flows expected to be derived from an asset or CGU.

Write-downs

After an advance has been identified as impaired and is subject to an impairment provision, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-downs will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

XVA

The term used to incorporate credit, debit and funding valuation adjustments to the fair value of derivative financial instruments. See 'CVA', 'DVA' and 'FVA'.

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