Standard Chartered PLC

Half Year Report 2023

Registered in England under company No. 966425
Registered Office: 1 Basinghall Avenue, London, EC2V 5DD, UK

Table of contents

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.

The information within this report is unaudited.

Unless the context requires, within this document, 'China' refers to the People's Republic of China and, for the purposes of this document only, excludes Hong Kong Special Administrative Region (Hong Kong), Macau Special Administrative Region (Macau) and Taiwan. 'Korea' or 'South Korea' refers to the Republic of Korea. Asia includes Australia, Bangladesh, Brunei, Cambodia, Mainland China, Hong Kong, India, Indonesia, Japan, Korea, Laos, Macau, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam; Africa & Middle East (AME) includes Angola, Bahrain, Botswana, Cameroon, Cote d'Ivoire, Egypt, The Gambia, Ghana, Iraq, Jordan, Kenya, Lebanon, Mauritius, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Sierra Leone, South Africa, Tanzania, the United Arab Emirates (UAE), Uganda, Zambia and Zimbabwe; and Europe & Americas (EA) includes Argentina, Brazil, Colombia, Falkland Islands, France, Germany, Ireland, Jersey, Poland, Sweden, Turkey, the UK and the US.

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

Standard Chartered PLC is incorporated in England and Wales with limited liability. Standard Chartered PLC is headquartered in London. The Group's head office provides guidance on governance and regulatory standards. Standard Chartered PLC stock codes are: HKSE 02888 and LSE STAN.LN.

Standard Chartered PLC – Results for the first half and second quarter ended 30 June 2023

All figures are presented on an underlying basis and comparisons are made to 2022 on a reported currency basis, unless otherwise stated.

Bill Winters, Group Chief Executive, said:

"We have delivered a very strong set of results for the first six months of 2023. Income was up 18 per cent year-on-year and underlying profit before tax was up 29 per cent to $3.3 billion. We remain strongly profitable, highly liquid, and well capitalised. These attributes enable us to return a further $1 billion to our shareholders through a new share buy-back announced today. Also reflecting our confidence in the business, we are upgrading our 2023 guidance for income, jaws and RoTE which we now expect to be 10 per cent for the full year."

Selected information on 2Q'23 financial performance with comparisons to 2Q'22 unless otherwise stated

- Return on tangible equity ("RoTE") of 12.1%, up 4%pts year-on-year ("YoY")
- Income up 20% to $4.6bn, up 24% at constant currency ("ccy")
  - Net interest income, up 33% at ccy to $2.4bn; other income, up 15% at ccy to $2.1bn
  - Net interest margin ("NIM") up 8bps since 31.3.23 to 1.71%, up 6bps from rising interest rates and up 4bps from hedges rolling off, down 2bps from adverse liability and asset mix; deposit migration and betas performing as expected
  - Record Financial Markets ("FM") up 15% at ccy, up 27% excluding non-repeat of $122m gain on mark-to-market ("MTM") liabilities in 2Q'22
  - Wealth Management ("WM") up 10% at ccy, reversing five quarters of YoY declines
- Expenses increased 11% YoY to $2.8bn, or up 14% at ccy
  - Increase due to inflation, business growth and phasing of performance related-pay accruals
  - Positive 10% income-to-cost jaws
- Credit impairment charge of $146m, up $80m YoY; includes China CRE charge of $84m
- Customer loans and advances of $290bn, down $10bn or 3% since 31.3.23; stable on an underlying basis
- Customer deposits of $470bn, up $7bn or 2% since 31.03.23; up $11 billion or 2% at ccy
- Risk-weighted assets ("RWA") of $249bn, down $2bn since 31.3.23
- Underlying profit before tax of $1.6bn, up 32% at ccy

Selected information on 1H'23 financial performance with comparisons to 1H'22 unless otherwise stated

- RoTE of 12.0%, up 3%pts YoY
- Income up 14% to $9.0bn, up 18% YoY at ccy
  - Net interest income, up 35% to $4.8bn; other income, up 4% to $4.2bn
  - NIM up 35bps YoY to average 1.67% in 1H'23
  - FM up 4%, up 13% excluding non-repeat of $216m gain on MTM liabilities in 1H'22, with record Macro and Credit Trading
  - WM up 5%, supported by positive leading indicators from China reopening
- Expenses increased 8% YoY to $5.5bn, up 12% at ccy
  - Increase due to inflation, business growth and targeted investments, partially funded by productivity saves
  - Positive 6% income-to-cost jaws; cost-to-income ratio improved 3% pts to 61%

- Credit impairment charge of $172m, down $92m YoY
  - China CRE charge $82m; Sovereign exposures net release $21m, CPBB $108m charge
  - Loan-loss rate of 11bps (1H'22: 15bps); high-risk assets of $8.9bn, down $1.0bn since 31.12.22
- Underlying profit before tax of $3.3bn, up 29% at ccy, highest level since 2015
- Tax charge of $0.9bn: underlying effective tax rate of 28% up 3%pts
- The Group's balance sheet remains strong, liquid and well diversified
  - Customer loans and advances of $290bn, down $21bn or 7% since 31.12.22; stable on an underlying basis
  - Customer deposits of $470bn, up $8bn or 2% since 31.12.22; up $11bn or 2% at ccy
  - Liquidity coverage ratio 164% (31.12.22: 147%)
  - Advances-to-deposit ratio 53.6% (31.12.22: 57.4%)
- RWA of $249bn, up $4bn since 31.12.22
  - Credit risk RWA broadly flat, decrease of $7bn from RWA optimisation and efficiency actions and $3bn from FX, offset by $8bn from asset growth and mix changes and $1bn from derivatives
  - Market risk RWA up $3bn and Operational risk RWA up $1bn
- The Group remains strongly capitalised
  - CET1 ratio 14.0% (31.12.22: 14.0%), at the top of the 13-14% target range
  - Interim ordinary dividend increased 50% to 6c per share ($168m)
  - $1bn new share buy-back, to start imminently and run concurrently with current program, expected to reduce the CET1 ratio by approximately 40bps
- Underlying earnings per share (EPS) increased 16.4 cents or 28% to 75.0 cents; statutory EPS up 22% to 75.6 cents

Update on strategic actions for 1H'23 unless otherwise stated

- Drive improved returns in CCIB: Income RoRWA of 8.0%, ahead of 2024 target of 6.5%; $20bn of RWA optimised since 1.1.22
- Transform profitability in CPBB: Cost-to-income ratio of 58%, improved by 14%pts YoY, consistent with 2024 target of 60%; $0.3bn of gross expense savings since 1.1.22
- Seize China opportunity: China onshore and offshore profit before tax up >4x YoY to $0.7bn
- Create operational leverage: $0.6bn gross productivity saves since 1.1.22; Cost-to-income ratio improved by 3%pts YoY to 61%
- Deliver substantial shareholder returns: $1bn share buy-back announced today, $3.9bn of total returns announced since 1.1.22

Other highlights for 1H'23 unless otherwise stated

- Ventures: Onboarded over 1 million customers across our two digital banks, Mox and Trust, since launch. Completed the first sale of a business incubated in Ventures, CardsPal
- Sustainability: Announced our Oil & Gas absolute emissions target in May 2023. Our Sustainable Finance franchise continues to grow with income up 37% YoY and assets up 8% since 31.12.22
- Markets exit: Following our announcement to redirect resources within the Africa and Middle East region, we have successfully signed binding sale agreements for 7 businesses

Outlook

We have made a strong start to 2023 with positive momentum being supported by progress on our five strategic actions and the markets in our footprint are expected to continue to grow faster than those in the West.

We are therefore upgrading our 2023 guidance:

- Income to increase in the 12-14% range at ccy
- Full year average NIM of around 170bps
- Assets growth in the low single digit percentage range in 2H'23 (from 30.6.23)
- RWA growth in the low single digit percentage range
- Positive income-to-cost jaws of around 4%, excluding UK bank levy at ccy
- Full year loan loss rate to be in the range of 17-25 basis points
- Operate dynamically within the full 13-14% CET1 target range
- RoTE of 10%

Statement of results

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million	Change[1] %
Underlying performance[2]			
Operating income	8,951	7,859	14
Operating expenses	(5,504)	(5,096)	(8)
Credit impairment	(172)	(264)	35
Other impairment	(63)	(1)	nm[8]
Profit from associates and joint ventures	94	153	(39)
Profit before taxation	3,306	2,651	25
Profit attributable to ordinary shareholders[3]	2,128	1,766	20
Return on ordinary shareholders' tangible equity (%)	12.0	9.3	270bps
Cost-to-income ratio (%) (Excluding bank levy) (%)	61.5	64.9	345bps
Statutory performance			
Operating income	9,127	8,225	11
Operating expenses	(5,668)	(5,328)	(6)
Credit impairment	(161)	(263)	39
Other impairment	(77)	(15)	nm[8]
Profit from associates and joint ventures	102	153	(33)
Profit before taxation	3,323	2,772	20
Taxation	(938)	(684)	(37)
Profit for the period	2,385	2,088	14
Profit attributable to parent company shareholders	2,388	2,089	14
Profit attributable to ordinary shareholders[3]	2,145	1,873	15
Return on ordinary shareholders' tangible equity (%)	11.9	9.9	200bps
Cost-to-income ratio (%)	62.1	64.8	270bps
Net interest margin (%) (adjusted)[7]	1.67	1.32	35bps

	30.06.23 $million	31.12.22 $million	Change[1] %
Balance sheet and capital			
Total assets	838,711	819,922	2
Total equity	49,681	50,016	(1)
Average tangible equity attributable to ordinary shareholders[3]	36,422	37,186	(2)
Loans and advances to customers	290,137	310,647	(7)
Customer accounts	469,567	461,677	2
Risk-weighted assets	249,117	244,711	2
Total capital	52,669	53,151	(1)
Total capital ratio (%)	21.1	21.7	(60)bps
Common Equity Tier 1	34,896	34,157	2
Common Equity Tier 1 ratio (%)	14.0	14.0	–
Advances-to-deposits ratio (%)[4]	53.6	57.4	(380)bps
Liquidity coverage ratio (%)	164	147	1,700bps
Leverage ratio (%)	4.8	4.8	–

	Cents	Cents	Change[1]
Information per ordinary share			
Earnings per share – underlying[5]	75.0	58.6	16.4
– statutory[5]	75.6	62.1	13.5
Net asset value per share[6]	1,513	1,453	60
Tangible net asset value per share[6]	1,302	1,249	53
Number of ordinary shares at period end (millions)	2,797	2,867	(2)

1 Variance is better/(worse) other than assets, liabilities and risk-weighted assets. Change is percentage points difference between two points rather than percentage change for total capital ratio (%), common equity tier 1 ratio (%), net interest margin (%), advances-to-deposits ratio (%), liquidity coverage ratio (%), Leverage ratio (%), cost-to-income ratio (%) and return on ordinary shareholders' tangible equity (%). Change is cents difference between two points rather than percentage change for earnings per share, net asset value per share and tangible net asset value per share

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 statutory performance

3 Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity

4 When calculating this ratio, total loans and advances to customers excludes reverse repurchase agreements and other similar secured lending, excludes approved balances held with central banks, confirmed as repayable at the point of stress and includes loans and advances to customers held at fair value through profit and loss. Total customer accounts include customer accounts held at fair value through profit or loss

5 Represents the underlying or statutory earnings divided by the basic weighted average number of shares. Prior period refers to 6 months ended 30.06.22

6 Calculated on period end net asset value, tangible net asset value and number of shares

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

8 Not meaningful

Group Chief Executive's review

Strong performance in a challenging external environment

We've posted a very strong set of results for the first six months of 2023. Income was up 18 per cent year-on-year on a constant currency basis with strong momentum particularly in the second quarter up 24 per cent. Financial Markets ("FM"), into which we have invested significantly in the last few years, delivered a record second quarter. And in Wealth Management ("WM") we saw a return to growth in the second quarter, after five successive quarters of year on year declines, driven by continued investment in the franchise and a rebound in customer activity in Hong Kong and China.

We continued to generate expense savings creating capacity for further investment to accelerate growth whilst helping to drive positive income-to-cost jaws of 6 per cent. Our loan portfolios remain in good shape, and credit impairment is below last year's levels. This helped drive underlying profit before tax up by 29 per cent to $3.3 billion, our highest first half profit since 2015. We have also generated a 12.0 per cent return on tangible equity ("RoTE"). This strong performance is broad based across the Group's footprint, with 19 of our markets having delivered record first half income and 17 delivered record first half profits.

We've achieved this performance without compromising our robust liquidity and capital foundations. The Group remains highly liquid with a diverse and stable deposit base and an advances-to-deposits ratio of 53.6 per cent and a liquidity coverage ratio of 164 per cent. We remain well capitalised, with equity generation and continued discipline on risk weighted assets ("RWA"), having delivered a first half Common Equity Tier 1 ("CET1") ratio of 14.0 per cent at the top of our target range.

We remain committed to sharing the Group's success with its shareholders and are announcing a further share buy-back of $1 billion, to commence imminently and run concurrently with the latter stages of the current program. We have already reduced the share count by around 9 per cent over the last eighteen months.

Continued delivery of strategic priorities

Our strategy is clear and we have continued to deliver strong progress on each of the four strategic priorities that we set out at the start of 2021; growing our Network and Affluent client businesses, accelerating the growth of our Mass Retail business and advancing on all fronts of our Sustainability agenda.

Grow Network and Affluent businesses

Corporate, Commercial & Institutional Banking ("CCIB") cross-border income was up 44 per cent in the first six months of the year, with particularly strong growth in China, up 59 per cent. China to ASEAN cross-border income grew 82 per cent reflecting investment in corridor bankers and a supply chain and trade flow shifts between the two. Our Affluent client business continues to grow with increasing number of relationship managers enabling positive net new money of $13 billion in the first half of 2023, more than double that in the comparable period last year.

Accelerate growth of Mass Retail business

We continue to grow our Mass Retail client base with around 450,000 new to bank clients onboarded this year and around a further 100,000 clients upgraded from Mass Retail to Affluent.

Advance Sustainability agenda

In Sustainable Finance, income was up 37 per cent, and we expect total income to be approaching $1 billion in 2024. On the broader sustainability agenda, building on the good progress we made in 2022, this year we have established targets for absolute emissions in the Oil and Gas sector. In addition, we are partnering with peers, investors, and leading expert bodies to build better industry standards for sustainable investment, and we have recently joined the World Bank's Private Sector Investment Lab, a group charged with developing solutions to address the barriers to private sector investment in emerging markets and sustainable projects. Throughout this process we will continue to prioritise areas where we can have the greatest material impact on our total emissions following industry best practices.

Significant progress on five strategic actions

In February 2022 we set out five strategic actions that we would take to accelerate delivery of double-digit RoTE, and we have made significant progress across all five areas.

CCIB: drive improved returns

In CCIB we are targeting around a 160 basis point improvement in income return on risk weighted assets ("IRoRWA") to 6.5 per cent in 2024, and a RWA optimisation target of $22 billion. We have exceeded the IRoRWA target in the first six months of this year, delivering IRoRWA of 8.0 per cent. This was driven by particularly strong growth in income from Financial Institution clients, up 34 per cent, which now accounts for 48 per cent of CCIB income. In addition, the CCIB team has successfully executed $20 billion in RWA optimisation over the last 18 months.

CPBB: transform profitability

In Consumer, Private & Business Banking ("CPBB") we are making great progress, with the cost-to-income ratio for the first half of the year at 58 per cent, consistent with its 60 per cent target and the team has delivered $0.3 billion of the $0.5 billion, three-year gross expense savings target. This has been achieved without compromising on client service, with our latest client satisfaction scores improving across our markets, with best-in-class strategic net promoter scores in Priority banking in eight of our nine top markets. In the Affluent client segment we are now a top three wealth manager in Asia.

Seize China opportunity

Our third strategic action was our ambition to double China onshore and offshore profit before tax to $1.4 billion by 2024. For the first six months of the year profits were up more than 4 times, to $0.7 billion, driven by offshore income growth of 59 per cent. In May we held an Asia focused Investor and Analyst seminar in Hong Kong and Singapore where Ben Hung, our Asia CEO, together with other members of his management team, showed how we will continue to leverage our unique advantages to invest and capture the significant opportunities for growth in the region. A key focus of the discussion was China opening its financial and capital markets, and how this will drive growth for the Group. Our leading indicators this year support this optimism with new to bank affluent client onboarding being double last year's level in China and three times higher in Hong Kong.

Create operational leverage

Expense efficiency remains core to enabling us to create positive operating leverage. The Group has delivered $0.6 billion gross structural cost savings over the last 18 months, and we are well on track to deliver the $1.3 billion target by the end of 2024. Our cost-to-income ratio is down 9 per centage points since the end of 2021 to 61 per cent for the first six months of the year, so we are well advanced towards our target of around 60 per cent by 2024.

Substantial shareholder distributions

Lastly, we set ourselves a target to return in excess of $5 billion of capital to shareholders between 2022 to 2024. With the $1 billion share buy-back we have announced today, combined with our interim dividend, our total shareholder returns since the start of 2022 will reach $3.9 billion. Again, this is well on our way to achieving our three-year target.

Strong execution of management actions

As well as delivering a strong financial performance we continue to execute on a broad management agenda, reshaping the network, disposing of non-core businesses and investing in new technologies and business models. All actions that will accelerate the delivery of double-digit RoTE and position the Group for continued growth and success in the future.

In April last year we outlined plans to redirect resources within the Africa and Middle East ("AME") region to those areas which have the greatest scale and growth potential. This included the intention to exit onshore operations in seven markets, and in a further two markets focus solely on the CCIB business. We are executing well against these plans. Following the signing of the agreements for the sale of the Jordan business in March and Zimbabwe in June, we announced in early July the sale of a further five markets, Angola, Cameron, The Gambia and Sierra Leone and our CPBB business in Tanzania.

Additionally, as part of the AME announcement we also highlighted the investment we are making in both the Kingdom of Saudi Arabia and in the Arab Republic of Egypt. In Saudi Arabia, we opened our first branch in June 2021, and since then have seen strong growth in CCIB cross-border income, with 1H'23 income increasing over 140 per cent. In Egypt we are on-track to open the office in the second half of this year, subject to regulatory approval.

We started disclosing Ventures as a separate business segment in 2022 and we are starting to see success, as we continue to build new business models and partnerships. Our two virtual banks, Mox in Hong Kong and Trust in Singapore, are going from strength to strength with over a million customers between them. Both these banks are targeting profitability over the next couple of years, Mox in 2024, and Trust in 2025.

We have also launched the Nexus 'Banking-as-a-service' offering in partnership with Bukalapak in Indonesia and have already onboarded over 220,000 clients, and we have now received regulatory approval to launch our Buy Now Pay Later product. We are also targeting to take Nexus to other markets.

In June 2023 we announced the sale of CardsPal after successfully incubating the business through our SC Ventures' Intrapreneurship Programme. This is the first sale of a start-up business from our SC Ventures segment.

Uniquely positioned to turbo-charge growth

These management actions serve to enhance the unique position the Group already occupies. We generate most of our earnings in the fast-growing markets of Asia, Africa and the Middle East whilst being strongly connected to the economies of the West. Our business reflects our connections to the world's most dynamic markets, for example we are the leading offshore Chinese Renminbi bank whilst at the same time being one of the major US dollar clearing banks in New York.

The economic attractiveness of Asia is as strong as ever. Our recent 'Future of Trade' report, which analysed trade flows and projections from 13 key markets, forecasts that Asia will keep dominating global trade for the rest of this decade, with exports from the region set to rise more than any other economic area through 2030.

For 2023 and 2024 we expect the rate of GDP growth in Asia, where our footprint is unparalleled, to be more than double that in the US and Europe. We have a presence in 21 markets, including all 10 ASEAN markets, as well as being one of the largest international bank in South Asia. Our two financial hubs in Hong Kong and Singapore are well positioned as super-connectors driving cross-border growth. In Singapore we are the first enhanced Significantly Rooted Foreign Bank and in Hong Kong we are one of only three note issuing banks.

Complementing the Asia footprint, we have a deep-rooted heritage in the AME region. We are one of the largest international banks on the continent of Africa and have a significant presence across seven markets in the Middle East.

As a top two global network trade bank for Financial Institutions, we connect the dynamic markets in which we operate to each other as well as to the economies beyond.

With our unique positioning we are confident that we will deliver our 2024 targets on the way to sustainably higher RoTE.

Concluding remarks

We have navigated the market turbulence of the last few years well and have delivered another very strong financial performance in the first half of the year. We are making excellent progress against the five strategic actions we laid out in February 2022 and are delivering strongly on a broad front of management actions.

We are mindful of the external macroeconomic headwinds and recent challenges in the banking sector; however, our balance sheet is robust, and we have the right strategy, business model and ambition to deliver our targets. Reflecting the strong start to the year and the positive outlook we are upgrading our 2023 expectations and are now targeting to deliver 10 per cent RoTE in 2023 and in excess of 11 per cent in 2024, and continuing to grow thereafter.

The Management Team and I remain focused on delivering our 2024 targets, seizing the growth opportunities we have and creating exceptional long-term value for the Group and its shareholders.

Bill Winters
Group Chief Executive

28th July 2023

Group Chief Financial Officer's review

The Group delivered a very strong performance in the first six months of 2023

Summary of financial performance

	1H'23 $million	1H'22[3] $million	Change %	Constant currency change[1] %	2Q'23 $million	2Q'22[3] $million	Change %	Constant currency change[1] %	1Q'23 $million	Change %	Constant currency change[1] %
Underlying net interest income[4]	**4,777**	3,694	29	35	**2,436**	1,890	29	33	2,341	4	5
Underlying other income[4]	**4,174**	4,165	–	4	**2,119**	1,893	12	15	2,055	3	3
Underlying operating income	**8,951**	7,859	14	18	**4,555**	3,783	20	24	4,396	4	4
Other operating expenses	**(5,501)**	(5,101)	(8)	(12)	**(2,826)**	(2,551)	(11)	(14)	(2,675)	(6)	(6)
UK bank levy	**(3)**	5	nm[5]	nm[5]	**(3)**	5	nm[5]	nm[5]	–	nm[5]	nm[5]
Underlying operating expenses	**(5,504)**	(5,096)	(8)	(12)	**(2,829)**	(2,546)	(11)	(14)	(2,675)	(6)	(6)
Underlying operating profit before impairment and taxation	**3,447**	2,763	25	29	**1,726**	1,237	40	44	1,721	–	–
Credit impairment	**(172)**	(264)	35	31	**(146)**	(66)	(121)	(87)	(26)	nm[5]	nm[5]
Other impairment	**(63)**	(1)	nm[5]	nm[5]	**(63)**	–	nm[5]	nm[5]	–	nm[5]	nm[5]
Profit from associates and joint ventures	**94**	153	(39)	(39)	**83**	90	(8)	(8)	11	nm[5]	nm[5]
Underlying profit before taxation	**3,306**	2,651	25	29	**1,600**	1,261	27	32	1,706	(6)	(6)
Restructuring	**56**	1	nm[5]	nm[5]	**8**	(16)	150	142	48	(83)	(83)
DVA	**(39)**	120	(133)	(133)	**(93)**	35	nm[5]	nm[5]	54	nm[5]	nm[5]
Statutory profit before taxation	**3,323**	2,772	20	24	**1,515**	1,280	18	24	1,808	(16)	(16)
Taxation	**(938)**	(684)	(37)	(50)	**(474)**	(371)	(28)	(36)	(464)	(2)	–
Profit for the year	**2,385**	2,088	14	17	**1,041**	909	15	19	1,344	(23)	(22)
Net interest margin (%)[2]	**1.67**	1.32	35		**1.71**	1.35	36		1.63	8	
Underlying return on tangible equity (%)[2]	**12.0**	9.3	270		**12.1**	8.4	370		11.9	20	
Underlying earnings per share (cents)	**75.0**	58.6	28		**37.3**	26.6	40		37.6	(1)	

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

4 To be consistent with how we the 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 Other Income (OI). The adjustments made to NIM, including interest expense relating to funding our trading book, will now be shown against Underlying Other Income rather than Underlying NII. Prior periods have been restated. There is no impact on total income

5 Not meaningful

Statutory financial performance summary

	1H'23 $million	1H'22 $million	Change %	Constant currency change[1] %	2Q'23 $million	2Q'22 $million	Change %	Constant currency change[1] %	1Q'23 $million	Change %	Constant currency change[1] %
Net interest income	**3,984**	3,638	10	15	**1,978**	1,850	7	11	2,006	(1)	–
Other income	**5,143**	4,587	12	16	**2,589**	2,083	24	28	2,554	1	2
Statutory operating income	**9,127**	8,225	11	15	**4,567**	3,933	16	20	4,560	–	1
Statutory operating expenses	**(5,668)**	(5,328)	(6)	(11)	**(2,918)**	(2,663)	(10)	(13)	(2,750)	(6)	(7)
Statutory operating profit before impairment and taxation	**3,459**	2,897	19	24	**1,649**	1,270	30	35	1,810	(9)	(8)
Credit impairment	**(161)**	(263)	39	35	**(141)**	(66)	(114)	(85)	(20)	nm[3]	nm[3]
Goodwill and Other impairment	**(77)**	(15)	nm[3]	nm[3]	**(77)**	(9)	nm[3]	nm[3]	–	nm[3]	nm[3]
Profit from associates and joint ventures	**102**	153	(33)	(33)	**84**	85	(1)	(1)	18	nm[3]	nm[3]
Statutory profit before taxation	**3,323**	2,772	20	25	**1,515**	1,280	18	24	1,808	(16)	(16)
Taxation	**(938)**	(684)	(37)	(50)	**(474)**	(371)	(28)	(36)	(464)	(2)	–
Profit for the year	**2,385**	2,088	14	17	**1,041**	909	15	19	1,344	(23)	(22)
Net interest margin (%)[2]	**1.67**	1.32	35		**1.71**	1.35	36		1.63	8	
Statutory return on tangible equity (%)[2]	**11.9**	9.9	200		**10.8**	8.7	210		13.0	(220)	
Statutory earnings per share (cents)	**75.6**	62.1	22		**34.8**	27.1	28		40.7	(14)	

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

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

3 Not meaningful

The Group delivered a very strong performance in the first half of 2023 with its best half-year profit since 2015. Underlying profit before tax increased 29 per cent on a constant currency basis to $3.3 billion. Income grew 18 per cent on a constant currency basis with a 35 per cent increase in underlying net interest income and a 4 per cent increase in underlying other income. Rising interest rates supported a strong expansion in the net interest margin and Macro Trading within Financial Markets delivered a record half-year performance. The Wealth Management business also showed early signs of recovery. The Group generated 6 per cent positive income-to-cost jaws at constant currency as expenses grew 12 per cent. Credit impairment charges were equivalent to an annualised loan loss rate of 11 basis points, well below the historic through the cycle loan-loss rate range of 30 to 35 basis points. The Group remains well capitalised and highly liquid. In response to recent volatility in liquidity conditions in certain markets the liquidity coverage ratio has been maintained at an elevated level of 164 per cent, well above minimum regulatory requirements. The CET1 ratio of 14.0 per cent is at the top of the Group's target range, with profit accretion offsetting both the $1 billion share buy-back programme announced in February 2023 and a 2 per cent increase in risk-weighted assets since 31 December 2022. This capital strength has enabled the Board to announce an interim ordinary dividend of 6 cents a share, up 2 cents or 50 per cent and announce a further $1 billion share buy-back program to commence imminently and run concurrently with the latter stages of the existing program.

- **Operating income** of $9 billion, is the highest half-yearly income since the second half of 2014 and increased 14 per cent in the first half, up 18 per cent on a constant currency basis. This was due to strong growth in net interest income driven by an expansion in the net interest margin together with a strong Financial Markets performance. These were partially offset by losses from hedges
- **Underlying net interest income** (which excludes the interest expense related to funding our trading book) increased 29 per cent, or 35 per cent on a constant currency basis, as the net interest margin increased 27 per cent or 35 basis points. This was despite a year-on-year incremental 23 basis points drag from hedges. The Group increased its pricing on assets and its yield on its Treasury portfolio more quickly than it repriced its liability base, reflecting strong pricing discipline and passthrough rate management
- **Underlying other income** (which includes the interest expense related to funding our trading book) was stable, or up 4 per cent on a constant currency basis. This was due to a strong Financial Markets performance, which was up 4 per cent, or 13 per cent excluding $216 million of non-repeated gains on mark-to-market liabilities in the prior year

- **Operating expenses excluding the UK bank levy** increased 8 per cent or 12 per cent on a constant currency basis, as the Group continued to invest into strategic investments and growing businesses which includes Wealth Management, Financial Markets and Sustainable Finance. This increased investment, alongside the impact of inflation was in part funded by gross productivity savings of $200 million in the first half. The Group generated 6 per cent positive income-to-cost jaws while the cost-to-income ratio improved 3 percentage points to 61 per cent
- **Credit impairment** was a charge of $172 million, a reduction of $92 million year-on-year, representing an annualised loan loss rate of 11 basis points. Impairment charges relating to the ongoing CPBB portfolio and a further $82 million charge in relation to the China Commercial Real Estate sector were partly offset by a net $21 million release relating to prior sovereign ratings downgrades
- **Other impairment** of $63 million, primarily relate to the write-down of software assets
- **Profit from associates and joint ventures** decreased 39 per cent to $94 million reflect lower profits at China Bohai Bank
- The Group's **underlying operating profit before taxation** no longer includes movements in the debit valuation adjustment (DVA), the markets and businesses it is exiting in the Africa & Middle East region and the Aviation Finance business and now reports them within restructuring and other items. Restructuring profits of $56 million primarily reflect the operating profit from the exit markets and Aviation Finance. DVA was a $39 million charge in the first half
- **Taxation** was $938 million on a statutory basis with an underlying year-to-date effective tax rate of 28.4 per cent up from the 1H'22 rate of 25.3 per cent. This increase reflects a change in the geographic mix of profits and a higher impact from non-deductible expenses
- **Underlying return on tangible equity (RoTE)** increased by 270 basis points to 12.0 per cent driven by higher profits and lower tangible equity. The reduction in tangible equity was driven by shareholder distributions and adverse movements in reserves during the course of 2022 due to changes in interest rates and FX

Operating income by product

	1H'23 $million	1H'22[2,3] $million	Change %	Constant currency change[1] %	2Q'23 $million	2Q'22[2,3] $million	Change %	Constant currency change[1] %	1Q'23[3] $million	Change %	Constant currency change[1] %
Transaction Banking	**2,860**	1,553	84	92	**1,461**	824	77	83	1,399	4	5
Trade & Working capital	**665**	692	(4)	–	**334**	336	(1)	3	331	1	2
Cash Management	**2,195**	861	155	166	**1,127**	488	131	138	1,068	6	6
Financial Markets	**2,805**	2,812	–	4	**1,391**	1,255	11	15	1,414	(2)	(1)
Macro Trading	**1,655**	1,601	3	8	**825**	662	25	30	830	(1)	–
Credit Markets	**922**	870	6	10	**462**	396	17	19	460	–	1
Credit Trading	**312**	189	65	76	**140**	84	67	75	172	(19)	(18)
Financing Solutions & Issuance[3]	**610**	681	(10)	(8)	**322**	312	3	5	288	12	12
Financing & Securities Services[3]	**228**	341	(33)	(32)	**104**	197	(47)	(47)	124	(16)	(18)
Lending & Portfolio Management	**266**	282	(6)	–	**132**	136	(3)	2	134	(1)	(1)
Wealth Management	**1,006**	984	2	5	**495**	456	9	10	511	(3)	(3)
Retail Products	**2,452**	1,781	38	43	**1,240**	944	31	35	1,212	2	3
CCPL & other unsecured lending	**576**	610	(6)	(2)	**286**	310	(8)	(4)	290	(1)	(1)
Deposits	**1,619**	596	172	185	**848**	355	139	146	771	10	10
Mortgage & Auto	**188**	481	(61)	(60)	**74**	235	(69)	(68)	114	(35)	(34)
Other Retail Products	**69**	94	(27)	(22)	**32**	44	(27)	(23)	37	(14)	(8)
Treasury	**(393)**	515	(176)	(178)	**(160)**	201	(180)	(179)	(233)	31	33
Other	**(45)**	(68)	34	24	**(4)**	(33)	88	90	(41)	90	93
Total underlying operating income	**8,951**	7,859	14	18	**4,555**	3,783	20	24	4,396	4	4

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 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 statutory performance

3 Shipping Finance is now reported under "Financing Solutions & Issuance" which was reported under "Financing & Securities Services" in Q1

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 92 per cent, with Cash Management income up 166 per cent, reflecting strong pricing discipline and passthrough rate management to take advantage of a rising interest rate environment. Trade & Working Capital income was stable, reflecting reduced fee income and lower balance sheet and contingent volumes offset by higher margins as the Group focused on higher-returning trade products.

Financial Markets income increased 4 per cent and was up 13 per cent excluding the non-repeat of $216 million of gains on mark-to-market liabilities in the first half of 2022. Flow income, which is over two-thirds of Financial Markets income, increased 10 per cent whilst episodic income was up 4 per cent. Macro Trading had a record first half, up 8 per cent, with strong double-digit growth in Rates and high single-digit growth in FX leading to record performances partly offsetting a non-repeat of last year's record performance in Commodities. Credit Markets income was up 10 per cent with strong growth and a record half in Credit Trading income offset by lower Financing Solutions & Issuance income which was impacted by lower capital market issuances in a volatile interest rate environment. Excluding the non-repeat of the mark-to-market gains, Financing & Securities Services income nearly doubled as Securities Services income benefited from rising interest rates.

Lending and Portfolio Management income was flat with lower volumes as a result of risk-weighted asset optimisation actions offset by increased fee income.

Wealth Management income was 5 per cent higher reflecting a gradual recovery following the easing of COVID-19 restrictions in key footprint markets. There was strong double-digit growth in FX, fixed income and structured products which was partly offset by lower managed investment income as transactional volumes were impacted by subdued equity markets across the footprint. Bancassurance income increased 9 per cent on the back of strong customer onboarding while Wealth Management secured lending income decreased by a third on the back of customer deleveraging and higher cost of funding.

Retail Products income increased 43 per cent. Deposit income increased 185 per cent due to low passthrough rates in a rising interest rate environment partly offset by migration from CASA into time deposits. Mortgages & Auto income decreased 60 per cent as the Best Lending Rate cap in Hong Kong restricted the ability to reprice mortgages despite an increase in funding costs from higher interest rates. Credit Cards & Personal Loans income decreased 2 per cent with double-digit growth in credit card balances on the back of increased customer numbers from Mox and Trust bank offset by lower fee income.

Treasury income was a $393 million loss in the half with losses from structural and short-term hedges in a rising interest rate environment. These losses reduced in the second quarter as short-term hedges matured and the remaining short term hedges mature in February 2024.

Profit before tax by client segment and geographic region

	1H'23 $million	1H'22[2] $million	Change %	Constant currency change[1] %	2Q'23 $million	2Q'22[2] $million	Change %	Constant currency change[1] %	1Q'23 $million	Change %	Constant currency change[1] %
Corporate, Commercial & Institutional Banking	**2,915**	1,810	61	71	**1,430**	815	75	87	1,485	(4)	(4)
Consumer Private & Business Banking	**1,373**	714	92	100	**696**	346	101	107	677	3	2
Ventures	**(158)**	(151)	(5)	(6)	**(55)**	(74)	26	27	(103)	47	47
Central & other items (segment)	**(824)**	278	nm[3]	nm[3]	**(471)**	174	nm[3]	nm[3]	(353)	(33)	(32)
Underlying profit before taxation	**3,306**	2,651	25	29	**1,600**	1,261	27	32	1,706	(6)	(6)
Asia	**2,749**	1,776	55	59	**1,354**	918	47	53	1,395	(3)	(3)
Africa & Middle East	**653**	551	19	39	**349**	271	29	45	304	15	15
Europe & Americas	**(11)**	646	(102)	(102)	**7**	177	(96)	(97)	(18)	139	135
Central & other items (region)	**(85)**	(322)	74	70	**(110)**	(105)	(5)	(14)	25	nm[3]	nm[3]
Underlying profit before taxation	**3,306**	2,651	25	29	**1,600**	1,261	27	32	1,706	(6)	(6)

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 statutory 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 71 per cent. Income grew 33 per cent with Cash Management benefiting from disciplined pricing initiatives in a rising interest rate environment and record Macro and Credit Trading performance within Financial Markets. Expenses were 13 per cent higher reflecting further investment in the business partly offset by a net $125 million reduction in credit impairment.

Consumer, Private & Business Banking (CPBB) profit doubled, with income up 30 per cent as the benefit from higher interest rates on Retail Deposit income was partly offset by lower Mortgage income negatively impacted by the Best Lending Rate cap in Hong Kong. Expenses increased 5 per cent while credit impairment was $28 million higher.

Ventures losses increased by $7 million to $158 million, reflecting the Group's continued investment in transformational digital initiatives with expenses increasing $65 million which was more than offset by an $84 million increase in income reflecting the growth in customer numbers within Mox and Trust Bank. The impairment charge increased $20 million to $23 million reflecting the build of expected credit loss provisions as the credit portfolios grow.

Central & other items (segment) recorded a loss of $824 million with negative income of $517 million primarily due to the loss from hedges. Expenses increased by $65 million while a net release in credit impairment was more than offset by other impairment relating to software assets. Associates profit share reduced by $53 million.

Asia profits increased 59 per cent as income grew 23 per cent. Strong growth in Cash Management, Retail Deposits and Financial Markets income was offset by lower Mortgage income and a loss in Treasury Markets. Expenses increased 9 per cent with the credit impairment charge reducing by half. The profit share from China Bohai Bank reduced by $51 million.

Africa & Middle East (AME) profits increased 39 per cent as income increased 34 per cent with strong growth in Cash Management, Financial Markets and Retail Deposit income. This was partly offset by expenses increasing 13 per cent reflecting inflationary pressures in the region. Impairment charges were a net release of $9 million, a $90 million lower release compared to the prior year.

Europe & Americas recorded a loss of $11 million as income declined 38 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 15 per cent and there was a $35 million increase in credit impairment as last year's net release was not replicated.

Central & other items (region) recorded a loss of $85 million compared to a $322 million loss in the first half of 2022. Income increased to $305 million mainly due to higher returns paid to Treasury on the equity provided to the regions in a rising interest rate environment. This was partly offset by other impairment charges of $69 million.

Adjusted net interest income and margin

	1H'23 $million	1H'22 $million	Change[1] %	2Q'23 $million	2Q'22 $million	Change[1] %	1Q'23 $million	Change[1] %
Adjusted net interest income[2]	4,770	3,697	29	2,430	1,888	29	2,340	4
Average interest-earning assets	576,149	565,335	2	569,811	561,493	1	582,557	(2)
Average interest-bearing liabilities	537,549	527,104	2	536,142	524,273	2	538,969	(1)
Gross yield (%)[3]	4.49	2.06	nm[5]	4.61	2.21	nm[5]	4.37	24
Rate paid (%)[3]	3.02	0.80	nm[5]	3.08	0.92	nm[5]	2.97	11
Net yield (%)[3]	1.47	1.26	21	1.53	1.29	24	1.40	13
Net interest margin (%)[3,4]	1.67	1.32	35	1.71	1.35	36	1.63	8

1 Variance is better/(worse) other than assets and liabilities which is increase/(decrease)
2 Adjusted net interest income is statutory net interest income less funding costs for the trading book and financial guarantee fees on interest-earning assets
3 Change is the basis points (bps) difference between the two periods rather than the percentage change
4 Net interest margin is calculated as adjusted net interest income divided by average interest-earning assets, annualised
5 Not meaningful

Adjusted net interest income increased 29 per cent. This was driven by a 27 per cent increase in the net interest margin which averaged 167 basis points in the first half, increasing 35 basis points year-on-year. The net interest margin increased 8 basis points quarter-on-quarter from the first quarter to 171 basis points benefiting from the roll-off of hedges slightly offset by an adverse change in asset mix reflecting the shift from higher-yielding customers loans into cash and balances at central banks:

- Average interest-earning assets declined 2 per cent in the quarter and were broadly flat excluding the impact of currency translation and RWA optimisation actions. Gross yields increased 24 basis points compared with the first quarter due to the impact of rising interest rates on customer loan pricing and on Treasury portfolio yields
- Average interest-bearing liabilities decreased 1 per cent in the quarter impacted by currency translation. Whilst the rate paid on liabilities increased 11 basis points reflecting the impact of rising interest rates and migration from lower rate paid CASA accounts into higher rate paid term deposits

Credit risk summary

Income Statement

	1H'23 $million	1H'22[2] $million	Change[1] %	2Q'23 $million	2Q'22[2] $million	Change[1] $million	1Q'23 $million	Change[1] %
Total credit impairment charge/(release)	**172**	264	(35)	**146**	66	121	26	nm[3]
Of which stage 1 and 2	**33**	(11)	nm[3]	**27**	70	(61)	6	nm[3]
Of which stage 3	**139**	275	(49)	**119**	(4)	nm[3]	20	nm[3]

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

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

3 Not meaningful

Balance sheet

	30.06.23 $million	31.03.23 $million	Change[1] %	31.12.22 $million	Change[1] %	30.06.22 $million	Change[1] %
Gross loans and advances to customers[2]	**295,508**	305,975	(3)	316,107	(7)	298,729	(1)
Of which stage 1	**277,711**	286,335	(3)	295,219	(6)	279,137	(1)
Of which stage 2	**10,110**	12,216	(17)	13,043	(22)	12,539	(19)
Of which stage 3	**7,687**	7,424	4	7,845	(2)	7,053	9
Expected credit loss provisions	**(5,371)**	(5,348)	–	(5,460)	(2)	(5,220)	3
Of which stage 1	**(451)**	(507)	(11)	(559)	(19)	(502)	(10)
Of which stage 2	**(400)**	(446)	(10)	(444)	(10)	(385)	4
Of which stage 3	**(4,520)**	(4,395)	3	(4,457)	1	(4,333)	4
Net loans and advances to customers	**290,137**	300,627	(3)	310,647	(7)	293,509	(1)
Of which stage 1	**277,260**	285,828	(3)	294,660	(6)	278,635	–
Of which stage 2	**9,710**	11,770	(18)	12,599	(23)	12,154	(20)
Of which stage 3	**3,167**	3,029	5	3,388	(7)	2,720	16
Cover ratio of stage 3 before/after collateral (%)[3]	**59/78**	59/79	0/(1)	57/76	2/2	61/80	(2)/(2)
Credit grade 12 accounts ($million)	**1,316**	1,642	(20)	1,574	(16)	835	58
Early alerts ($million)	**4,443**	5,351	(17)	4,967	(11)	7,524	(41)
Investment grade corporate exposures (%)[3]	**74**	75	(1)	76	(2)	71	3

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

2 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $10,950 million at 30 June 2023, $14,398 million at 31 March 2023, $24,498 million at 31 December 2022 and $7,894 million at 30 June 2022

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

Asset quality remained resilient in the first half which was reflected in lower credit impairment charges and an improvement in several underlying credit metrics. However, the Group continues to remain alert to a volatile and challenging external environment which has seen idiosyncratic stress in a select number of markets and industry sectors.

Credit impairment was a $172 million charge in the half, down 35 per cent year-on-year. There was an ongoing $108 million charge relating to CPBB net of a $34 million release relating to non-linearity post-model adjustments and $21 million release from the COVID-19 management overlay. There was a net release of $21 million relating to sovereign downgrades, as additional charges relating to Sri Lanka was more than offset by a net release relating to Ghana sovereign exposures. There was also a $82 million net charge relating to the China commercial real estate sector, with further Stage 3 impairments partly offset by a $37million decrease in the management overlay. The remaining China commercial real estate sector management overlay is now $136 million, and the COVID-19 overlay has been fully released.

The credit impairment charge represents an annualised loan loss rate of 11 basis points, this is higher than what would be implied by the low credit impairment charge alone as it excludes the impairment releases on debt securities of $37 million.

Gross stage 3 loans and advances to customers of $7.7 billion were down 2 per cent compared with 31 December 2022. This reflects repayments, client upgrades, reduction in exposures and write-offs more than offsetting new inflows. Credit-impaired loans represented 2.6 per cent of gross loans and advances, an increase of 12 basis points in the half. This reflects the fact that total loans and advances to customers shrank more quickly than gross stage 3 loans.

The stage 3 cover ratio of 59 per cent increased 2 percentage points compared with the position as at 31 December 2022. The cover ratio post collateral also increased 2 percentage points to 78 per cent, with both ratios increasing due to new and incremental provisions taken in the first half.

Credit grade 12 balances have decreased by 16 per cent since 31 December 2022 to $1.3 billion reflecting both improvements into stronger credit grades and downgrades to Stage 3.

Early Alert accounts of $4.4 billion have decreased by $0.5 billion since 31 December 2022 and have reduced by $3.1 billion since 30 June 2022. The half-on-half decline primarily relates to upgrades in the Aviation sector and repayments in the China commercial real estate sector. The Group is continuing to carefully monitor its exposures in vulnerable sectors and select markets, given the unusual stresses caused by the challenging macro-economic environment.

The proportion of investment-grade corporate exposures fell by 2 percentage points since 31 December 2022 to 74 per cent reflecting the decrease in reverse repurchase agreements.

Restructuring and other items

	1H'23		1H'22[1]	
	Restructuring $million	**DVA $million**	Restructuring $million	DVA $million
Operating income	**215**	**(39)**	246	120
Operating expenses	**(164)**	**–**	(232)	–
Credit impairment	**11**	**–**	1	–
Other impairment	**(14)**	**–**	(14)	–
Profit from associates and joint ventures	**8**	**–**	–	–
Profit/(loss) before taxation	**56**	**(39)**	1	120

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

The Group's statutory 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.

The Group has signed sale agreements to exit seven markets in the AME region and will focus solely on the CCIB segment in two more exit markets. Additionally, the Group announced that it intends to explore alternatives for the future ownership of its Aviation Finance business. As a result of these announcements, effective 1st January 2023, the Group no longer includes the exit markets and the Aviation Finance business within the Group's underlying operating profit before taxation but will report them within restructuring.

The Group is also reclassifying movements in the 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 profits of $56 million primarily reflect the profit from the exit markets and Aviation Finance businesses partly offset by losses on the remaining Principal Finance portfolio and redundancy charges.

DVA was a negative $39 million movement driven by the narrowing of the Group's asset swap spreads on derivative liability exposures. The size of the portfolio subject to DVA did not change materially.

Balance sheet and liquidity

	30.06.23 $million	31.03.23 $million	Change[1] %	31.12.22 $million	Change[1] %	30.06.22 $million	Change[1] %
Assets							
Loans and advances to banks	**44,602**	38,216	17	39,519	13	36,201	23
Loans and advances to customers	**290,137**	300,627	(3)	310,647	(7)	293,508	(1)
Other assets	**503,972**	481,835	5	469,756	7	506,208	–
Total assets	**838,711**	820,678	2	819,922	2	835,917	–
Liabilities							
Deposits by banks	**28,560**	26,889	6	28,789	(1)	31,173	(8)
Customer accounts	**469,567**	462,169	2	461,677	2	453,742	3
Other liabilities	**290,903**	281,609	3	279,440	4	301,310	(3)
Total liabilities	**789,030**	770,667	2	769,906	2	786,225	–
Equity	**49,681**	50,011	(1)	50,016	(1)	49,692	–
Total equity and liabilities	**838,711**	820,678	2	819,922	2	835,917	–
Advances-to-deposits ratio (%)[2]	**53.6%**	56.2%		57.4%		59.6%	
Liquidity coverage ratio (%)	**164%**	161%		147%		142%	

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

2 The Group now excludes $24,749 million held with central banks (31.03.23: $24,173 million, 31.12.22: $20,798 million, 30.06.22: $16,918 million) that has been confirmed as repayable at the point of stress. Advances exclude repurchase agreement and other similar secured lending of $10,950 million and include loans and advances to customers held at fair value through profit or loss of $5,368 million. Deposits include customer accounts held at fair value through profit or loss of $14,935 million

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

- Loans and advances to banks were 13 per cent or $5 billion higher from 31 December 2022 to $45 billion
- Loans and advances to customers decreased 7 per cent, or $21 billion, from 31 December 2022 to $290 billion. These items include the impact of $20 billion reduction from Treasury and securities backed loans, primarily reverse repurchase agreements, held to collect, risk-weighted asset optimisation actions in CCIB and adverse currency translation and a reclassification of Aviation Finance loans amounting to $1 billion into Held for Sale assets. Excluding these adjustments, loans and advances were broadly stable in the half
- Customer accounts increased 2 per cent, or $8 billion, from 31 December 2022 to $470 billion. An increase in Cash Management balances and retail time deposits was partly offset by an outflow of retail current account balances
- Other assets increased 7 per cent, or $34 billion from 31 December 2022 to $504 billion. A $28 billion increase in cash and balances at central banks was partially offset by a $10 billion reduction in investment securities and a $3 billion reduction in derivative balances
- Other liabilities increased 4 per cent, or $12 billion, from 31 December 2022 to $291 billion with an increase in repurchase agreements being partly offset by reduced derivative liabilities

The advances-to-deposits ratio decreased to 53.6 per cent from 57.4 per cent at 31 December 2022. The liquidity coverage ratio increased 17 percentage point to 164 per cent and remains well above the minimum regulatory requirement.

Risk-weighted assets

	30.06.23 $million	31.03.23 $million	Change[1] %	31.12.22 $million	Change[1] %	30.06.22 $million	Change[1] %
By risk type							
Credit risk	**197,151**	200,632	(2)	196,855	–	205,179	(4)
Operational risk	**27,861**	27,861	–	27,177	3	27,177	3
Market risk	**24,105**	22,400	8	20,679	17	22,726	6
Total RWAs	**249,117**	250,893	(1)	244,711	2	255,082	(2)

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

Total risk-weighted assets (RWA) increased 2 per cent or $4.4 billion since 31 December 2022 to $249.1 billion:

- Credit risk RWA was broadly flat in the first half at $197.2 billion. There was a $6.9 billion reduction from optimisation actions, primarily in the CCIB low-returning portfolio and a $2.9 billion reduction from currency translation. This was offset by a $8.2 billion increase from asset growth & mix and a $1.3 billion increase from derivatives
- 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 $3.4 billion to $24.1 billion reflecting an increased level of Financial Markets activity and an increase in Internal Models Approach add-ons for risks not captured by VaR

Capital base and ratios

	30.06.23 $million	31.03.23 $million	Change[1] %	31.12.22 $million	Change[1] %	30.06.22 $million	Change[1] %
CET1 capital	**34,896**	34,402	1	34,157	2	35,373	(1)
Additional Tier 1 capital (AT1)	**5,492**	5,492	–	6,484	(15)	5,244	5
Tier 1 capital	**40,388**	39,894	1	40,641	(1)	40,617	(1)
Tier 2 capital	**12,281**	12,424	(1)	12,510	(2)	13,020	(6)
Total capital	**52,669**	52,318	1	53,151	(1)	53,637	(2)
CET1 capital ratio(%)[2]	**14.0**	13.7	0.3	14.0	0.0	13.9	0.1
Total capital ratio(%)[2]	**21.1**	20.9	0.2	21.7	(0.6)	21.0	0.1
Leverage ratio (%)[2]	**4.8**	4.7	0.1	4.8	–	4.5	0.3

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

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

The Group's CET1 ratio of 14.0 per cent was 5 basis points higher than the ratio as at 31 December 2022. An increase in RWAs and the reduction in CET1 from shareholder distributions was offset by profit accretion. The CET1 ratio remains 3.6 percentage points above the Group's latest regulatory minimum of 10.4 per cent and at the top of the 13-14 per cent target range.

The Group is part way through the $1 billion share buyback programme which it announced on 16 February 2023, and by 30 June 2023 had spent $736 million purchasing and cancelling 94 million ordinary shares, reducing the share count by approximately 3 per cent. Even though the share buyback was still ongoing on 30 June 2023, the entire $1 billion is deducted from CET1 in the period, reducing the CET1 ratio by 41 basis points.

The Board has decided to carry out an additional share buy-back commencing imminently for up to a maximum consideration of $1 billion to further reduce the number of ordinary shares in issue by cancelling the repurchased shares. The terms of the buy-back will be announced and the program will run concurrently with the current program and is expected to reduce the Group's CET1 ratio in the third quarter of 2023 by approximately 40 basis points.

The Board has recommended an interim 2023 ordinary dividend of 6 cents a share, an increase of 50 per cent, one third of the ordinary full-year dividend paid in 2022.

The $4.4 billion increase in RWAs in the first half accounted for a 25 basis points reduction in the CET1 ratio.

The above reductions to the CET1 ratio were offset by 97 basis points uplift from profit accretion in the half.

The Group's leverage ratio of 4.8 per cent is in-line with the ratio as at 31 December 2022. This is primarily driven by profit accretion offset by a call of $1.0 billion Additional Tier 1 securities, effective 2 April 2023 and shareholder distributions. The Group's leverage ratio remains significantly above its minimum requirement of 3.7 per cent.

Outlook

We have made a strong start to 2023 with positive momentum being supported by progress on our five strategic actions and the markets in our footprint are expected to continue to grow faster than those in the West.

We are therefore upgrading our 2023 guidance:

- Income to increase by 12 to 14 per cent at constant currency
- Full year average net interest margin of around 170 basis points
- Assets growth in the low single digit percentage range in the second half of the year from 30 June 2023
- RWA growth in the low single digit percentage range
- Positive income-to-cost jaws of around 4 percentage points, excluding UK bank levy at constant currency
- Full year loan loss rate to be in the range of 17-25 basis points
- Operate dynamically within the full 13 to 14 per cent CET1 target range
- Return on Tangible Equity of 10 per cent

Andy Halford
Group Chief Financial Officer

28 July 2023

Underlying performance by client segment

	1H'23				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	5,823	3,556	89	(517)	8,951
External	4,569	2,154	89	2,139	8,951
Inter-segment	1,254	1,402	–	(2,656)	–
Operating expenses	(2,818)	(2,075)	(211)	(400)	(5,504)
Operating profit/(loss) before impairment losses and taxation	3,005	1,481	(122)	(917)	3,447
Credit impairment	(69)	(108)	(23)	28	(172)
Other impairment	(21)	–	–	(42)	(63)
Profit from associates and joint ventures	–	–	(13)	107	94
Underlying profit/(loss) before taxation	2,915	1,373	(158)	(824)	3,306
Restructuring	73	(16)	(1)	–	56
DVA	(39)	–	–	–	(39)
Statutory profit/(loss) before taxation	2,949	1,357	(159)	(824)	3,323
Total assets	401,001	129,660	3,076	304,974	838,711
Of which: loans and advances to customers[2]	174,214	127,039	947	33,623	335,823
loans and advances to customers	128,548	127,020	947	33,622	290,137
loans held at fair value through profit or loss (FVTPL)	45,666	19	–	1	45,686
Total liabilities	490,697	190,690	2,317	105,326	789,030
Of which: customer accounts[2]	333,584	185,741	2,072	8,394	529,791
Risk-weighted assets	147,258	50,664	1,925	49,270	249,117
Income return on risk-weighted assets (%)	8.0	14.1	13.0	(2.1)	7.3
Underlying return on tangible equity (%)	20.8	28.2	nm[3]	(25.6)	12.0
Cost-to-income ratio (%)	48.4	58.4	nm[3]	nm[3]	61.5

	1H'22[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	4,569	2,845	5	440	7,859
External	4,273	2,586	5	995	7,859
Inter-segment	296	259	–	(555)	–
Operating expenses	(2,565)	(2,050)	(146)	(335)	(5,096)
Operating profit/(loss) before impairment losses and taxation	2,004	795	(141)	105	2,763
Credit impairment	(194)	(80)	(3)	13	(264)
Other impairment	–	(1)	–	–	(1)
Profit from associates and joint ventures	–	–	(7)	160	153
Underlying profit/(loss) before taxation	1,810	714	(151)	278	2,651
Restructuring	30	(17)	(1)	(11)	1
DVA	120	–	–	–	120
Statutory profit/(loss) before taxation	1,960	697	(152)	267	2,772
Total assets	427,483	134,979	1,371	272,084	835,917
Of which: loans and advances to customers[2]	192,439	132,275	342	29,418	354,474
loans and advances to customers	134,154	132,233	342	26,779	293,508
loans held at fair value through profit or loss (FVTPL)	58,285	42	–	2,639	60,966
Total liabilities	500,400	179,637	770	105,418	786,225
Of which: customer accounts[2]	321,517	175,747	689	9,058	507,011
Risk-weighted assets	154,177	52,518	1,043	47,344	255,082
Income return on risk-weighted assets (%)	5.7	10.7	2.0	1.7	5.9
Underlying return on tangible equity (%)	11.7	14.0	nm[3]	(0.4)	9.3
Cost-to-income ratio (%)	56.1	72.1	nm[3]	77.3	64.9

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

2 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

3 Not meaningful

Corporate, Commercial & Institutional Banking

	1H'23 $million	1H'22[1,4] $million	Change[3] %	Constant currency change[2,3] %	2Q'23 $million	2Q'22[1,4] $million	Change[3] %	Constant currency change[2,3] %	1Q'23[4] $million	Change[3] %	Constant currency change[2,3] %
Operating income	**5,823**	4,569	27	33	**2,931**	2,176	35	39	2,892	1	2
Transaction Banking	**2,772**	1,501	85	92	**1,416**	798	77	83	1,356	4	5
Trade & Working capital	**642**	661	(3)	1	**322**	321	–	4	320	1	1
Cash Management	**2,130**	840	154	164	**1,094**	477	129	136	1,036	6	6
Financial Markets	**2,805**	2,812	–	4	**1,391**	1,255	11	15	1,414	(2)	(1)
Macro Trading	**1,655**	1,601	3	8	**825**	662	25	30	830	(1)	–
Credit Markets	**922**	870	6	10	**462**	396	17	19	460	–	1
Credit Trading	**312**	189	65	76	**140**	84	67	75	172	(19)	(18)
Financing Solutions & Issuance[4]	**610**	681	(10)	(8)	**322**	312	3	5	288	12	12
Financing & Securities Services[4]	**228**	341	(33)	(32)	**104**	197	(47)	(47)	124	(16)	(18)
Lending & Portfolio Management	**249**	260	(4)	–	**125**	124	1	5	124	1	2
Retail Products	**1**	–	nm[8]	nm[8]	**1**	–	nm[8]	nm[8]	–	nm[8]	nm[8]
Deposits	**1**	–	nm[8]	nm[8]	**1**	–	nm[8]	nm[8]	–	nm[8]	nm[8]
Other	**(4)**	(4)	–	20	**(2)**	(1)	(100)	–	(2)	–	–
Operating expenses	**(2,818)**	(2,565)	(10)	(13)	**(1,403)**	(1,313)	(7)	(10)	(1,415)	1	–
Operating profit before impairment losses and taxation	**3,005**	2,004	50	58	**1,528**	863	77	86	1,477	3	3
Credit impairment	**(69)**	(194)	64	64	**(77)**	(48)	(60)	(36)	8	nm[8]	nm[8]
Other impairment	**(21)**	–	nm[8]	nm[8]	**(21)**	–	nm[8]	nm[8]	–	nm[8]	nm[8]
Underlying profit before taxation	**2,915**	1,810	61	71	**1,430**	815	75	86	1,485	(4)	(4)
Restructuring	**73**	30	143	nm[8]	**34**	17	100	192	39	(13)	(5)
DVA	**(39)**	120	(133)	(133)	**(93)**	35	nm[8]	nm[8]	54	nm[8]	nm[8]
Statutory profit before taxation	**2,949**	1,960	50	59	**1,371**	867	58	69	1,578	(13)	(13)
Total assets	**401,001**	427,483	(6)	(5)	**401,001**	427,483	(6)	(5)	394,873	2	3
Of which: loans and advances to customers[5]	**174,214**	192,439	(9)	(9)	**174,214**	192,439	(9)	(9)	181,335	(4)	(3)
Total liabilities	**490,697**	500,400	(2)	(1)	**490,697**	500,400	(2)	(1)	476,993	3	4
Of which: customer accounts[5]	**333,584**	321,517	4	5	**333,584**	321,517	4	5	335,996	(1)	–
Risk-weighted assets	**147,258**	154,177	(4)	nm[8]	**147,258**	154,177	(4)	nm[8]	148,550	(1)	nm[8]
Income return on risk-weighted assets (%)[6]	**8.0**	5.7	230bps	nm[8]	**8.1**	5.5	260bps	nm[8]	8.0	10bps	nm[8]
Underlying return on tangible equity (%)[6]	**20.8**	11.7	910bps	nm[8]	**20.4**	10.7	970bps	nm[8]	21.2	(80)bps	nm[8]
Cost-to-income ratio (%)[7]	**48.4**	56.1	7.7	8.3	**47.9**	60.3	12.4	13.0	48.9	1.0	(11.4)

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

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

3 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)

4 Shipping Finance is now reported under "Financing Solutions & Issuance" which was reported under "Financing & Securities Services" in 1Q'23

5 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

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

7 Change is the percentage points difference between the two periods rather than the percentage change

8 Not meaningful

Performance highlights

- Underlying profit before tax of $2,915 million was up 61 per cent, mainly driven by higher income and lower impairment partially offset by higher expenses
- Underlying operating income of $5,823 million was up 27 per cent (up 33 per cent at constant currency), primarily driven by Cash Management, which more than doubled year on year, reflecting strong pricing discipline and passthrough rate management to take advantage of the higher interest rate environment. Financial Markets income was broadly flat year on year but up by 8 per cent excluding the non-repeat of $216 million gains on mark-to-market liabilities. Macro Trading had a record first half, up 8 per cent, with strong double-digit growth in Rates and high single-digit growth in FX leading to record performances partly offsetting a non-repeat of last year's record performance in Commodities. Credit Markets income was up 10 per cent with strong growth and a record half in Credit Trading income offset by lower Financing Solutions & Issuance
- Credit impairment was a net charge of $69 million mainly from stage 2 and 3 primarily related to China CRE exposures
- Risk-weighted assets were up $4 billion since 31.12.22, mainly as a result of underlying asset growth & mix, partly offset by optimisation of lower returning portfolios and favourable foreign exchange translation
- Return on tangible equity increased from 11.7 per cent to 20.8 per cent

Consumer, Private & Business Banking

	1H'23 $million	1H'22[1] $million	Change[3] %	Constant currency change[2,3] %	2Q'23 $million	2Q'22[1] $million	Change[3] %	Constant currency change[2,3] %	1Q'23 $million	Change[3] %	Constant currency change[2,3] %
Operating income	**3,556**	2,845	25	30	**1,784**	1,435	24	27	1,772	1	1
Transaction Banking	**88**	52	69	80	**45**	26	73	80	43	5	5
Trade & Working capital	**23**	31	(26)	(23)	**12**	15	(20)	(20)	11	9	9
Cash Management	**65**	21	nm[7]	nm[7]	**33**	11	nm[7]	nm[7]	32	3	3
Lending & Portfolio Management	**17**	22	(23)	(11)	**7**	12	(42)	(36)	10	(30)	(30)
Wealth Management	**1,006**	984	2	5	**495**	456	9	10	511	(3)	(3)
Retail Products	**2,434**	1,776	37	43	**1,227**	940	31	34	1,207	2	2
CCPL & other unsecured lending	**539**	604	(11)	(7)	**264**	305	(13)	(10)	275	(4)	(3)
Deposits	**1,638**	597	174	188	**857**	355	141	148	781	10	10
Mortgage & Auto	**188**	481	(61)	(60)	**74**	235	(69)	(68)	114	(35)	(34)
Other Retail Products	**69**	94	(27)	(22)	**32**	45	(29)	(23)	37	(14)	(8)
Other	**11**	11	–	(8)	**10**	1	nm[7]	nm[7]	1	nm[7]	nm[7]
Operating expenses	**(2,075)**	(2,050)	(1)	(5)	**(1,042)**	(1,044)	–	(2)	(1,033)	(1)	(2)
Operating profit before impairment losses and taxation	**1,481**	795	86	94	**742**	391	90	96	739	–	–
Credit impairment	**(108)**	(80)	(35)	(44)	**(46)**	(45)	(2)	(9)	(62)	26	23
Other impairment	**–**	(1)	100	–	**–**	–	nm[7]	–	–	nm[7]	nm[7]
Underlying profit before taxation	**1,373**	714	92	100	**696**	346	101	107	677	3	2
Restructuring	**(16)**	(17)	6	30	**(14)**	(13)	(8)	7	(2)	nm[7]	nm[7]
Statutory profit before taxation	**1,357**	697	95	105	**682**	333	105	112	675	1	1
Total assets	**129,660**	134,979	(4)	(3)	**129,660**	134,979	(4)	(3)	130,669	(1)	–
Of which: loans and advances to customers[4]	**127,039**	132,275	(4)	(3)	**127,039**	132,275	(4)	(3)	128,102	(1)	–
Total liabilities	**190,690**	179,637	6	7	**190,690**	179,637	6	7	188,050	1	2
Of which: customer accounts[4]	**185,741**	175,747	6	7	**185,741**	175,747	6	7	182,856	2	2
Risk-weighted assets	**50,664**	52,518	(4)	nm[7]	**50,664**	52,518	(4)	nm[7]	50,621	–	nm[7]
Income return on risk-weighted assets (%)[5]	**14.1**	10.7	340bps	nm[7]	**14.1**	10.9	320bps	nm[7]	14.1	–	nm[7]
Underlying return on tangible equity (%)[5]	**28.2**	14.0	1,420bps	nm[7]	**28.3**	13.6	1,470bps	nm[7]	28.0	30bps	nm[7]
Cost-to-income ratio (%)[6]	**58.4**	72.1	13.7	13.9	**58.4**	72.8	14.4	14.5	58.3	(0.1)	(0.3)

1 Underlying performance for relevant periods in 2022 has been restated for the removal of exit markets and businesses in AME
2 Comparisons presented on the basis of the current period's transactional currency rate, ensuring like-for-like currency rates between the two periods
3 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)
4 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements
5 Change is the basis points (bps) difference between the two periods rather than the percentage change
6 Change is the percentage points difference between the two periods rather than the percentage change
7 Not meaningful

Performance highlights

- Underlying profit before tax almost doubled to $1,373 million, driven by higher income partially offset by higher expenses and higher credit impairments
- Underlying operating income of $3,556 million was up 25 per cent (up 30 per cent on a constant currency basis), as the benefit from higher interest rates on Retail Deposit income was partly offset by lower Mortgage income negatively impacted by the Best Lending Rate cap in Hong Kong, and Wealth Management returned to growth, up 5 per cent on a constant currency basis
- Customer accounts were up 6 per cent (up 7 per cent on a constant currency basis) since 30.06.22
- Return on tangible equity increased from 14.0 per cent to 28.2 per cent

Ventures

	1H'23 $million	1H'22 $million	Change[2] %	Constant currency change[1,2] %	2Q'23 $million	2Q'22 $million	Change[2] %	Constant currency change[1,2] %	1Q'23 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**89**	5	nm[6]	nm[6]	**72**	4	nm[6]	nm[6]	17	nm[6]	nm[6]
Retail Products	**17**	5	nm[6]	167	**12**	4	nm[6]	175	5	140	120
CCPL & other unsecured lending	**37**	6	nm[6]	nm[6]	**22**	5	nm[6]	nm[6]	15	47	47
Deposits	**(20)**	(1)	nm[6]	nm[6]	**(10)**	–	nm[6]	nm[6]	(10)	–	(10)
Other Retail Products	**–**	–	nm[6]	nm[6]	**–**	(1)	100	nm[6]	–	nm[6]	nm[6]
Treasury	**12**	–	nm[6]	nm[6]	**7**	–	nm[6]	nm[6]	5	40	40
Other	**60**	–	nm[6]	nm[6]	**53**	–	nm[6]	nm[6]	7	nm[6]	nm[6]
Operating expenses	**(211)**	(146)	(45)	(45)	**(109)**	(74)	(47)	(45)	(102)	(7)	(7)
Operating loss before impairment losses and taxation	**(122)**	(141)	13	12	**(37)**	(70)	47	46	(85)	56	55
Credit impairment	**(23)**	(3)	nm[6]	nm[6]	**(13)**	–	nm[6]	nm[6]	(10)	(30)	(30)
Other impairment	**–**	–	nm[6]	nm[6]	**–**	–	nm[6]	nm[6]	–	nm[6]	nm[6]
Profit from associates and joint ventures	**(13)**	(7)	(86)	(86)	**(5)**	(4)	(25)	(25)	(8)	38	38
Underlying loss before taxation	**(158)**	(151)	(5)	(6)	**(55)**	(74)	26	25	(103)	47	46
Restructuring	**(1)**	(1)	–	–	**(1)**	(1)	–	–	–	nm[6]	nm[6]
Statutory loss before taxation	**(159)**	(152)	(5)	(6)	**(56)**	(75)	25	25	(103)	46	45
Total assets	**3,076**	1,371	124	141	**3,076**	1,371	124	141	2,683	15	16
Of which: loans and advances to customers[3]	**947**	342	177	176	**947**	342	177	176	812	17	17
Total liabilities	**2,317**	770	nm[6]	nm[6]	**2,317**	770	nm[6]	nm[6]	1,955	19	19
Of which: customer accounts[3]	**2,072**	689	nm[6]	nm[6]	**2,072**	689	nm[6]	nm[6]	1,767	17	18
Risk-weighted assets	**1,925**	1,043	85	nm[6]	**1,925**	1,043	85	nm[6]	1,627	18	nm[6]
Income return on risk-weighted assets (%)[4]	**13.0**	2.0	1,100bps	nm[6]	**18.9**	2.2	1,670bps	nm[6]	5.5	1,340bps	nm[6]
Underlying return on tangible equity (%)[4]	**nm[6]**	nm[6]	nm[6]	nm[6]	**nm[6]**	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]
Cost-to-income ratio (%)[5]	**nm[6]**	nm[6]	nm[6]	nm[6]	**nm[6]**	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]

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 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)

3 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

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

5 Change is the percentage points difference between the two periods rather than the percentage change

6 Not meaningful

Performance highlights

- Underlying loss before tax increased $7 million to $158 million, reflecting the Group's continued investment in transformational digital initiatives , with expenses increasing $65 million which was more than offset by an $84 million increase in income reflecting the growth in customer numbers within Mox and Trust Bank
- Credit Impairment increased $20 million to $23 million reflecting the build of expected credit loss provisions as the credit portfolios grow
- Loans and advances to customers increased almost three-fold since 30.06.22, due to Mox and Trust's customer growth and higher engagement
- Customer account liabilities increased three-fold since 30.06.22 also driven by the launch of Trust Bank in Singapore

Central & other items (segment)

	1H'23 $million	1H'22[1] $million	Change[3] %	Constant currency change[2,3] %	2Q'23 $million	2Q'22[1] $million	Change[3] %	Constant currency change[2,3] %	1Q'23 $million	Change[3] %	Constant currency change[2,3] %
Operating income	**(517)**	440	nm[7]	nm[7]	**(232)**	168	nm[7]	nm[7]	(285)	19	21
Treasury	**(405)**	515	(179)	(181)	**(167)**	201	(183)	(183)	(238)	30	31
Other	**(112)**	(75)	(49)	(70)	**(65)**	(33)	(97)	(121)	(47)	(38)	(33)
Operating expenses	**(400)**	(335)	(19)	(37)	**(275)**	(115)	(139)	(171)	(125)	(120)	(121)
Operating (loss)/profit before impairment losses and taxation	**(917)**	105	nm[7]	nm[7]	**(507)**	53	nm[7]	nm[7]	(410)	(24)	(22)
Credit impairment	**28**	13	115	64	**(10)**	27	(137)	(168)	38	(126)	(136)
Other impairment	**(42)**	–	nm[7]	nm[7]	**(42)**	–	nm[7]	nm[7]	–	nm[7]	nm[7]
Profit from associates and joint ventures	**107**	160	(33)	(33)	**88**	94	(6)	(6)	19	nm[7]	nm[7]
Underlying (loss)/profit before taxation	**(824)**	278	nm[7]	nm[7]	**(471)**	174	nm[7]	nm[7]	(353)	(33)	(32)
Restructuring	**–**	(11)	100	110	**(11)**	(19)	42	19	11	nm[7]	(193)[7]
Statutory (loss)/profit before taxation	**(824)**	267	nm[7]	nm[7]	**(482)**	155	nm[7]	nm[7]	(342)	(41)	(41)
Total assets	**304,974**	272,084	12	12	**304,974**	272,084	12	12	292,453	4	5
Of which: loans and advances to customers[4]	**33,623**	29,418	14	14	**33,623**	29,418	14	14	36,816	(9)	(7)
Total liabilities	**105,326**	105,418	–	–	**105,326**	105,418	–	–	103,669	2	2
Of which: customer accounts[4]	**8,394**	9,058	(7)	(8)	**8,394**	9,058	(7)	(8)	5,792	45	47
Risk-weighted assets	**49,270**	47,344	4	nm[7]	**49,270**	47,344	4	nm[7]	50,095	(2)	nm[7]
Income return on risk-weighted assets (%)[5]	**(2.1)**	1.7	(380)bps	nm[7]	**(1.9)**	1.3	(320)bps	nm[7]	(2.3)	40bps	nm[7]
Underlying return on tangible equity (%)[5]	**(25.6)**	(0.4)	nm[7]	nm[7]	**(25.4)**	(0.8)	nm[7]	nm[7]	(25.7)	30bps	nm[7]
Cost-to-income ratio (%) (excluding UK bank levy)[6]	**nm[7]**	77.3	nm[7]	nm[7]	**nm[7]**	71.4	nm[7]	nm[7]	(43.9)	nm[7]	nm[7]

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

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

3 Variance is better/(worse), except for risk-weighted assets, assets and liabilities which is increase/(decrease)

4 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

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

6 Change is the percentage points difference between the two periods rather than the percentage change

7 Not meaningful

Performance highlights

- Central & other items (segment) recorded a loss of $824 million with negative income of $517 million including the $538 million loss from hedges. Expenses increased by $65 million while a net release in credit impairment was more than offset by other impairment relating to software assets. Associates profit share reduced by $53 million

Underlying performance by region

	1H'23				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Operating income	6,355	1,441	850	305	8,951
Operating expenses	(3,527)	(796)	(866)	(315)	(5,504)
Operating profit/(loss) before impairment losses and taxation	2,828	645	(16)	(10)	3,447
Credit impairment	(182)	9	(4)	5	(172)
Other impairment	(2)	(1)	9	(69)	(63)
Profit from associates and joint ventures	105	–	–	(11)	94
Underlying profit/(loss) before taxation	2,749	653	(11)	(85)	3,306
Restructuring	(22)	35	19	24	56
DVA	(22)	(3)	(14)	–	(39)
Statutory profit/(loss) before taxation	2,705	685	(6)	(61)	3,323
Total assets	500,118	50,716	278,561	9,316	838,711
Of which: loans and advances to customers[1]	255,211	22,498	58,114	–	335,823
loans and advances to customers	240,304	20,987	28,846	–	290,137
loans held at fair value through profit or loss (FVTPL)	14,907	1,511	29,268	–	45,686
Total liabilities	445,833	40,487	233,442	69,268	789,030
Of which: customer accounts[1]	353,487	30,922	145,382	–	529,791
Risk-weighted assets	155,410	41,068	48,787	3,852	249,117
Income return on risk-weighted assets (%)[2]	8.3	7.1	3.4	17.1	7.3
Underlying return on tangible equity (%)[2]	19.1	16.5	(0.3)	nm[5]	12.0
Cost-to-income ratio (%)[3]	55.5	55.2	101.9	nm[5]	61.5

	1H'22[4]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Operating income	5,339	1,202	1,375	(57)	7,859
Operating expenses	(3,318)	(749)	(762)	(267)	(5,096)
Operating profit/(loss) before impairment losses and taxation	2,021	453	613	(324)	2,763
Credit impairment	(398)	99	31	4	(264)
Other impairment	(3)	(1)	2	1	(1)
Profit from associates and joint ventures	156	–	–	(3)	153
Underlying profit/(loss) before taxation	1,776	551	646	(322)	2,651
Restructuring	13	19	(12)	(19)	1
DVA	43	15	62	–	120
Statutory profit/(loss) before taxation	1,832	585	696	(341)	2,772
Total assets	477,485	57,859	291,264	9,309	835,917
Of which: loans and advances to customers[1]	259,484	28,003	66,987	–	354,474
loans and advances to customers	243,169	26,656	23,683	–	293,508
loans held at fair value through profit or loss (FVTPL)	16,315	1,347	43,304	–	60,966
Total liabilities	431,424	42,672	243,877	68,252	786,225
Of which: customer accounts[1]	332,705	33,480	140,826	–	507,011
Risk-weighted assets	160,345	43,613	50,038	1,086	255,082
Income return on risk-weighted assets (%)[2]	6.4	5.3	5.4	(5.3)	5.9
Underlying return on tangible equity (%)[2]	11.3	12.4	13.3	nm[5]	9.3
Cost-to-income ratio (%)[3]	62.1	62.3	55.4	nm[5]	64.9

1 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

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5 Not meaningful

Asia

	1H'23 $million	1H'22[6] $million	Change[2] %	Constant currency change[1,2] %	2Q'23 $million	2Q'22[6] $million	Change[2] %	Constant currency change[1,2] %	1Q'23 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**6,355**	5,339	19	23	**3,164**	2,641	20	22	3,191	(1)	–
Operating expenses	**(3,527)**	(3,318)	(6)	(9)	**(1,777)**	(1,696)	(5)	(7)	(1,750)	(2)	(2)
Operating profit before impairment losses and taxation	**2,828**	2,021	40	44	**1,387**	945	47	50	1,441	(4)	(3)
Credit impairment	**(182)**	(398)	54	53	**(118)**	(115)	(3)	6	(64)	(84)	(86)
Other impairment	**(2)**	(3)	33	–	**(3)**	(3)	–	–	1	nm[7]	nm[7]
Profit from associates and joint ventures	**105**	156	(33)	(33)	**88**	91	(3)	(3)	17	nm[7]	nm[7]
Underlying profit before taxation	**2,749**	1,776	55	59	**1,354**	918	47	53	1,395	(3)	(3)
Restructuring	**(22)**	13	nm[7]	nm[7]	**(15)**	6	nm[7]	nm[7]	(7)	(114)	(114)
DVA	**(22)**	43	(151)	(152)	**(35)**	12	nm[7]	nm[7]	13	nm[7]	nm[7]
Statutory profit before taxation	**2,705**	1,832	48	52	**1,304**	936	39	44	1,401	(7)	(7)
Total assets	**500,118**	477,485	5	6	**500,118**	477,485	5	6	488,860	2	4
Of which: loans and advances to customers[3]	**255,211**	259,484	(2)	(1)	**255,211**	259,484	(2)	(1)	259,161	(2)	–
Total liabilities	**445,833**	431,424	3	4	**445,833**	431,424	3	4	441,492	1	2
Of which: customer accounts[3]	**353,487**	332,705	6	7	**353,487**	332,705	6	7	352,016	–	1
Risk-weighted assets	**155,410**	160,345	(3)	nm[7]	**155,410**	160,345	(3)	nm[7]	153,062	2	nm[7]
Income return on risk-weighted assets (%)[4]	**8.3**	6.4	190bps	nm[7]	**8.2**	6.4	180bps	nm[7]	8.4	(20)bps	nm[7]
Underlying return on tangible equity (%)[4]	**19.1**	11.3	780bps	nm[7]	**18.8**	11.9	694bps	nm[7]	19.6	(80)bps	nm[7]
Cost-to-income ratio (%)[5]	**55.5**	62.1	6.6	6.6	**56.2**	64.2	8.0	8.0	54.8	(1.4)	(1.4)

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7 Not meaningful

Performance highlights

- Underlying profit before tax of $2,749 million was up 55 per cent due to strong income growth and lower credit impairment partly offset by higher costs and lower China Bohai Bank profit share, down $51 million
- Underlying operating income of $6,355 million was up 19 per cent (up 23 per cent on a constant currency basis). Strong growth in Cash management, Retail deposits. Financial Markets and Wealth Management income was offset by lower Mortgage income and a loss in treasury markets
- Credit Impairment more than halved to $182 million in 1H'23 compared to $398 million for the same period last year mainly due to lower provisions related to the China commercial real estate sector
- Loans and advances to customers were down 2 per cent (down 1 per cent on a constant currency basis) since 30.06.22
- Risk-weighted assets were down $5 billion since 30.06.22
- RoTE increased from 11.3 per cent to 19.1 per cent

Africa & Middle East

	1H'23 $million	1H'22[6] $million	Change[2] %	Constant currency change[1,2] %	2Q'23 $million	2Q'22[6] $million	Change[2] %	Constant currency change[1,2] %	1Q'23 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**1,441**	1,202	20	34	**765**	593	29	42	676	13	14
Operating expenses	**(796)**	(749)	(6)	(13)	**(399)**	(376)	(6)	(13)	(397)	(1)	(2)
Operating profit before impairment losses and taxation	**645**	453	42	74	**366**	217	69	98	279	31	32
Credit impairment	**9**	99	(91)	(96)	**(17)**	55	(131)	(135)	26	(165)	(183)
Other impairment	**(1)**	(1)	–	(100)	**–**	(1)	100	(100)	(1)	100	(100)
Underlying profit before taxation	**653**	551	19	39	**349**	271	29	45	304	15	15
Restructuring	**35**	19	84	nm[7]	**17**	3	nm[7]	nm[7]	18	(6)	–
DVA	**(3)**	15	(120)	(120)	**(10)**	6	nm[7]	nm[7]	7	nm[7]	nm[7]
Statutory profit before taxation	**685**	585	17	39	**356**	280	27	45	329	8	9
Total assets	**50,716**	57,859	(12)	(4)	**50,716**	57,859	(12)	(4)	52,124	(3)	1
Of which: loans and advances to customers[3]	**22,498**	28,003	(20)	(13)	**22,498**	28,003	(20)	(13)	24,334	(8)	(4)
Total liabilities	**40,487**	42,672	(5)	2	**40,487**	42,672	(5)	2	39,606	2	5
Of which: customer accounts[3]	**30,922**	33,480	(8)	(1)	**30,922**	33,480	(8)	(1)	30,933	–	2
Risk-weighted assets	**41,068**	43,613	(6)	nm[7]	**41,068**	43,613	(6)	nm[7]	41,995	(2)	nm[7]
Income return on risk-weighted assets (%)[4]	**7.1**	5.3	180bps	nm[7]	**7.6**	5.3	230bps	nm[7]	6.7	90bps	nm[7]
Underlying return on tangible equity (%)[4]	**16.5**	12.4	410bps	nm[7]	**17.9**	12.5	537bps	nm[7]	15.1	280bps	nm[7]
Cost-to-income ratio (%)[5]	**55.2**	62.3	7.1	10.2	**52.2**	63.4	11.2	13.4	58.7	6.5	6.4

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7 Not meaningful

Performance highlights

- Underlying profit before tax of $653 million, the highest half-yearly profit since 2015, was up 19 per cent (up 39 per cent on a constant currency basis), driven by higher income partially offset by lower releases in credit provisions and increase in expenses
- Underlying operating income of $1,441 million was up 20 per cent (up 34 per cent on a constant currency basis). With strong growth in Cash Management, Financial Markets and Retail Deposits
- Credit Impairment was a net release of $9m in 1H'23 compared to $99m release in 1H'22
- Loans and advances to customers were down 20 per cent, since 30.06.22, partly due to FX depreciation and de-risking actions, and Customer accounts were down 8 per cent
- Risk-weighted assets were down 6 per cent since 30.06.22
- RoTE increased from 12.4 per cent to 16.5 per cent

Europe & Americas

	1H'23 $million	1H'22[6] $million	Change[2] %	Constant currency change[1,2] %	2Q'23 $million	2Q'22[6] $million	Change[2] %	Constant currency change[1,2] %	1Q'23 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**850**	1,375	(38)	(38)	**437**	567	(23)	(23)	413	6	5
Operating expenses	**(866)**	(762)	(14)	(15)	**(433)**	(385)	(12)	(13)	(433)	–	–
Operating profit/(loss) before impairment losses and taxation	**(16)**	613	(103)	(103)	**4**	182	(98)	(99)	(20)	120	111
Credit impairment	**(4)**	31	(113)	(113)	**(6)**	(7)	14	29	2	nm[7]	nm[7]
Other impairment	**9**	2	nm[7]	nm[7]	**9**	2	nm[7]	nm[7]	–	nm[7]	nm[7]
Underlying profit/(loss) before taxation	**(11)**	646	(102)	(102)	**7**	177	(96)	(97)	(18)	139	135
Restructuring	**19**	(12)	nm[7]	nm[7]	**(3)**	(11)	73	64	22	(114)	(119)
DVA	**(14)**	62	(123)	(123)	**(48)**	17	nm[7]	nm[7]	34	nm[7]	nm[7]
Statutory profit/(loss) before taxation	**(6)**	696	(101)	(101)	**(44)**	183	(124)	(125)	38	nm[7]	nm[7]
Total assets	**278,561**	291,264	(4)	(5)	**278,561**	291,264	(4)	(5)	270,332	3	3
Of which: loans and advances to customers[3]	**58,114**	66,987	(13)	(15)	**58,114**	66,987	(13)	(15)	63,570	(9)	(9)
Total liabilities	**233,442**	243,877	(4)	(5)	**233,442**	243,877	(4)	(5)	222,235	5	5
Of which: customer accounts[3]	**145,382**	140,826	3	3	**145,382**	140,826	3	3	143,462	1	1
Risk-weighted assets	**48,787**	50,038	(3)	nm[7]	**48,787**	50,038	(3)	nm[7]	51,929	(6)	nm[7]
Income return on risk-weighted assets (%)[4]	**3.4**	5.4	(200)bps	nm[7]	**3.6**	4.5	(90)bps	nm[7]	3.2	40bps	nm[7]
Underlying return on tangible equity (%)[4]	**(0.3)**	13.3	(1,360)bps	nm[7]	**0.2**	7.3	(709)bps	nm[7]	(1.0)	120bps	nm[7]
Cost-to-income ratio (%)[5]	**101.9**	55.4	(46.5)	(47.0)	**99.1**	67.9	(31.2)	(31.8)	104.8	5.7	5.1

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7 Not meaningful

Performance highlights

- Underlying loss before tax of $11 million compared to profit of $646 million last year was due to lower income, higher expenses and higher impairment
- Underlying operating income of $850 million down 38 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 were up 14 per cent and there was a $35 million increase in credit impairment as last year's net release was not replicated
- RoTE of negative 0.3 per cent down from 13.3 per cent in 1H'22

Central & other items (region)

	1H'23 $million	1H'22[5] $million	Change[2] %	Constant currency change[1,2] %	2Q'23 $million	2Q'22[5] $million	Change[2] %	Constant currency change[1,2] %	1Q'23 $million	Change[2] %	Constant currency change[1,2] %
Operating income	**305**	(57)	nm[6]	nm[6]	**189**	(18)	nm[6]	nm[6]	116	63	61
Operating expenses	**(315)**	(267)	(18)	(37)	**(220)**	(89)	(147)	(176)	(95)	(132)	(133)
Operating profit/(loss) before impairment losses and taxation	**(10)**	(324)	97	96	**(31)**	(107)	71	66	21	nm[6]	nm[6]
Credit impairment	**5**	4	25	67	**(5)**	1	nm[6]	nm[6]	10	(150)	(150)
Other impairment	**(69)**	1	nm[6]	nm[6]	**(69)**	2	nm[6]	nm[6]	–	nm[6]	nm[6]
Profit from associates and joint ventures	**(11)**	(3)	nm[6]	(175)	**(5)**	(1)	nm[6]	nm[6]	(6)	17	17
Underlying profit/(loss) before taxation	**(85)**	(322)	74	70	**(110)**	(105)	(5)	(14)	25	nm[6]	nm[6]
Restructuring	**24**	(19)	nm[6]	nm[6]	**9**	(14)	164	169	15	(40)	(44)
DVA	**–**	–	nm[6]	nm[6]	**–**	–	nm[6]	nm[6]	–	nm[6]	nm[6]
Statutory profit/(loss) before taxation	**(61)**	(341)	82	80	**(101)**	(119)	15	7	40	nm[6]	nm[6]
Total assets	**9,316**	9,309	–	–	**9,316**	9,309	–	–	9,362	–	–
Total liabilities	**69,268**	68,252	1	1	**69,268**	68,252	1	1	67,334	3	3
Risk-weighted assets	**3,852**	1,086	nm[6]	nm[6]	**3,852**	1,086	nm[6]	nm[6]	3,907	(1)	nm[6]
Underlying return on risk-weighted assets (%)[3]	**17.1**	(5.3)	nm[6]	–	**19.7**	(3.4)	nm[6]	nm[6]	14.2	550bps	–
Income return on risk-weighted assets (%)[3]	**nm[6]**	nm[6]	nm[6]	nm[6]	**nm[6]**	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]
Cost-to-income ratio (%) (excluding bank levy)[4]	**nm[6]**	nm[6]	nm[6]	nm[6]	**nm[6]**	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]	nm[6]

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6 Not meaningful

Performance highlights

- Underlying loss before tax of $85 million compared to a $322 million loss in the first half of 2022. Income increased to $305 million mainly due to higher returns paid to Treasury on the equity provided to the regions in a rising interest rate environment. This was partly offset by other impairment charges of $69 million

Underlying performance by key market

	1H'23									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	2,091	582	593	288	1,263	627	113	421	185	452
Operating expenses	(962)	(359)	(439)	(165)	(606)	(420)	(92)	(200)	(425)	(324)
Operating profit before impairment losses and taxation	1,129	223	154	123	657	207	21	221	(240)	128
Credit impairment	(110)	(23)	(35)	(31)	2	(3)	3	9	(7)	8
Other impairment	–	–	–	–	(1)	–	–	(1)	5	(3)
Profit from associates and joint ventures	–	–	105	–	–	–	–	–	–	–
Underlying profit before taxation	1,019	200	224	92	658	204	24	229	(242)	133
Total assets employed	182,512	62,885	41,808	21,536	99,103	35,830	5,064	19,105	171,028	91,860
Of which: loans and advances to customers[1]	85,004	37,764	14,554	10,838	64,268	14,980	2,388	7,519	34,338	19,284
Total liabilities employed	170,945	53,204	34,064	20,448	103,381	27,937	3,922	16,742	132,756	84,648
Of which: customer accounts[1]	142,766	41,075	24,127	18,656	77,591	20,788	2,896	12,856	85,767	49,749
Underlying return on tangible equity (%)	24.1	13.9	12.1	21.7	30.4	10.3	9.1	24.6	(8.2)	7.7
Cost to income ratio (%)	46.0	61.7	74.0	57.3	48.0	67.0	81.4	47.5	229.7	71.7

	1H'22[2]									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Operating income	1,594	598	596	235	870	664	110	292	721	530
Operating expenses	(904)	(370)	(415)	(173)	(528)	(374)	(91)	(176)	(363)	(296)
Operating profit before impairment losses and taxation	690	228	181	62	342	290	19	116	358	234
Credit impairment	(306)	(9)	(99)	(7)	25	(1)	1	57	16	8
Other impairment	(1)	–	(1)	–	–	(1)	–	–	13	–
Profit from associates and joint ventures	–	–	157	–	–	–	–	–	–	–
Underlying profit/(loss) before taxation	383	219	238	55	367	288	20	173	387	242
Total assets employed	170,036	65,985	38,548	22,780	95,651	30,613	5,493	20,929	213,255	61,700
Of which: loans and advances to customers[1]	84,187	43,499	16,688	11,227	58,445	16,624	1,938	9,351	43,445	19,179
Total liabilities employed	161,158	56,681	33,636	21,889	99,231	22,862	4,346	16,472	150,249	77,142
Of which: customer accounts[1]	133,000	43,900	24,159	18,915	71,765	14,621	2,815	12,330	95,933	35,475
Underlying return on tangible equity (%)	8.8	14.1	11.1	11.5	15.5	13.7	6.5	15.3	12.2	17.0
Cost to income ratio (%)	56.7	61.9	69.6	73.6	60.7	56.3	82.7	60.3	50.3	55.8

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 statutory performance

Quarterly underlying operating income by product

	2Q'23 $million	1Q'23[2] $million	4Q'22[1,2] $million	3Q'22[1,2] $million	2Q'22[1,2] $million	1Q'22[1,2] $million	4Q'21[1,2] $million	3Q'21[1,2] $million
Transaction Banking	**1,461**	1,399	1,254	1,067	824	729	718	722
Trade & Working capital	**334**	331	316	335	336	356	341	381
Cash Management	**1,127**	1,068	938	732	488	373	377	341
Financial Markets	**1,391**	1,414	1,147	1,386	1,255	1,557	900	1,170
Macro Trading	**825**	830	628	736	662	939	427	538
Credit Markets	**462**	460	436	455	396	474	462	670
Credit Trading	**140**	172	147	152	84	105	59	143
Financing Solutions & Issuance[2]	**322**	288	289	303	312	369	403	527
Financing & Securities Services[2]	**104**	124	83	195	197	144	11	(38)
Lending & Portfolio Management	**132**	134	112	164	136	146	183	212
Wealth Management	**495**	511	358	454	456	528	464	557
Retail Products	**1,240**	1,212	1,147	1,099	944	837	823	816
CCPL & other unsecured lending	**286**	290	294	298	310	300	311	311
Deposits	**848**	771	805	620	355	241	206	198
Mortgage & Auto	**74**	114	12	140	235	246	260	259
Other Retail Products	**32**	37	36	41	44	50	46	48
Treasury	**(160)**	(233)	(173)	(5)	201	314	150	147
Other	**(4)**	(41)	(80)	(27)	(33)	(35)	(54)	(30)
Total underlying operating income	**4,555**	4,396	3,765	4,138	3,783	4,076	3,184	3,594

1 Restatements relating to (a) exit of seven markets in AME (b) exit of Aviation Finance Business and (c) Reporting DVA outside of Underlying Income, have been made to reflect these items below the line

2 Shipping Finance is now reported under "Financing Solutions & Issuance" which was reported under "Financing & Securities Services" in Q1

Earnings per ordinary share

	1H'23 $million	1H'22[1] $million	change %	2Q'23 $million	2Q'22[1] $million	change %	1Q'23 $million	change %
Profit for the period attributable to equity holders	**2,385**	2,088	14	**1,041**	909	15	1,344	(23)
Non-controlling interest	**3**	1	200	**6**	4	50	(3)	nm[3]
Dividend payable on preference shares and AT1 classified as equity	**(243)**	(216)	(13)	**(65)**	(95)	32	(178)	63
Profit for the period attributable to ordinary shareholders	**2,145**	1,873	15	**982**	818	20	1,163	(16)
Items normalised:								
Restructuring	**(56)**	(1)	nm[3]	**(8)**	16	nm[3]	(48)	83
DVA	**39**	(120)	nm[3]	**93**	(35)	nm[3]	(54)	nm[3]
Tax on normalised items	**–**	14	nm[3]	**(15)**	2	nm[3]	15	nm[3]
Underlying profit for the period attributable to ordinary shareholders	**2,128**	1,766	20	**1,052**	801	31	1,076	(2)
Basic – Weighted average number of shares (millions)	**2,839**	3,014	nm[3]	**2,818**	3,014	nm[3]	2,860	nm[3]
Diluted – Weighted average number of shares (millions)	**2,902**	3,069	nm[3]	**2,884**	3,069	nm[3]	2,921	nm[3]
Basic earnings per ordinary share (cents)[2]	**75.6**	62.1	13.5	**34.8**	27.1	7.7	40.7	(5.8)
Diluted earnings per ordinary share (cents)[2]	**73.9**	61.0	12.9	**34.0**	26.7	7.3	39.8	(5.8)
Underlying basic earnings per ordinary share (cents)[2]	**75.0**	58.6	16.4	**37.3**	26.6	10.8	37.6	(0.3)
Underlying diluted earnings per ordinary share (cents)[2]	**73.3**	57.5	15.8	**36.5**	26.1	10.4	36.8	(0.3)

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

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

3 Not meaningful

Return on Tangible Equity

	1H'23 $million	1H'22[1] $million	Change %	2Q'23 $million	2Q'22[1] $million	Change %	1Q'23 $million	Change %
Average parent company Shareholders' Equity	**43,803**	45,106	(3)	**43,964**	44,617	(1)	43,643	1
Less Preference share premium	**(1,494)**	(1,494)	–	**(1,494)**	(1,494)	–	(1,494)	–
Less Average intangible assets	**(5,887)**	(5,503)	(7)	**(5,895)**	(5,519)	(7)	(5,880)	–
Average Ordinary Shareholders' Tangible Equity	**36,422**	38,109	(4)	**36,575**	37,604	(3)	36,269	1
Profit for the period attributable to equity holders	**2,385**	2,088	14	**1,041**	909	15	1,344	(23)
Non-controlling interests	**3**	1	200	**6**	4	50	(3)	nm[2]
Dividend payable on preference shares and AT1 classified as equity	**(243)**	(216)	(13)	**(65)**	(95)	32	(178)	63
Profit for the period attributable to ordinary shareholders	**2,145**	1,873	15	**982**	818	20	1,163	(16)
Items normalised:								
Restructuring	**(56)**	(1)	nm[2]	**(8)**	16	nm[2]	(48)	83
Ventures FVOCI unrealised gains/(losses) net of tax	**43**	(8)	nm[2]	**52**	(14)	nm[2]	(9)	nm[2]
DVA	**39**	(120)	nm[2]	**93**	(35)	nm[2]	(54)	nm[2]
Tax on normalised items	**–**	14	nm[2]	**(15)**	2	nm[2]	15	nm[2]
Underlying profit for the period attributable to ordinary shareholders adjusted for Ventures FVOCI	**2,171**	1,758	23	**1,104**	787	40	1,067	3
Underlying Return on Tangible Equity	**12.0%**	9.3%	270bps	**12.1%**	8.4%	370bps	11.9%	20bps
Statutory Return on Tangible Equity	**11.9%**	9.9%	200bps	**10.8%**	8.7%	210bps	13.0%	(220)bps

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

2 Not meaningful

Net Tangible Asset Value per Share

	30.06.23 $million	30.06.22 $million	Change %	31.12.22 $million	Change %	31.03.23 $million	Change %
Parent company shareholders equity	**43,803**	44,054	(1)	43,162	1	44,125	(1)
Less Preference share premium	**(1,494)**	(1,494)	–	(1,494)	–	(1,494)	–
Less Intangible assets	**(5,898)**	(5,537)	(7)	(5,869)	–	(5,891)	–
Net shareholders tangible equity	**36,411**	37,023	(2)	35,799	2	36,740	(1)
Ordinary shares in issue, excluding own shares (millions)	**2,797**	2,967	(6)	2,867	(2)	2,833	(1)
Net Tangible Asset Value per share (cents)[1]	**1,302**	1,248	54	1,249	53	1,297	5

1 Change is cents difference between the two periods rather than percentage change

Underlying versus statutory results reconciliations

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

Operating income by client segment

	1H'23				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	5,823	3,556	89	(517)	8,951
Restructuring	187	23	–	5	215
DVA	(39)	–	–	–	(39)
Statutory operating income	5,971	3,579	89	(512)	9,127

	1H'22[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	4,569	2,845	5	440	7,859
Restructuring	213	26	–	7	246
DVA	120	–	–	–	120
Statutory operating income	4,902	2,871	5	447	8,225

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

Operating income by region

	1H'23				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Underlying operating income	6,355	1,441	850	305	8,951
Restructuring	117	74	25	(1)	215
DVA	(22)	(3)	(14)	–	(39)
Statutory operating income	6,450	1,512	861	304	9,127

	1H'22[1]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Underlying operating income	5,339	1,202	1,375	(57)	7,859
Restructuring	150	75	7	14	246
DVA	43	15	62	–	120
Statutory operating income	5,532	1,292	1,444	(43)	8,225

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

Net interest income and Other income

	1H'23					H1'22				
	Underlying $million	Restructuring $million	Financial Markets funding costs $million	Financial guarantee fees on interest-earning assets $million	Statutory $million	Underlying $million	Restructuring $million	Financial Markets funding costs $million	Financial guarantee fees on interest-earning assets $million	Statutory $million
Net interest income[1]	4,777	(7)	(822)	36	3,984	3,694	3	(106)	47	3,638
Other income[1]	4,174	183	822	(36)	5,143	4,165	363	106	(47)	4,587
Total income	8,951	176	–	–	9,127	7,859	366	–	–	8,225

1 To be consistent with how we the compute Net Interest Margin, we have changed our definition of Underlying Net Interest Income (NII) and Underlying Other Income (OI). The adjustments made to NIM, including Interest expense relating to funding our trading book, will now be shown against Underlying Other Income rather than Underlying NII. There is no impact on total income

Profit before taxation (PBT)

	1H'23			
	Underlying $million	Restructuring $million	DVA $million	Statutory $million
Operating income	8,951	215	(39)	9,127
Operating expenses	(5,504)	(164)	–	(5,668)
Operating profit/(loss) before impairment losses and taxation	3,447	51	(39)	3,459
Credit impairment	(172)	11	–	(161)
Other impairment	(63)	(14)	–	(77)
Profit from associates and joint ventures	94	8	–	102
Profit/(loss) before taxation	3,306	56	(39)	3,323

	1H'22[1]			
	Underlying $million	Restructuring $million	DVA $million	Statutory $million
Operating income	7,859	246	120	8,225
Operating expenses	(5,096)	(232)	–	(5,328)
Operating profit before impairment losses and taxation	2,763	14	120	2,897
Credit impairment	(264)	1	–	(263)
Other impairment	(1)	(14)	–	(15)
Profit from associates and joint ventures	153	–	–	153
Profit before taxation	2,651	1	120	2,772

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

Profit before taxation (PBT) by client segment

	1H'23				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	5,823	3,556	89	(517)	8,951
External	4,569	2,154	89	2,139	8,951
Inter-segment	1,254	1,402	–	(2,656)	–
Operating expenses	(2,818)	(2,075)	(211)	(400)	(5,504)
Operating profit/(loss) before impairment losses and taxation	3,005	1,481	(122)	(917)	3,447
Credit impairment	(69)	(108)	(23)	28	(172)
Other impairment	(21)	–	–	(42)	(63)
(Loss)/profit from associates and joint ventures	–	–	(13)	107	94
Underlying profit/(loss) before taxation	2,915	1,373	(158)	(824)	3,306
Restructuring	73	(16)	(1)	–	56
DVA	(39)	–	–	–	(39)
Statutory profit/(loss) before taxation	2,949	1,357	(159)	(824)	3,323

	1H'22[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	4,569	2,845	5	440	7,859
External	4,273	2,586	5	995	7,859
Inter-segment	296	259	–	(555)	–
Operating expenses	(2,565)	(2,050)	(146)	(335)	(5,096)
Operating profit/(loss) before impairment losses and taxation	2,004	795	(141)	105	2,763
Credit impairment	(194)	(80)	(3)	13	(264)
Other impairment	–	(1)	–	–	(1)
(Loss)/profit from associates and joint ventures	–	–	(7)	160	153
Underlying profit/(loss) before taxation	1,810	714	(151)	278	2,651
Restructuring	30	(17)	(1)	(11)	1
DVA	120	–	–	–	120
Statutory profit/(loss) before taxation	1,960	697	(152)	267	2,772

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

Profit before taxation (PBT) by region

	1H'23				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Operating income	6,355	1,441	850	305	8,951
Operating expenses	(3,527)	(796)	(866)	(315)	(5,504)
Operating profit/(loss) before impairment losses and taxation	2,828	645	(16)	(10)	3,447
Credit impairment	(182)	9	(4)	5	(172)
Other impairment	(2)	(1)	9	(69)	(63)
Profit/(loss) from associates and joint ventures	105	–	–	(11)	94
Underlying profit/(loss) before taxation	2,749	653	(11)	(85)	3,306
Restructuring	(22)	35	19	24	56
DVA	(22)	(3)	(14)	–	(39)
Statutory profit/(loss) before taxation	2,705	685	(6)	(61)	3,323

	1H'22[1]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Operating income	5,339	1,202	1,375	(57)	7,859
Operating expenses	(3,318)	(749)	(762)	(267)	(5,096)
Operating profit/(loss) before impairment losses and taxation	2,021	453	613	(324)	2,763
Credit impairment	(398)	99	31	4	(264)
Other impairment	(3)	(1)	2	1	(1)
Profit/(loss) from associates and joint ventures	156	–	–	(3)	153
Underlying profit/(loss) before taxation	1,776	551	646	(322)	2,651
Restructuring	13	19	(12)	(19)	1
DVA	43	15	62	–	120
Statutory profit/(loss) before taxation	1,832	585	696	(341)	2,772

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

Return on tangible equity (RoTE)

	1H'23 $million	1H'22[1] $million
Average parent company Shareholders' Equity	43,803	45,106
Less Preference share premium	(1,494)	(1,494)
Less Average intangible assets	(5,887)	(5,503)
Average Ordinary Shareholders' Tangible Equity	36,422	38,109
Profit for the period attributable to equity holders	2,385	2,088
Non-controlling interests	3	1
Dividend payable on preference shares and AT1 classified as equity	(243)	(216)
Profit for the period attributable to ordinary shareholders	2,145	1,873
Items normalised:		
Restructuring	(56)	(1)
Ventures FVOCI unrealised gains/(losses) net of tax	43	(8)
DVA	39	(120)
Tax on normalised items	–	14
Underlying profit for the period attributable to ordinary shareholders adjusted for Ventures FVOCI	2,171	1,758
Underlying Return on Tangible Equity	12.0%	9.3%
Statutory Return on Tangible Equity	11.9%	9.9%

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

	1H'23				
	Corporate, Commercial & Institutional Banking %	Consumer, Private & Business Banking %	Ventures %	Central & other Items (Segment) %	Total %
Underlying RoTE	20.8	28.2	nm[2]	(25.6)	12.0
Restructuring					
Of which: Income	1.8	0.6	–	0.1	1.2
Of which: Expenses	(1.1)	(1.0)	nm[2]	(0.3)	(0.9)
Of which: Credit impairment	0.1	–	–	(0.1)	0.1
Of which: Other impairment	(0.1)	(0.1)	–	–	(0.1)
Of which: Profit from associates and joint ventures	–	–	–	0.2	–
Ventures FVOCI Unrealised gains / (losses) net of Taxes	–	–	nm[2]	–	(0.2)
DVA	(0.4)	–	–	–	(0.2)
Tax on normalised items	(0.1)	0.2	nm[2]	0.2	–
Statutory RoTE	21.0	27.9	nm[2]	(25.5)	11.9

	1H'22[1]				
	Corporate, Commercial & Institutional Banking %	Consumer, Private & Business Banking %	Ventures %	Central & other Items (Segment) %	Total %
Underlying RoTE	11.7	14.0	nm[2]	(0.4)	9.3
Restructuring					
Of which: Income	1.8	0.6	–	0.1	1.4
Of which: Expenses	(1.5)	(1.1)	nm[2]	(0.3)	(1.2)
Of which: Credit impairment	–	–	–	–	–
Of which: Other impairment	–	–	–	(0.3)	(0.1)
Of which: Profit from associates and joint ventures	–	–	–	–	–
Ventures FVOCI Unrealised gains / (losses) net of Taxes	–	–	nm[2]	–	–
DVA	1.0	–	nm[2]	–	0.6
Tax on normalised items	(0.3)	0.1	nm[2]	0.6	(0.1)
Statutory RoTE	12.7	13.6	nm[2]	(0.3)	9.9

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

2 Not meaningful

Net charge-off ratio

	30.06.23			30.06.22		
	Credit impairment (charge)/ release for the year/period $million	Net average loans and advances $million	Net Charge-off Ratio %	Credit impairment (charge)/ release for the year/period $million	Net average loans and advances $million	Net Charge-off Ratio %
Stage 1	34	325,639	0.01%	10	316,426	0.00%
Stage 2	(115)	11,803	(0.97)%	(1)	14,216	(0.01)%
Stage 3	(144)	3,205	(4.49)%	(287)	3,081	(9.32)%
Total exposure	**(225)**	**340,647**	**(0.07)%**	(278)	333,723	(0.08)%

Earnings per ordinary share (EPS)

	H1'23				
	Underlying $ million	Restructuring $ million	DVA $ million	Tax on normalised items $ million	Statutory $ million
Profit/(loss) for the year attributable to ordinary shareholders	2,128	56	(39)	–	2,145
Basic – Weighted average number of shares (millions)	2,839				2,839
Basic earnings per ordinary share (cents)	75.0				75.6

	H1'22				
	Underlying $ million	Restructuring $ million	DVA $ million	Tax on normalised items $ million	Statutory $ million
Profit/(loss) for the year attributable to ordinary shareholders	1,766	1	120	(14)	1,873
Basic – Weighted average number of shares (millions)	3,014				3,014
Basic earnings per ordinary share (cents)	58.6				62.1

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

Alternative performance measures

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

Measure	Definition
Constant currency basis	A performance measure on a constant currency basis is presented such that comparative periods are adjusted for the current year's functional currency rate. The following balances are presented on a constant currency basis when described as such: • Operating income • Operating expenses • Profit before tax • RWAs or Risk-weighted assets
Underlying/Normalised	A performance measure is described as underlying/normalised if the statutory result has been adjusted for restructuring and other items representing profits or losses of a capital nature; DVA; amounts consequent to investment transactions driven by strategic intent, excluding amounts consequent to Ventures transactions, as these are considered part of the Group's ordinary course of business; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period, and items which management and investors would ordinarily identify separately when assessing performance period-by-period. Restructuring includes impacts to profit or loss from businesses that have been disclosed as no longer part of the Group's ongoing business, redundancy costs, costs of closure or relocation of business locations, impairments of assets and other costs which are not related to the Group's ongoing business. Restructuring in this context is not the same as a restructuring provision as defined in IAS 37. A reconciliation between underlying/normalised and statutory performance is contained in Note 2 to the financial statements. The following balances and measures are presented on an underlying basis when described as such: • Operating income • Operating expense • Profit before tax • Earnings per share (basic and diluted) • Cost-to-income ratio • Jaws • RoTE or Return on tangible equity
Underlying net interest income	Statutory 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 other income	Statutory other 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.
Advances-to-deposits/customer advances-to-deposits (ADR) ratio	The ratio of total loans and advances to customers relative to total customer accounts, excluding approved balances held with central banks, confirmed as repayable at the point of stress. A low advances-to-deposits ratio demonstrates that customer accounts exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.
Cost-to-income ratio	The proportion of total operating expenses to total operating income.
Cover ratio	The ratio of impairment provisions for each stage to the gross loan exposure for each stage.
Cover ratio after collateral/cover ratio including collateral	The ratio of impairment provisions for stage 3 loans and realisable value of collateral held against these non-performing loan exposures to the gross loan exposure of stage 3 loans.
Gross yield	Statutory interest income divided by average interest earning assets.
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 less rate paid.

Measure	Definition
NIM or Net interest margin	Statutory 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	Statutory interest expense adjusted for interest expense incurred on amortised cost liabilities used to fund financial instruments held at fair value through profit or loss, divided by average interest bearing liabilities.
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 weighted average tangible equity, being ordinary shareholders' equity less the average goodwill and intangible assets for the reporting period. Where a target RoTE is stated, this is based on profit and equity expectations for future periods.
Underlying RoTE	The ratio of the current year's profit available for distribution to ordinary shareholders plus fair value on OCI equity movement relating to Ventures segment to the weighted average ordinary shareholders' equity for the reporting period.
TSR or Total shareholder return	The total return of the Group's equity (share price growth and dividends) to investors.

Group Chief Risk Officer's review

"Proactive risk management amidst a challenging macroeconomic environment"

The first half of 2023 continued to present a challenging risk landscape, however we faced this from an intrinsically strong position. Our risk management approach is at the heart of our business and is core to us achieving sustainable growth and performance. The macroeconomic and geopolitical environment remains challenging with high and persistent inflation and increasing rates across a number of markets in which the Group operates. During the first quarter of the year, we saw several bank failures which resulted in increased levels of volatility within financial markets. Whilst we had limited exposure to these financial institutions, we actively took measures to manage our risks and review our exposure and limits across the financial institutions' portfolio. In the second quarter, we saw a possible default risk in the US as a result of the debt ceiling. Whilst the debt ceiling agreement was ultimately signed, this brought into light potential governance vulnerabilities, and we continue to monitor closely the sovereign's fiscal and policy governance risks. In anticipation of any downside risks to the US' credit worthiness, we have proactively managed risks in our Financial Markets and Treasury Markets holdings.

Sovereign risks are still prominent across our footprint as emerging markets face significant risks from rising inflation, depreciating foreign exchange rates and broader external financing risks. Within the Group's footprint, sovereign default risks remain in Pakistan, whilst in both Zambia and Sri Lanka debt restructuring continues to be slow. Ghana appears to be making the most rapid progress in emerging from its sovereign default, having already concluded a domestic debt exchange in February 2023. We continue to track any deterioration in risk indicators through use of the Country Risk Early Warning System (CREWS). CREWS is a triage system which categorises countries based on a combined assessment of the likelihood of a downgrade and the financial impact of a potential downgrade. Markets in the highest risk category are subject to enhanced monitoring of qualitative and quantitative risk triggers and we have implemented limit and exposure management strategies for the highest risk markets in the first half of 2023.

For our Corporate, Commercial and Institutional Banking (CCIB) business, we closely monitored our clients that may face difficulties on account of increasing interest rate, foreign exchange movements, commodity volatility or increase in price of essential goods. Stress tests and portfolio reviews are also done to identify vulnerable exposures. These exposures are then tracked through our well-established Early Alert monitoring process. We track geopolitical risks so that we can take action if these events materialise. We continue to monitor our Global Commercial Real Estate (CRE) portfolio by conducting deep dive reviews and stress tests. In China, recovery remains slower than expected and the sector continues to face tightened liquidity and weak consumer sentiment.

Nonetheless, our credit portfolios have remained resilient in this environment and we have maintained overall good asset quality evidenced by our investment grade corporate portfolio (30 June 2023: 74 per cent). Given the current macroeconomic challenges additional reviews across the US Banks, Non-Bank Financial Institutions, Leveraged Lending books and select geographies were conducted.

Whilst the Consumer, Private and Business Banking (CPBB) portfolio has demonstrated strong resilience over the past couple of years, we remain alert to the risks of the uncertain economic outlook. We continue to dynamically scan for horizon risks in the increasingly challenging operating environment, cognisant that such risks may arise from unexpected quarters. The recent increase of delinquency rates in some markets highlighted the lingering impact of the pandemic and the increasing stress on customer debt servicing capacity, due to rising interest rates in markets that had previously enjoyed long periods of low rates. We are actively managing the challenges to the CPBB portfolio arising from heightened country risk encountered in certain markets. In particular, we have been monitoring the potential secondary and tertiary impact of such local challenges; for example, the risks of reduction in consumer disposable income after government spending cuts and International Monetary Fund imposed austerity measures. For both our secured and unsecured consumer credit portfolios, we are monitoring the impact on customer affordability across our key markets and dynamically adjusting origination, portfolio management and collections strategies, as appropriate.

We manage our liquidity and capital risks to ensure a strong and resilient balance sheet that supports sustainable growth. We continue to enhance our Treasury Risk framework to incorporate the lessons from recent market events as well as horizon risks. Liquidity remains resilient across the Group and major legal entities. Group liquidity coverage ratio (LCR) is 164 per cent (31 December 2022: 147 per cent) with a surplus to both Risk Appetite and regulatory requirements. Common Equity Tier 1 (CET1) ratio is 14.0 per cent (31 December 2022: 14.0 per cent). In March 2023, we saw sharp moves in funding markets and customer behaviour that triggered several bank failures in the US and Switzerland, resulting in a heightened focus on Treasury Risk. The problems were most acute in the US market and reverberated globally. We maintained a resilient liquidity position throughout the period and remained focused on managing risks. We have also taken the lessons from the crisis. Whilst we have a diversified deposit base, we continue to monitor risk from depositor concentration. We are also conducting a detailed review of Operational accounts classification and an enhanced framework will be rolled out in H2 2023.

The Risk function remains actively engaged in the continuous improvement of the Group's resolvability capabilities. Execution of the 2023 testing and assurance work is ongoing and covers all key areas at a resolvability barrier level as well as holistically through testing exercises ahead of submitting the 2023 Group Resolvability Assessment Report in October 2023. The Assurance Framework has been strengthened through the introduction of standards setting out minimum requirements and clarifying roles and responsibilities across the three lines of defence. The review is multi-layered, bringing in subject matter expertise to challenge methodologies, testing outcomes and key controls.

Managing the risks from climate change is a core element of our strategy and Stands. We have made good progress on our key focus areas for 2023, including establishing and clarifying the linkages between net-zero portfolio management across high transition risk sectors and the impact thereof on Credit Risk assessment criteria. We have continued to build and embed our in-house Climate Risk models, training and education, and work with our data providers and clients to enhance our Climate Risk identification and measurement capabilities. By using the results from our scenario analysis, we are building a good understanding of the markets and industries where the effects of climate change will have the greatest impact. Climate Risk assessments continue to be considered as part of Reputational and Sustainability transaction reviews for impacted clients in high-carbon sectors, and integrated into the credit application process for approximately 80 per cent of our corporate client limits. We have extended the physical risk identification of our CPBB mortgage portfolios to smaller markets and CPBB products and a pilot approach to measure transition risk in our CPBB Mortgage portfolio is underway. As part of our ongoing academic partnership with Imperial College London, we supported new climate research on the cross-sectoral implications of electrification of transport in India.

We continue to advance Environment, Social and Governance (ESG) risk management across the organisation and have further embedded consideration of Environmental and Social risks into the Risk and Control Self-Assessments for both our CCIB and CPBB client segments and functions. In keeping with our sustainable and transition finance goals, we have made good progress on enhancing our policies, processes, and controls to manage the risks associated with greenwashing across products, transactions, disclosures and our marketing materials.

+ Further details on our overall approach to Net Zero can be found at sc.com/netzero

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

We also continue to strengthen our Digital Asset Risk management capabilities. At present, the Group has limited, and immaterial, direct exposure to digital asset related activity. Nonetheless, we recognise the importance of emerging regulation for digital assets and the assessment of risks when considering new business activities. Any potential increase in activity or exposures will be subject to detailed review and enhanced due diligence in accordance with the Group's Digital Asset Risk Management Approach.

For non-financial risks, the management of Information and Cyber Security (ICS) and Financial Crime remain key priorities for the Group. We continue to enhance our ICS oversight and governance framework, which includes defining clear accountability for risk management actions allowing us to continuously improve of our risk culture. Our ICS policies and standards are aligned to industry best practice models of ICS Risk Management (including the National Institute of Standards and Technology, ISO 27001 (Information Security Management Standard), and Payment Card Industry Data Security Standards) and we remain watchful for proposed new guidance. Our ICS training programme includes annual mandatory learning and phishing readiness exercises, along with ongoing thematic campaigns which highlight the most prevalent threats and risks that colleagues face. In addition to general ICS awareness, colleagues in roles identified as critical have additional training linked to their responsibilities.

We perform cyber crisis simulation exercises to improve our cyber resilience and to ensure that the Board and senior management are aware of their responsibilities when responding to cyber incidents. To assess the security of our systems and processes, our ICS capabilities include a formal process for internal controls testing, vulnerability assessments and penetration testing which involves an authorised simulated attack on a computer system, performed to evaluate the security of the system.

The Group is managing its Financial Crime Risk within acceptable levels as assessed under the Group's risk assessment process, including the Financial Crime Risk Type Framework, Risk and Control Self-Assessments and assurance reviews. While the Group has limited direct exposure to Russia-related sanctions, we continue to monitor and respond to changing sanctions requirements. The Group continues to build and maintain partnerships with industry, government and the third sector to increase the effectiveness of efforts to combat financial crime and address the damages it causes.

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

We continue to scan the horizon for topical and emerging risks and collaborate with internal and external partners to proactively mitigate risks as they are identified. Further details on how we manage topical and emerging risks can be found on pages 44 to 48.

Our risk profile and performance in 2023

The majority of the proportion of the Group's gross loans and advances to customers remain in stage 1 at $277.7 billion or 94 per cent (31 December 2022: $295.2 billion or 93 per cent) reflecting our continued focus on high-quality origination. Overall stage 2 gross loans and advances to customers decreased by $2.9 billion to $10.1 billion (31 December 2022: $13 billion) driven by CCIB due to reduction in exposures in the Commercial real estate, Mining and quarrying and Food and household products sectors. Stage 3 loans decreased by $0.2 billion to $7.7 billion (31 December 2022: $7.9 billion) primarily in the CCIB segment. The decrease was a result of repayments and debt sales in H1 2023. The stage 3 cover ratio of 59 per cent (31 December 2022: 57 per cent) was higher by 2 percentage points, whilst the cover ratio after collateral at 78 per cent increased by 2 percentage points (31 December 2022: 76 per cent).

In 2023, we have seen a 12 per cent decrease in Early Alerts exposure (30 June 2023: $4.4 billion, 31 December 2022: $5.0 billion), driven by outflows to credit grade 12 and non-performing loans, regularisation of accounts and exposure reductions, partly offset by new inflows. Credit grade 12 balances decreased to $1.3 billion (31 December 2022: $1.6 billion) reflecting both improvements into stronger credit grades and outflows to non-performing loans. The Group remains vigilant in view of persistent challenging conditions in some markets and sectors.

The overall CPBB portfolio remains 86 per cent fully secured (31 December 2022: 86 per cent), with average residential mortgage loan-to-value (LTV) at 45.1 per cent (31 December 2022: 44.7 per cent).

The percentage of investment-grade corporate exposure has slightly decreased to 74 per cent (31 December 2022: 76 per cent), mainly driven by the reduction of repo exposures across various central clearing counterparties. Exposure to our top 20 corporate clients as a percentage of Tier 1 capital has decreased to 62 per cent (31 December 2022: 65 per cent), mainly driven by reduction in Transaction Banking exposures.

Key indicators

	30.06.23	2022
Group total business[1]	**295.5**	316.1
Stage 1 loans ($ billion)	**277.7**	295.2
Stage 2 loans ($ billion)	**10.1**	13.0
Stage 3 loans, credit-impaired ($ billion)	**7.7**	7.9
Stage 3 cover ratio	**59%**	57%
Stage 3 cover ratio (including collateral)	**78%**	76%
Commercial, Corporate & Institutional Banking		
Investment grade corporate net exposures as a percentage of total corporate net exposures	**74%**	76%
Early Alert portfolio net exposures ($ billion)	**4.4**	5.0
Credit grade 12 balances ($ billion)	**1.3**	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	**55%**	53%
Consumer, Private & Business Banking		
Loan-to-value ratio of Consumer, Private & Business Banking mortgages	**45.1%**	44.7%

1 These numbers represent total gross loans and advances to customers

2 Excludes reverse repurchase agreements

The Group's ongoing credit impairment was a net charge of $172 million (30 June 2022: $267 million), a decrease of $95 million. Stage 1 and 2 were a charge of $33 million (30 June 2022: $10 million release) and stage 3 was a charge of $139 million (30 June 2022: $277 million).

For CCIB, stage 1 and 2 impairment charges of $33 million (30 June 2022: release of $44 million) were driven by Pakistan sovereign clients, model methodology updates, and net $6 million charge due to the China commercial real estate portfolio. Stage 3 impairment for CCIB was $36 million (30 June 2022: $240 million) driven by China commercial real estate clients and client downgrades in Nigeria due to past dues exceeding 90 days for our clients owing to non-availability of USD. This was partly offset by large notable releases in H1 2023.

For CPBB, stage 1 and 2 impairment charges of $15 million (30 June 2022: $43 million) were lower due to the $34 million release from non-linearity post model adjustment from 2022, $21 million release in H1 2023 overlays mainly from Bahrain (full release of COVID-19 overlay), and release driven by macroeconomic variable updates to Ant Financial portfolio. Stage 3 for CPBB was $93 million (30 June 2022: $36 million), driven by charge offs in China, Hong Kong and India, partly offset by $5 million of overlay releases mainly from the Bahrain COVID-19 overlay.

Ventures was a charge of $23 million (30 June 2022: $3 million) due to book growth in Mox Bank and Trust Bank Singapore.

Central and other items stage 1 and 2 impairment release of $27 million (30 June 2022: release of $12 million) was primarily driven by Pakistan sovereign exposure reductions.

Credit impairment

	30.06.23			30.06.22[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	33	36	69	(44)	240	196
Consumer, Private & Business Banking	15	93	108	43	36	79
Ventures	12	11	23	3	-	3
Central & other items	(27)	(1)	(28)	(12)	1	(11)
Credit impairment charge/(release)	33	139	172	(10)	277	267
Restructuring business portfolio						
Others	(2)	(9)	(11)	(4)	-	(4)
Credit impairment charge/(release)	(2)	(9)	(11)	(4)	-	(4)
Total credit impairment charge/(release)	31	130	161	(14)	277	263

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 statutory credit impairment

The average level of total trading and non-trading Value at Risk (VaR) in 2023 was $53.1 million, 2.5 per cent lower than H2 2022 ($54.5 million) and 5.2 per cent higher than H1 2022 ($50.5 million). The actual level of total trading and non-trading VaR in H1 2023 was $50.2 million, 10 per cent lower than H2 2022 ($55.8 million) and 15 per cent lower than H1 2022 ($59.2 million), due to a reduction in non-trading fair value credit spread positions, offsetting the impact of increased volatility following the bank failures in Q1 2023.

Further details of the risk performance for the first six months of 2023 are set out in the Risk profile section.

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 levels[1]. It gives us the structure to manage existing risks effectively in line with our Risk Appetite, as well as allowing for holistic risk identification.

Principal and Integrated Risk Types

Principal Risks are risks inherent in our strategy and business model. These are formally defined in our ERMF which provides a structure for monitoring and controlling these risks through the Board-approved Risk Appetite. We will not compromise adherence to our Risk Appetite in order to pursue revenue growth or higher returns. The table below provides an overview of the Group's Principal and Integrated Risks and Risk Appetite Statement. In addition to Principal Risks, the Group has defined a Risk Appetite Statement for Climate Risk. The Principal and Integrated risks have not changed in the first half of the year and further details can be found on pages 301 to 319 of our 2022 annual report.

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

Integrated Risk Types	Risk Appetite Statement
Climate Risk	The Group aims to measure and manage financial and non-financial risks from climate change, and reduce emissions related to our own activities and those related to the financing of clients, in alignment with the Paris Agreement.
Digital Asset Risk	This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types.
Third-Party Risk	This IRT is currently supported by Risk Appetite metrics embedded within relevant Principal Risk Types.

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

Topical and Emerging Risks

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

As part of our continuous risk identification process, we have updated the Group's Topical and Emerging Risks (TERs) from those disclosed in the 2022 Annual Report. We summarise these below, and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as performed by senior management.

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

The key changes to the TERs since the 2022 Annual Report are as follows.

- We have added a new TER "Changing regulatory environment". This reflects the changing landscape as well as the pace of that change.
- "Expanding array of global tensions" has been expanded to "New geopolitical order and expanding array of global tensions" to reflect a growing polarisation in world affairs.

Macroeconomic and geopolitical considerations

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

New geopolitical order and expanding array of global tensions

The Russia-Ukraine war has catalysed a fundamental shift in power dynamics with a demarcation of underlying political allegiances, driven by sanctions and shifting trading ties.

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

Furthermore, China's growing presence on the international stage, recently exemplified by its closer ties with the Middle East and its deepening relationship with Russia, point to the risk of the world splitting into differing political and economic blocks, that can add further structural, operational and strategic strains on business models for companies that straddle both blocks.

High inflation and USD strength

Inflation is now a global concern and a top policy issue in many countries which are experiencing the highest inflation in decades.

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

This operating environment is likely to be testing for both the banking and the Non-banking financial institutions (NBFI) sectors. The bank failures in Q1 2023 point to the challenges in managing liquidity, credit, refinancing and market risks. The NBFI sector, of which private equity and specialised lenders form notable sub-segments, is exposed to the same issues, highlighted by the liability-driven investments turmoil at the end of 2022.

Price inflation for essential goods, such as food and fuel has prompted a cost-of-living crisis across many markets in which the Group operates. Government support measures to offset some of these price increases have only increased state debt levels, which are already high from COVID-19 era financial assistance. Reducing such high debt levels will be hard politically, particularly if such measures lead to social unrest.

Changing regulatory environment

Given the recent bank failures, regulators are starting to reassess the regulatory environment. They are focused on areas such as Asset/Liability Management, stress testing, and governance, and coverage over a wider range of financial institutions, including the NBFI sector.

Additionally, we note the differing pace of regulatory adoption between jurisdictions, along with increasing extraterritorial reach and prescriptiveness, that can make it harder for multinational groups to manage their business.

Global economic downturn risk

Tightening of monetary policy to combat inflation has continued so far in 2023. Whilst there are indications that interest rates might be peaking, the danger of stagflation in several large-developed countries remains high. The high level of interest rates is also filtering into the credit markets.

China's reopening at the beginning of 2023, albeit at lower forecasted Gross Domestic Product (GDP) level than for many years, could cushion the extent of the downturn in global economic growth.

The Group's strong presence in Asia exposes it to many of the above influences that could negatively impact the countries that it operates in.

Emerging markets sovereign risk

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

Problems have already been observed across several of the Group's footprint markets, including the recent default in Ghana, political instability in Pakistan, high inflation in Turkey, and issues across Africa, particularly economies that are sensitive to fuel and other commodity prices.

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 (rolling power cuts in South Africa) have the potential to drive other social impacts.

Debt moratorium and refinancing initiatives are complicated by a large number of financiers, much of which is on a bilateral basis outside of the Paris Club. Their interests do not always match other creditors, leading to delay through protracted negotiations amongst creditors, causing debt resolution bottlenecks for several developing countries.

Extended supply chain issues and key 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. The main dislocations are linked to conflict and political restrictions through sanctions and trade embargoes. Repercussions include rising prices and affect companies that are a party in the supply chain, to end consumers and sovereigns.

Concentrated impacts to specific key industries such as semi-conductors can have contagion effects. Political wrangling over technological supremacy further increases the risk of market disruption and a retreat from globalisation. Potential additional targeted restrictions on certain industry sectors which could lead to shifts in global supply.

This could lead to a shift in supply chains for the future because of greater use of on, near or friend-shoring, further fragmenting the global supply chain. This can be regarded as a negative for countries that lose business but a positive for those who benefit from it.

There is also a growing political awareness around the need for key component and resource security. As a result of the Russia-Ukraine war and wider geopolitical tensions, many governments are becoming increasingly concerned about the concentration of key items in a small number of countries, for example Taiwan and the semiconductor industry. There will therefore likely be a rapid move to diversify supply and steps to acquire the level of resources required for a country's development in certain fields; for example, rare earth metals for electric vehicle production.

Energy security and shifting political alliances

The Russia-Ukraine war highlights the downside of the energy supply model in several developed markets and has spurred a rapid pivot away from traditional supply lines. This has strengthened the negotiating power of large energy exporters and provided them with leverage in CO_2 emission reductions negotiations at a country level.

In the wake of the conflict, a trade-off between pragmatism and environmentalism has evolved, with many countries rolling back or delaying stated ESG policies and targets. Policymakers must balance supply and price pressures with climate goals, with a heightened risk of short-term crises diverting attention and resources away from longer term climate action.

Some countries have invested significant amounts of money in developing green industries, the largest of which is the US's Inflation Reduction Act. However, the substantial subsidies available also run the risk of distorting world trade flows and antagonising trading partners, further heightening geopolitical tensions.

How these risks are mitigated/next steps

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

Environmental and social considerations

ESG stakeholder expectations

Climate-related targets are becoming embedded in global business models, and businesses are encouraged to set ambitious sustainability goals.

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

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

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

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

How these risks are mitigated/next steps

- Increased scrutiny is applied to environmental and social standards when providing services to clients.
- We monitor regulatory developments in relation to sustainable finance and ESG risk management and provide feedback on consultations bilaterally and through industry groups.
- We focus on embedding our values through our Position Statements for sensitive sectors and a list of prohibited activities that the Group will not finance.
- We are integrating the management of greenwashing risks into our Reputational and Sustainability Risk Framework, policies and standards. Green, Sustainable and Transition Finance labels for products, and transactions reflect the standards set out in our Green and Sustainable Product Framework, Green Bond Framework and Transition Finance Framework. We regularly review these frameworks and annually obtain external verification on the Sustainable Finance asset pool.
- The Group is committed to respecting universal human rights, and we assess our clients and suppliers against various international principles, as well as through our social safeguards and supplier charter. More details can be found in our Modern Slavery Statement and Human Rights Position Statement.

- Detailed portfolio reviews and stress tests are conducted to test resilience to climate-related risks, in line with applicable regulatory requirements.
- Work is under way to embed Climate Risk considerations across all relevant Principal Risk Types. This includes stress testing/ scenario analysis, integration of client Climate Risk assessments within the Credit process, building an internal modelling capability and linkages with our net zero targets to understand the financial risks and opportunities from climate change.

Technological considerations

Data and digital

Stakeholder expectations relating to the management and quality of data, including data retention, records management, data protection and privacy, data sovereignty, the use of Artificial Intelligence (AI) and the ethical use of data continue to increase. Regulation of data is increasing and continues to be fluid and fragmented.

Geopolitical tensions have added impetus to data sovereignty legislation (including data localisation requirements and cross-border access restrictions), which by their nature have an extraterritorial effect.

Increased risk of data breaches is driven by highly organised and sophisticated threat actors, with developments such as Ransomware as a service making it easier to attack organisations.

Data is becoming more concentrated in the hands of governments and big private companies, with relatively few providers of new technologies such as cloud services.

The sophistication and adoption of AI solutions is exponentially increasing. The regulatory framework is developing at a slower pace, necessitating strong self-governance.

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

How these risks are mitigated/next steps

- We monitor regulatory developments impacting data management, including country specific requirements. We participate in regulatory consultations and partner with our regulators to support key initiatives.
- We manage data risks through our Compliance Risk Type Framework and information security risks through our Information and Cyber Security (ICS) Risk Type Framework, while recognising the interconnectedness of the risks.
- We have a dedicated Data compliance policy and five related global standards, which we review against regulatory reform and industry best practice.
- We have developed a Group Data Strategy and made organisational changes to facilitate execution of this Strategy and strengthen ownership of related data risks.
- Our Chief Data Officer's team provides central support for compliance with data management regulations. This includes operating a dedicated AI governance forum and a Group Data Council to oversee execution of the Group's Data strategy.
- We have ongoing programmes of work to enhance our data risk management capabilities and controls, drive compliance with BCBS 239 requirements on effective risk data aggregation and risk reporting and deliver new controls and capabilities to increase our ability to identify, detect, protect and respond to ICS threats.
- The Group has implemented an in-depth ICS defence control environment strategy to protect, detect and respond to known and emerging ICS threats to allow proactive identification and response to emerging ICS threats to manage cyber security risk.
- We oversee management of data risk exposure, including delivery of the ongoing control enhancement programmes, through our executive risk governance committees.

New business structures, channels and competition

Failure to harness new technologies and new business models would place banks at a competitive disadvantage. However, these innovations require specialist skills, present new vectors for threats to materialise and require robust risk assessment and management. Concerns of contagion risk into mainstream financial services, particularly from digital assets-related activity, has increased regulatory scrutiny, which is expected to lead to enhanced regulation. Furthermore, differing access to new developments causes divergence and inequality to grow across countries and social groups.

The continued exploration of partnerships, alliances and generative technologies exposes the Group to increased opportunities and efficiencies, but also elevates the need to maintain operational resilience to appropriately support clients and the business.

Accelerating AI adoption and forays into other more nascent technologies is prompting banks to robustly assess the adequacy of in-house subject matter expertise and risk governance to meet growing regulatory attention.

How these risks are mitigated/next steps

- We monitor emerging trends, opportunities and risk developments in technology that may have implications for the banking sector.
- We evaluate risks against opportunities for new initiatives, accordingly de-risking and/or halting initiatives to remain within Risk Appetite. As the Group develops its use of AI, our Responsible AI Council ensures that we align our risk governance to emerging regulatory guidance and requirements.
- We engage with major regulators to ensure that we understand the evolving regulatory landscape in relation to the use of AI.
- We are investing in new technology, exploring alternate business models and launching new technology focused businesses, to develop our knowledge and capabilities to better prepare and protect ourselves against the misuse and possible disruption such technological development and nascent third parties may have.
- Novel risks arising from partnerships, alliances and generative technologies are identified through the New Initiatives Risk Assessment on Third-Party Risk Management Policy and Standards.

People considerations

Talent pool of the future

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

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

With attrition continuing to trend higher than before the COVID-19 pandemic, to sustainably attract, grow and retain talent, we must continue to invest in and further strengthen our Employee Value Proposition (EVP), through both firm-wide interventions as well as targeted action.

How these risks are mitigated/next steps

- Our culture and EVP work is designed to address the emerging expectations of the diverse talent we seek. The quarterly Brand and Culture Dashboard monitors our Diversity and Inclusion Index and colleagues' perceptions of our EVP and whether we are living our Valued Behaviours. Local Management teams discuss the dashboard to identify actions, supported by a central library of interventions from across the Group.
- Our Future Workplace Now programme, which formalises hybrid working where suitable, is currently live in 38 markets, and 76 per cent of colleagues in these markets are now on flexi-working arrangements. We continue to monitor for potential people risks, and mitigating actions include hybrid learning festivals, watercooler moments toolkits, a social connections platform and people leader guidance.
- We are undertaking a multi-year journey of developing future-skills by creating a culture of continuous learning, to balance between 'building' and 'inducting' skills. We are deploying technology that democratises access to learning content and developmental experiences.
- We are undertaking a multi-year journey of developing future-skills amongst colleagues by creating a culture of continuous learning, to balance appropriately between 'building' and 'inducting' skills into the Group.
- To address our talent pool's increased expectations of us being purpose-led, we have published our Stands (Accelerating Zero, Lifting Participation, Resetting Globalisation). These are being operationalised and play a role in guiding our Strategy.

Sadia Ricke
Group Chief Risk Officer

28 July 2023

Risk review and Capital review

The following parts of the Risk review and Capital review form part of these condensed interim financial statements and are reviewed by the external auditors:

a) Risk review: Disclosures marked as 'reviewed' from the start of Credit risk section (page 51) to the end of other principal risks in the same section (page 105); and

b) Capital review: Tables marked as 'reviewed' from the start of 'CRD Capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets' (pages 106 to 112).

Credit Risk (reviewed)

Basis of preparation

Unless otherwise stated the balance sheet and income statement information presented within this section is based on the Group's management view. This is principally the location from which a client relationship is managed, which may differ from where it is financially booked and may be shared between businesses and/or regions. This view reflects how the client segments and regions are managed internally.

Loans and advances to customers and banks held at amortised cost in this Risk profile section include reverse repurchase agreement balances held at amortised cost, per Note 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	Stage 2	Stage 3
• 12-month ECL • Performing	• Lifetime expected credit loss • Performing but has exhibited significant increase in Credit Risk (SICR)	• Credit-impaired • Non-performing

IFRS 9 expected credit loss principles and approaches

The main methodology principles and approach adopted by the Group are set out in the following table.

Title	Description	Supplementary Information	Page
Approach for determining expected credit losses	For material loan portfolios, the Group has adopted a statistical modelling approach for determining expected credit losses that makes extensive use of credit modelling. These models leveraged existing advanced internal ratings based (IRB) models, where these were available. Where model performance breaches model monitoring thresholds or validation standards, a post model adjustment may be required to correct for identified model issues, which will be removed once those issues have been remedied.	IFRS 9 expected credit loss methodology Determining lifetime expected credit loss for revolving products Post-model adjustments	86 86 88
Incorporation of forward-looking information	The determination of expected credit loss includes various assumptions and judgements in respect of forward-looking macroeconomic information. Refer to pages 88 to 92 for incorporation of forward-looking information, forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity and sensitivity of expected credit loss calculation to macroeconomic variables. Judgemental adjustments, including management overlays may also be used to capture risks not identified in the models.	Incorporation of forward-looking information Forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact of non-linearity Judgemental adjustments and sensitivity to macroeconomic variables	88 88 92
Significant increase in Credit Risk (SICR)	Expected credit loss for financial assets will transfer from a 12-month basis (stage 1) to a lifetime basis (stage 2) when there is a significant increase in Credit Risk (SICR) relative to that which was expected at the time of origination, or when the asset becomes credit-impaired. On transfer to a lifetime basis, the expected credit loss for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date. SICR is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Group's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, the weight of which will depend on the type of product and counterparty.		86
Assessment of credit-impaired financial assets	Credit-impaired (stage 3) financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay. This definition is consistent with internal Credit Risk management and the regulatory definition of default. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death. It also includes credit-related modifications of contractual cashflows due to significant financial difficulty (forbearance) where the Group has granted concessions that it would not ordinarily consider. Interest income for stage 3 assets is recognised by applying the original effective interest rate to the net asset amount (that is, net of credit impairment provisions). When financial assets are transferred from stage 3 to stage 2, any contractual interest recovered in excess of the interest income recognised while the asset was in stage 3 is reported within the credit impairment line.		86
Transfers between stages	Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit-impaired. Assets will not be considered credit-impaired only if the customer makes payments such that the obligations are current in line with the original contractual terms. Assets may transfer to stage 1 if they are no longer considered to have experienced a significant increase in credit risk. This will be immediate when the original probability of default based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in Credit Risk no longer applies (and as long as none of the other transfer criteria apply).	Movement in loan exposures and expected credit losses	62

Title	Description	Supplementary Information	Page
Modified financial assets	Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cashflows and the modified cashflows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument. If the modification is credit related, such as forbearance or where the Group has granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's Credit Risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms with the remaining lifetime PD based on the original contractual terms.	Forbearance and other modified loans	72
Governance and application of expert credit judgement in respect of expected credit losses	The models used in determining ECL are reviewed and approved by the Group Credit Model Assessment Committee and have been validated by Group model validation, which is independent of the business. A quarterly model monitoring process is in place that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds. Where a model's performance breaches the monitoring thresholds then an assessment of whether an ECL adjustment is required to correct for the identified model issue is completed. The determination of expected credit losses requires a significant degree of management judgement which had an impact on governance processes, with the output of the expected credit models assessed by the IFRS 9 Impairment Committee.		

Maximum exposure to Credit Risk (reviewed)

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

The Group's on-balance sheet maximum exposure to Credit Risk increased by $22 billion to $811 billion (31 December 2022: $790 billion).

Loans and advances to customers decreased by $20.5 billion to $290 billion (31 December 2022: $311 billion) largely due to a reduction in reverse repos, which decreased by $13.5 billion to $11 billion (31 December 2022: $24 billion). This was offset by a $10.3 billion increase in reverse repos in the fair value book to $75 billion (31 December 2022: $64 billion).

Excluding reverse repos, customer loans reduced by $7 billion to $279 billion (31 December 2022: $286 billion). Consumer, Private and Business Banking (CPBB) reduced by $4 billion to $128 billion (31 December 2022: $132 billion) which was driven by Mortgages. CCIB and Central and other items loans and advances to customers decreased by $16.8 billion to $166 billion (31 December 2022: $183 billion).

Loans to banks increased by $5 billion to $45 billion (31 December 2022: $40 billion) and there was a $0.3 billion increase in Ventures to $1 billion (31 December 2022: $0.7 billion) from portfolio growth in Mox Bank and Trust Bank Singapore.

Cash at Central bank increased by $28 billion to $86 billion (31 December 2022: $58 billion) largely due to overnight deposits with the US Federal Reserve.

Derivative exposures reduced by $3.3 billion to $60 billion (31 December 2022: $64 billion) and investment debt securities decreased by $10.4 billion to $161 billion (31 December 2022: $172 billion).

Off-balance sheet instruments increased by $13.5 billion to $243 billion (31 December 2022: $229 billion), driven by higher levels of financial guarantees.

	30.06.23				31.12.22			
		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	86,339			86,339	58,263			58,263
Loans and advances to banks[1]	44,602	1,383		43,219	39,519	978		38,541
of which – reverse repurchase agreements and other similar secured lending[7]	1,383	1,383		–	978	978		–
Loans and advances to customers[1]	290,137	117,014		173,123	310,647	135,194		175,453
of which – reverse repurchase agreements and other similar secured lending[7]	10,950	10,950		–	24,498	24,498		–
Investment securities – Debt securities and other eligible bills[2]	161,254			161,254	171,640			171,640
Fair value through profit or loss[3,7]	117,959	74,785	–	43,174	102,575	64,491	–	38,084
Loans and advances to banks	2,126			2,126	976			976
Loans and advances to customers	5,368			5,368	6,546			6,546
Reverse repurchase agreements and other similar lending[7]	74,785	74,785		–	64,491	64,491		–
Investment securities – Debt securities and other eligible bills[2]	35,680			35,680	30,562			30,562
Derivative financial instruments[4,7]	60,388	9,126	48,168	3,094	63,717	9,206	50,133	4,378
Accrued income	2,895			2,895	2,706			2,706
Assets held for sale[9]	2,444			2,444	1,388			1,388
Other assets[5]	45,367			45,367	39,295			39,295
Total balance sheet	811,385	202,308	48,168	560,909	789,750	209,869	50,133	529,748
Off-balance sheet[6]								
Undrawn Commitments	174,209	3,360		170,849	168,668	2,951		165,717
Financial Guarantees and other equivalents	68,403	2,388		66,015	60,410	2,592		57,818
Total off-balance sheet	242,612	5,748	–	236,864	229,078	5,543	–	223,535
Total	1,053,997	208,056	48,168	797,773	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 57). Further details of collateral held by client segment and stage are set out in the collateral analysis section (page 74)

2 Excludes equity and other investments of $825 million (31 December 2022: $808 million). Further details are set out in Note 13 Financial instruments

3 Excludes equity and other investments of $2,879 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 20 Assets held for sale and associated liabilities

Analysis of financial instrument by stage (reviewed)

The financial instruments held increased by $23 billion to $881 billion (31 December 2022: $858 billion).

Total stage 1 balances increased by $29.2 billion to $850 billion (31 December 2022: $821 billion), of which $28 billion was Cash with central banks, $15.8 billion was undrawn commitments and financial guarantees. This was offset by a $17.5 billion reduction in loans and advances to customers, primarily due to reduced levels of reverse repos. Debt securities decreased by $9.3 billion to $157 billion (31 December 2022: $166 billion).

Stage 2 financial instruments reduced by $6 billion to $22 billion (31 December 2022: $28 billion) due to reductions in CCIB exposures.

Stage 3 loans and advances to customers decreased by $0.3 billion to $8.9 billion (31 December 2022: $9.3 billion) mainly due to CCIB.

	30.06.23											
	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	85,611	–	85,611	451	(8)	443	301	(16)	285	86,363	(24)	86,339
Loans and advances to banks (amortised cost)	43,980	(6)	43,974	565	(12)	553	78	(3)	75	44,623	(21)	44,602
Loans and advances to customers (amortised cost)	277,711	(451)	277,260	10,110	(400)	9,710	7,687	(4,520)	3,167	295,508	(5,371)	290,137
Debt securities and other eligible bills[5]	156,760	(35)		4,400	(39)		168	(53)		161,328	(127)	
Amortised cost	58,253	(21)	58,232	115	–	115	94	(53)	41	58,462	(74)	58,388
FVOCI[2]	98,507	(14)		4,285	(39)		74	–		102,866	(53)	–
Accrued income (amortised cost)[4]	2,895		2,895			–			–	2,895	–	2,895
Assets held for sale	2,302	–	2,302	120	(2)	118	85	(61)	24	2,507	(63)	2,444
Other assets	45,369	(3)	45,366	–	–	–	4	(3)	1	45,373	(6)	45,367
Undrawn commitments[3]	169,843	(45)		4,363	(43)		3	(1)		174,209	(89)	
Financial guarantees, trade credits and irrevocable letter of credits[3]	65,574	(13)		2,238	(20)		591	(120)		68,403	(153)	
Total	850,045	(553)		22,247	(524)		8,917	(4,777)		881,209	(5,854)	

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

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

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

4 Stage 1 ECL is not material

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

	31.12.22											
	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 (reviewed)

Credit quality by client segment

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

Mapping of credit quality

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

	Corporate, Commercial & Institutional Banking			Private Banking[1]	Consumer & Business Banking[5]
Credit quality description	Internal grade mapping	S&P external ratings equivalent	Regulatory PD range (%)	Internal ratings	Number of days past due
Strong	1A to 5B	AAA/AA+ to BBB-/BB+[2]	0 to 0.425	Class I and Class IV	Current loans (no past dues nor impaired)
Satisfactory	6A to 11C	BB+/BB to B-/CCC+[3]	0.426 to 15.75	Class II and Class III	Loans past due till 29 days
Higher risk	Grade 12	CCC+ 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 overleaf sets out the gross loans and advances held at amortised cost, expected credit loss provisions and expected credit loss coverage by business segment and stage. Expected credit loss coverage represents the expected credit loss reported for each segment and stage as a proportion of the gross loan balance for each segment and stage.

Stage 1:

Stage 1 gross loans and advances to customers decreased by $17.5 billion to $278 billion (31 December 2022: $295 billion).

CCIB stage 1 loans decreased by $8.1 billion to $118 billion (31 December 2022: $126 billion). This is due to a decrease in exposures in the Financing, insurance and non-banking and Manufacturing sectors.

CPBB stage 1 loans decreased by $4 billion to $125 billion (31 December 2022: $129 billion) mainly due to a decrease in mortgage portfolio mainly in Hong Kong, which was aligned with the Hong Kong mortgage strategy refinements since late 2022 in consideration of the increasing interest rate environment.

Ventures had an increase of $0.2 billion to $0.9 billion (31 December 2022: $0.7 billion) from new lending in Mox Bank and Trust Bank Singapore.

Central and other items segment decreased by $5.3 billion to $34 billion (31 December 2022: $39 billion) due to lower placements with governments.

The stage 1 coverage ratio remained stable at 0.2 per cent (31 December 2022: 0.2 per cent).

Stage 2:

Stage 2 loans and advances to customers decreased by $2.9 billion to $10.1 billion (31 December 2022: $13 billion) primarily in CCIB due to reductions in the Commercial real estate and Mining and quarrying sectors. The proportion of stage 2 loans also reduced to 3 per cent (31 December 2022: 4 per cent).

CPBB stage 2 loans increased by $0.3 billion to $2 billion (31 December 2022: $1.7 billion) primarily due to an increase in Secured wealth.

Stage 2 loans to customers classified as 'Higher Risk' decreased by $0.6 billion to $1.2 billion (31 December 2022: $1.8 billion) due to repayments and outflows to stage 3 in CCIB.

The overall stage 2 cover ratio remained broadly stable at 4.0 per cent (31 December 2022: 3.4 per cent).

Stage 3:

Customer total gross stage 3 loans decreased by $0.2 billion to $7.7 billion (31 December 2022: $7.8 billion) primarily in the CCIB segment. The decrease was the result of material repayments and debt sales in H1 2023.

CPBB stage 3 loans remained broadly the same at $1.5 billion (31 December 2022: $1.5 billion).

Ventures Stage 3 balances increased by $5 million to $6 million (31 December 2022: $1 million) due to downgrades in Mox Bank and Trust Bank Singapore.

Loans and advances by client segment (reviewed)

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
	30.06.23							
		Customers						
Stage 1	43,980	118,179	124,735	927	33,870	277,711	169,843	65,574
– Strong	33,450	81,296	120,215	920	33,579	236,010	153,463	43,749
– Satisfactory	10,530	36,883	4,520	7	291	41,701	16,380	21,825
Stage 2	565	8,059	2,012	39	–	10,110	4,363	2,238
– Strong	260	1,632	1,519	20	–	3,171	1,091	263
– Satisfactory	50	5,366	336	9	–	5,711	2,785	1,620
– Higher risk	255	1,061	157	10	–	1,228	487	355
Of which (stage 2):								
– Less than 30 days past due	–	268	336	9	–	613	–	–
– More than 30 days past due	7	111	157	10	–	278	–	–
Stage 3, credit-impaired financial assets	78	6,038	1,450	6	193	7,687	3	591
Gross balance[1]	44,623	132,276	128,197	972	34,063	295,508	174,209	68,403
Stage 1	(6)	(105)	(332)	(14)	–	(451)	(45)	(13)
– Strong	(4)	(24)	(238)	(14)	–	(276)	(26)	(7)
– Satisfactory	(2)	(81)	(94)	–	–	(175)	(19)	(6)
Stage 2	(12)	(280)	(116)	(4)	–	(400)	(43)	(20)
– Strong	(1)	(38)	(39)	(2)	–	(79)	(5)	(1)
– Satisfactory	(5)	(162)	(28)	(1)	–	(191)	(21)	(11)
– Higher risk	(6)	(80)	(49)	(1)	–	(130)	(17)	(8)
Of which (stage 2):								
– Less than 30 days past due	–	(10)	(28)	(1)	–	(39)	–	–
– More than 30 days past due	–	(1)	(49)	(1)	–	(51)	–	–
Stage 3, credit-impaired financial assets	(3)	(3,724)	(779)	(5)	(12)	(4,520)	(1)	(120)
Total credit impairment	(21)	(4,109)	(1,227)	(23)	(12)	(5,371)	(89)	(153)
Net carrying value	44,602	128,167	126,970	949	34,051	290,137		
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%	1.5%	0.0%	0.1%	0.0%	0.0%
– Satisfactory	0.0%	0.2%	2.1%	0.0%	0.0%	0.4%	0.1%	0.0%
Stage 2	2.1%	3.5%	5.8%	10.3%	0.0%	4.0%	1.0%	0.9%
– Strong	0.4%	2.3%	2.6%	10.0%	0.0%	2.5%	0.5%	0.4%
– Satisfactory	10.0%	3.0%	8.3%	11.1%	0.0%	3.3%	0.8%	0.7%
– Higher risk	2.4%	7.5%	31.2%	10.0%	0.0%	10.6%	3.5%	2.3%
Of which (stage 2):								
– Less than 30 days past due	0.0%	3.7%	8.3%	11.1%	0.0%	6.4%	0.0%	0.0%
– More than 30 days past due	0.0%	0.9%	31.2%	10.0%	0.0%	18.3%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	3.8%	61.7%	53.7%	83.3%	6.2%	58.8%	33.3%	20.3%
Cover ratio	0.0%	3.1%	1.0%	2.4%	0.0%	1.8%	0.1%	0.2%
Fair value through profit or loss								
Performing	36,593	45,641	19	–	1	45,661	–	–
– Strong	31,754	29,652	19	–	–	29,671	–	–
– Satisfactory	4,839	15,956	–	–	–	15,956	–	–
– Higher risk	–	33	–	–	1	34	–	–
Defaulted (CG13-14)	–	25	–	–	–	25	–	–
Gross balance (FVTPL)[2]	36,593	45,666	19	–	1	45,686	–	–
Net carrying value (incl FVTPL)	81,195	173,833	126,989	949	34,052	335,823	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $10,950 million under Customers and of $1,383 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $40,318 million under Customers and of $34,467 million under Banks, held at fair value through profit or loss

Amortised cost	Banks $million	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking[1] $million	Ventures $million	Central & other items $million	Customer Total $million	Undrawn commitments $million	Financial Guarantees $million
	31.12.22							
		Customers						
Stage 1	39,149	126,261	129,134	691	39,133	295,219	162,958	56,683
– Strong	27,941	89,567	124,734	685	39,133	254,119	148,303	39,612
– Satisfactory	11,208	36,694	4,400	6	–	41,100	14,655	17,071
Stage 2	337	11,355	1,670	18	–	13,043	5,582	3,062
– Strong	148	2,068	1,215	10	–	3,293	1,449	522
– Satisfactory	119	7,783	146	4	–	7,933	3,454	2,134
– Higher risk	70	1,504	309	4	–	1,817	679	406
Of which (stage 2):								
– Less than 30 days past due	5	109	148	4	–	261	–	–
– More than 30 days past due	6	23	310	4	–	337	–	–
Stage 3, credit-impaired financial assets	59	6,143	1,453	1	248	7,845	128	665
Gross balance[1]	39,545	143,759	132,257	710	39,381	316,107	168,668	60,410
Stage 1	(9)	(143)	(406)	(10)	–	(559)	(41)	(11)
– Strong	(3)	(43)	(332)	(10)	–	(385)	(28)	(3)
– Satisfactory	(6)	(100)	(74)	–	–	(174)	(13)	(8)
Stage 2	(3)	(323)	(120)	(1)	–	(444)	(53)	(28)
– Strong	–	(30)	(62)	(1)	–	(93)	(6)	–
– Satisfactory	(2)	(159)	(17)	–	–	(176)	(42)	(15)
– Higher risk	(1)	(134)	(41)	–	–	(175)	(5)	(13)
Of which (stage 2):								
– Less than 30 days past due	–	(2)	(17)	–	–	(19)	–	–
– More than 30 days past due	–	(1)	(41)	–	–	(42)	–	–
Stage 3, credit-impaired financial assets	(14)	(3,662)	(776)	(1)	(18)	(4,457)	–	(147)
Total credit impairment	(26)	(4,128)	(1,302)	(12)	(18)	(5,460)	(94)	(186)
Net carrying value	39,519	139,631	130,955	698	39,363	310,647		
Stage 1	0.0%	0.1%	0.3%	1.4%	0.0%	0.2%	0.0%	0.0%
– Strong	0.0%	0.0%	0.3%	1.5%	0.0%	0.2%	0.0%	0.0%
– Satisfactory	0.1%	0.3%	1.7%	0.0%	0.0%	0.4%	0.1%	0.0%
Stage 2	0.9%	2.8%	7.2%	5.6%	0.0%	3.4%	0.9%	0.9%
– Strong	0.0%	1.5%	5.1%	10.0%	0.0%	2.8%	0.4%	0.0%
– Satisfactory	1.7%	2.0%	11.6%	0.0%	0.0%	2.2%	1.2%	0.7%
– Higher risk	1.4%	8.9%	13.3%	0.0%	0.0%	9.6%	0.7%	3.2%
Of which (stage 2):								
– Less than 30 days past due	0.0%	1.8%	11.5%	0.0%	0.0%	7.3%	0.0%	0.0%
– More than 30 days past due	0.0%	4.3%	13.2%	0.0%	0.0%	12.5%	0.0%	0.0%
Stage 3, credit-impaired financial assets (S3)	23.7%	59.6%	53.4%	100.0%	7.3%	56.8%	0.0%	22.1%
Cover ratio	0.1%	2.9%	1.0%	1.7%	0.0%	1.7%	0.1%	0.3%
Fair value through profit or loss								
Performing	24,930	44,461	28	–	2,557	47,046	–	–
– Strong	21,451	36,454	27	–	2,409	38,890	–	–
– Satisfactory	3,479	8,007	1	–	148	8,156	–	–
– Higher risk	–	–	–	–	–	–	–	–
Defaulted (CG13-14)	–	37	–	–	–	37	–	–
Gross balance (FVTPL)[2]	24,930	44,498	28	–	2,557	47,083	–	–
Net carrying value (incl FVTPL)	64,449	184,129	130,983	698	41,920	357,730	–	–

1 Loans and advances includes reverse repurchase agreements and other similar secured lending of $24,498 million under Customers and of $978 million under Banks, held at amortised cost

2 Loans and advances includes reverse repurchase agreements and other similar secured lending of $40,537 million under Customers and of $23,954 million under Banks, held at fair value through profit or loss

Loans and advances by client segment credit quality analysis

Corporate, Commercial & Institutional Banking

Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	30.06.23 Gross Stage 1	Gross Stage 2	Gross Stage 3	Gross Total	Credit impairment Stage 1	Credit impairment Stage 2	Credit impairment Stage 3	Credit impairment Total
Strong			81,296	1,632	–	82,928	(24)	(38)	–	(62)
1A-2B	0 – 0.045	AA- and above	7,307	90	–	7,397	(1)	–	–	(1)
3A-4A	0.046 – 0.110	A+ to A-	33,927	371	–	34,298	(5)	–	–	(5)
4B-5B	0.111 – 0.425	BBB+ to BBB-/BB+	40,062	1,171	–	41,233	(18)	(38)	–	(56)
Satisfactory			36,883	5,366	–	42,249	(81)	(162)	–	(243)
6A-7B	0.426 – 1.350	BB+/BB to BB-	22,743	739	–	23,482	(58)	(28)	–	(86)
8A-9B	1.351 – 4.000	BB-/B+ to B+/B	9,571	3,327	–	12,898	(10)	(115)	–	(125)
10A-11C	4.001 – 15.75	B to B-/CCC+	4,569	1,300	–	5,869	(13)	(19)	–	(32)
Higher risk			–	1,061	–	1,061	–	(80)	–	(80)
12	15.751 – 99.999	CCC+/C	–	1,061	–	1,061	–	(80)	–	(80)
Credit-impaired			–	–	6,038	6,038	–	–	(3,724)	(3,724)
13-14	100	Defaulted	–	–	6,038	6,038	–	–	(3,724)	(3,724)
Total			118,179	8,059	6,038	132,276	(105)	(280)	(3,724)	(4,109)

Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	31.12.22 Gross Stage 1	Gross Stage 2	Gross Stage 3	Gross Total	Credit impairment Stage 1	Credit impairment Stage 2	Credit impairment Stage 3	Credit impairment Total
Strong			89,567	2,068	–	91,635	(43)	(30)	–	(73)
1A-2B	0 – 0.045	AA- and above	8,247	117	–	8,364	(4)	–	–	(4)
3A-4A	0.046 – 0.110	A+ to A-	36,379	321	–	36,700	(5)	–	–	(5)
4B-5B	0.111 – 0.425	BBB+ to BBB-/BB+	44,941	1,630	–	46,571	(34)	(30)	–	(64)
Satisfactory			36,694	7,783	–	44,477	(100)	(159)	–	(259)
6A-7B	0.426 – 1.350	BB+/BB to BB-	23,196	2,684	–	25,880	(67)	(94)	–	(161)
8A-9B	1.351 – 4.000	BB-/B+ to B+/B	9,979	3,116	–	13,095	(20)	(35)	–	(55)
10A-11C	4.001 – 15.75	B to B-/CCC+	3,519	1,983	–	5,502	(13)	(30)	–	(43)
Higher risk			–	1,504	–	1,504	–	(134)	–	(134)
12	15.751 – 99.999	CCC+/C	–	1,504	–	1,504	–	(134)	–	(134)
Credit-impaired			–	–	6,143	6,143	–	–	(3,662)	(3,662)
13-14	100	Defaulted	–	–	6,143	6,143	–	–	(3,662)	(3,662)
Total			126,261	11,355	6,143	143,759	(143)	(323)	(3,662)	(4,128)

Credit grade	Consumer, Private & Business Banking 30.06.23 Gross Stage 1	Stage 2	Stage 3	Total	Credit impairment Stage 1	Stage 2	Stage 3	Total
Strong	120,215	1,519	–	121,734	(238)	(39)	–	(277)
Secured	103,006	1,185	–	104,191	(45)	(5)	–	(50)
Unsecured	17,209	334	–	17,543	(193)	(34)	–	(227)
Satisfactory	4,520	336	–	4,856	(94)	(28)	–	(122)
Secured	4,247	297	–	4,544	(6)	(3)	–	(9)
Unsecured	273	39	–	312	(88)	(25)	–	(113)
Higher risk	–	157	–	157	–	(49)	–	(49)
Secured	–	62	–	62	–	(6)	–	(6)
Unsecured	–	95	–	95	–	(43)	–	(43)
Credit-impaired	–	–	1,450	1,450	–	–	(779)	(779)
Secured			1,066	1,066			(560)	(560)
Unsecured	–	–	384	384	–	–	(219)	(219)
Total	124,735	2,012	1,450	128,197	(332)	(116)	(779)	(1,227)

Credit grade	Consumer,Private & Business Banking 31.12.22 Gross Stage 1	Stage 2	Stage 3	Total	Credit impairment Stage 1	Stage 2	Stage 3	Total
Strong	124,734	1,215	–	125,949	(332)	(62)	–	(394)
Secured	107,262	995	–	108,257	(48)	(12)	–	(60)
Unsecured	17,472	220	–	17,692	(284)	(50)	–	(334)
Satisfactory	4,400	146	–	4,546	(74)	(17)	–	(91)
Secured	4,006	115	–	4,121	(11)	(1)	–	(12)
Unsecured	394	31	–	425	(63)	(16)	–	(79)
Higher risk	–	309	–	309	–	(41)	–	(41)
Secured	–	216	–	216	–	(6)	–	(6)
Unsecured	–	93	–	93	–	(35)	–	(35)
Credit-impaired	–	–	1,453	1,453	–	–	(776)	(776)
Secured			1,028	1,028			(552)	(552)
Unsecured	–	–	425	425	–	–	(224)	(224)
Total	129,134	1,670	1,453	132,257	(406)	(120)	(776)	(1,302)

Credit 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	30.06.23 Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	31.12.22 Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross (stage 1)	233,386	17,068	27,257	277,711	248,625	17,553	29,041	295,219
Provision (stage 1)	(386)	(58)	(7)	(451)	(454)	(73)	(32)	(559)
Gross (stage 2)	6,060	2,389	1,661	10,110	8,302	3,122	1,619	13,043
Provision (stage 2)	(256)	(93)	(51)	(400)	(337)	(104)	(3)	(444)
Gross (stage 3)	4,511	2,941	235	7,687	4,562	2,725	558	7,845
Provision (stage 3)	(2,566)	(1,747)	(207)	(4,520)	(2,483)	(1,765)	(209)	(4,457)
Net loans[1]	240,749	20,500	28,888	290,137	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	30.06.23 Asia $million	30.06.23 Africa & Middle East $million	30.06.23 Europe & Americas $million	30.06.23 Total $million	31.12.22 Asia $million	31.12.22 Africa & Middle East $million	31.12.22 Europe & Americas $million	31.12.22 Total $million
Gross (stage 1)	**31,347**	**3,141**	**9,492**	**43,980**	21,806	3,818	13,525	39,149
Provision (stage 1)	**(4)**	**–**	**(2)**	**(6)**	(3)	(4)	(2)	(9)
Gross (stage 2)	**38**	**276**	**251**	**565**	212	116	9	337
Provision (stage 2)	**(4)**	**(8)**	**–**	**(12)**	(2)	(1)	–	(3)
Gross (stage 3)	**78**	**–**	**–**	**78**	59	–	–	59
Provision (stage 3)	**(3)**	**–**	**–**	**(3)**	(14)	–	–	(14)
Net loans[1]	**31,452**	**3,409**	**9,741**	**44,602**	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 (reviewed)
The tables overleaf set out the movement in gross exposures and credit impairment by stage in respect of amortised cost loans to banks and customers, undrawn commitments, financial guarantees and debt securities classified at amortised cost and FVOCI. The tables are presented for the Group, debt securities and other eligible bills.

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

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

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

Changes to ECL models, which incorporate changes to model approaches and methodologies, are not reported as a separate line item as these have an impact over a number of lines and stages.

Movements during the year

Stage 1 gross exposures decreased by $6 billion to $714 billion (31 December 2022: $720 billion). CCIB increased by $10.7 billion to $326 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 mainly due to lower reverse repo positions. CPBB decreased by $4.3 billion to $189 billion (31 December 2022: $193 billion) which was largely driven by the mortgage portfolio. Stage 1 debt securities decreased by $9 billion to $157 billion (31 December 2022: $166 billion) due to liquidity management and maturities.

Total stage 1 provisions decreased by $95 million to $550 million (31 December 2022: $645 million). CPBB decreased by $72 million to $341 million (31 December 2022: $413 million) largely driven by the release of the judgemental non-linearity post model adjustment and from overlay releases, both of which are reported in 'Changes in risk parameters'. CCIB provisions decreased by $34 million to $160 million (31 December 2022: $194 million) primarily due to new originations and model updates. Debt securities provision increased by $10 million to $35 million (31 December 2022: $25 million).

Stage 2 gross exposures decreased by $5.8 billion to $21.7 billion (31 December 2022: $27.5 billion), primarily driven by $5 billion of net outflows from exposure changes in CCIB, particularly in the Commercial real estate, Mining and quarrying, and Food and household products sectors. CPBB exposures increased by $0.3 billion to $2.2 billion (31 December 2022: $1.8 billion), of which $0.2 billion was from the Secured wealth portfolio. Debt securities decreased by $1 billion to $4.4 billion (31 December 2022: $5.5 billion).

Stage 2 provisions decreased by $104 million to $514 million (31 December 2022: $618 million). CCIB provisions decreased by $55 million to $356 million (31 December 2022: $411 million) was from releases due to exposure reductions and transfers to stage 3 for one China commercial real estate exposure which was partly offset by a further downgrade within stage 2 of Pakistan sovereign clients and model updates, both of which impacted 'Changes in risk parameters'. CPBB provisions was broadly stable at $115 million (31 December 2022: $118 million) as normal flow was offset by the release of the judgemental non-linearity post model adjustment and overlay releases within 'Changes in risk parameters'. Central and other items reduced by $50 million largely due to exposure reductions and shortening of tenors, particularly in Pakistan.

Stage 3 gross loans for CCIB decreased by $0.3 billion to $6.7 billion (31 December 2022: $7 billion) as upgrades and repayments were partly offset by the downgrade of one China commercial real estate client and downgrades in Nigeria due to past dues exceeding 90 days for our clients owing to the non-availability of USD. CCIB provisions increased by $25 million to $3.8 billion (31 December 2022: $3.8 billion) as charges from new downgrades were offset by releases due to repayments. CPBB total stage 3 loans were stable at $1.5 billion (31 December 2022: $1.5 billion) and provisions increased by $5 million to $0.8 billion (31 December 2022: $0.8 billion). Debt security gross assets increased by $24 million to $168 million (31 December 2022: $144 million) due to one new inflow. Central and other items stage 3 provision decreased by $50 million due to debt restructuring in Ghana.

All segments (reviewed)

	Stage 1			Stage 2			Stage 3[5]			Total		
Amortised cost and FVOCI	Gross balance[3] $million	Total credit impair-ment $million	Net $million	Gross balance[3] $million	Total credit impair-ment $million	Net $million	Gross balance[3] $million	Total credit impair-ment $million	Net $million	Gross balance[3] $million	Total credit impair-ment $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 models	–	–	–	–	–	–	–	–	–	–	–	–
Changes in risk parameters	–	106	106	–	(387)	(387)	–	(895)	(895)	–	(1,176)	(1,176)
Write-offs	–	–	–	–	–	–	(949)	949	–	(949)	949	–
Interest due but unpaid	–	–	–	–	–	–	(157)	157	–	(157)	157	–
Discount unwind	–	–	–	–	–	–	–	136	136	–	136	136
Exchange translation differences and other movements[1]	(25,381)	203	(25,178)	(1,963)	(108)	(2,071)	(658)	9	(649)	(28,002)	104	(27,898)
As at 31 December 2022[2]	720,112	(645)	719,467	27,479	(618)	26,861	8,841	(4,724)	4,117	756,432	(5,987)	750,445
Income statement ECL (charge)/release[6]		14			(420)			(725)			(1,131)	
Recoveries of amounts previously written off		–			–			293			293	
Total credit impairment (charge)/release		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	**12,502**	**(475)**	**12,027**	**(12,501)**	**475**	**(12,026)**	**(1)**	**–**	**(1)**	**–**	**–**	**–**
Transfers to stage 2	**(24,381)**	**209**	**(24,172)**	**24,464**	**(211)**	**24,253**	**(83)**	**2**	**(81)**	**–**	**–**	**–**
Transfers to stage 3	**(31)**	**1**	**(30)**	**(1,334)**	**182**	**(1,152)**	**1,365**	**(183)**	**1,182**	**–**	**–**	**–**
Net change in exposures	**10,296**	**(111)**	**10,185**	**(15,178)**	**34**	**(15,144)**	**(883)**	**260**	**(623)**	**(5,765)**	**183**	**(5,582)**
Net remeasurement from stage changes	**–**	**34**	**34**	**–**	**(116)**	**(116)**	**–**	**(97)**	**(97)**	**–**	**(179)**	**(179)**
Changes in risk parameters	**2**	**124**	**126**	**–**	**14**	**14**	**7**	**(434)**	**(427)**	**9**	**(296)**	**(287)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(456)**	**456**	**–**	**(456)**	**456**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**(2)**	**–**	**2**	**(2)**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**97**	**97**	**–**	**97**	**97**
Exchange translation differences and other movements[1]	**(4,632)**	**313**	**(4,319)**	**(1,254)**	**(274)**	**(1,528)**	**(265)**	**(72)**	**(337)**	**(6,151)**	**(33)**	**(6,184)**
As at 30 June 2023[2]	**713,868**	**(550)**	**713,318**	**21,676**	**(514)**	**21,162**	**8,527**	**(4,697)**	**3,830**	**744,071**	**(5,761)**	**738,310**
Income statement ECL (charge)/release[6]		**47**			**(68)**			**(271)**			**(292)**	
Recoveries of amounts previously written off		**–**			**–**			**141**			**141**	
Total credit impairment (charge)/release[4]		**47**			**(68)**			**(130)**			**(151)**	

1 Includes fair value adjustments and amortisation on debt securities

2 Excludes Cash and balances at central banks, Accrued income, Assets held for sale and Other assets gross balances of $137,138 million (2022: $101,740 million) and Total credit impairment of $93 million (2022: $88 million)

3 The gross balance includes the notional amount of off -balance sheet instruments

4 Statutory basis

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

6 Does not include $10 million (2022: $2 million) release relating to Other assets

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

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	297	(1)	296	(297)	1	(296)	–	–	–	–	–	–
Transfers to stage 2	(394)	3	(391)	394	(3)	391	–	–	–	–	–	–
Transfers to stage 3	–	–	–	(17)	–	(17)	17	–	17	–	–	–
Net change in exposures	(9,661)	(16)	(9,677)	(518)	2	(516)	–	–	–	(10,179)	(14)	(10,193)
Net remeasurement from stage changes	–	3	3	–	(12)	(12)	–	–	–	–	(9)	(9)
Changes in risk parameters	–	17	17	–	47	47	7	(4)	3	7	60	67
Write-offs	–	–	–	–	–	–	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–	–	–	–	–	–	–
Exchange translation differences and other movements[1]	415	(16)	399	(617)	16	(601)	–	57	57	(202)	57	(145)
As at 30 June 2023	156,760	(35)	156,725	4,400	(39)	4,361	168	(53)	115	161,328	(127)	161,201
Income statement ECL (charge)/release		4			37			(4)			37	
Recoveries of amounts previously written off		–			–			–			–	
Total credit impairment (charge)/release		4			37			(4)			37	

1 Includes fair value adjustments and amortisation on debt securities

2 Stage 3 includes gross of $100 million (2022: $28 million) and ECL $14 million (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 $161,254 million (31 December 2022: $171,640 million. Refer to the Analysis of financial instrument by stage table on page 55

Corporate, Commercial & Institutional Banking(reviewed)

Amortised cost and FVOCI	Stage 1 Gross balance[1] $million	Stage 1 Total credit impairment $million	Stage 1 Net $million	Stage 2 Gross balance[1] $million	Stage 2 Total credit impairment $million	Stage 2 Net $million	Stage 3 Gross balance[1] $million	Stage 3 Total credit impairment $million	Stage 3 Net $million	Total Gross balance[1] $million	Total Total credit impairment $million	Total 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)	
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	**10,283**	**(346)**	**9,937**	**(10,283)**	**346**	**(9,937)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to stage 2	**(20,151)**	**168**	**(19,983)**	**20,181**	**(170)**	**20,011**	**(30)**	**2**	**(28)**	**–**	**–**	**–**
Transfers to stage 3	**(5)**	**–**	**(5)**	**(810)**	**95**	**(715)**	**815**	**(95)**	**720**	**–**	**–**	**–**
Net change in exposures	**22,348**	**(48)**	**22,300**	**(13,619)**	**30**	**(13,589)**	**(601)**	**264**	**(337)**	**8,128**	**246**	**8,374**
Net remeasurement from stage changes	**–**	**11**	**11**	**–**	**(32)**	**(32)**	**–**	**(84)**	**(84)**	**–**	**(105)**	**(105)**
Changes in risk parameters	**2**	**37**	**39**	**–**	**(44)**	**(44)**	**–**	**(232)**	**(232)**	**2**	**(239)**	**(237)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(157)**	**157**	**–**	**(157)**	**157**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**(52)**	**52**	**–**	**(52)**	**52**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**85**	**85**	**–**	**85**	**85**
Exchange translation differences and other movements	**(1,771)**	**212**	**(1,559)**	**(554)**	**(170)**	**(724)**	**(259)**	**(174)**	**(433)**	**(2,584)**	**(132)**	**(2,716)**
As at 30 June 2023	**326,143**	**(160)**	**325,983**	**15,063**	**(356)**	**14,707**	**6,710**	**(3,847)**	**2,863**	**347,916**	**(4,363)**	**343,553**
Income statement ECL (charge)/release[2]		**–**			**(46)**			**(52)**			**(98)**	
Recoveries of amounts previously written off		**–**			**–**			**24**			**24**	
Total credit impairment (charge)/release		**–**			**(46)**			**(28)**			**(74)**	

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

2 Does not include $10 million (2022: $2 million) release relating to Other assets

Consumer, Private and Business Banking (reviewed)

	Stage 1			Stage 2			Stage 3			Total		
Amortised cost and FVOCI	Gross balance[1] $million	Total credit impair-ment $million	Net $million	Gross balance[1] $million	Total credit impair-ment $million	Net $million	Gross balance[1] $million	Total credit impair-ment $million	Net $million	Gross balance[1] $million	Total credit impair-ment $million	Net $million
As at 1 January 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	**1,911**	**(124)**	**1,787**	**(1,910)**	**124**	**(1,786)**	**(1)**	**–**	**(1)**	**–**	**–**	**–**
Transfers to stage 2	**(3,792)**	**36**	**(3,756)**	**3,845**	**(36)**	**3,809**	**(53)**	**–**	**(53)**	**–**	**–**	**–**
Transfers to stage 3	**(24)**	**1**	**(23)**	**(508)**	**87**	**(421)**	**532**	**(88)**	**444**	**–**	**–**	**–**
Net change in exposures	**351**	**(42)**	**309**	**(1,059)**	**8**	**(1,051)**	**(232)**	**–**	**(232)**	**(940)**	**(34)**	**(974)**
Net remeasurement from stage changes	**–**	**20**	**20**	**–**	**(72)**	**(72)**	**–**	**(12)**	**(12)**	**–**	**(64)**	**(64)**
Changes in risk parameters	**–**	**59**	**59**	**–**	**11**	**11**	**–**	**(199)**	**(199)**	**–**	**(129)**	**(129)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(299)**	**299**	**–**	**(299)**	**299**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**54**	**(54)**	**–**	**54**	**(54)**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12**	**12**	**–**	**12**	**12**
Exchange translation differences and other movements	**(2,711)**	**122**	**(2,589)**	**(31)**	**(119)**	**(150)**	**–**	**37**	**37**	**(2,742)**	**40**	**(2,702)**
As at 30 June 2023	**188,974**	**(341)**	**188,633**	**2,158**	**(115)**	**2,043**	**1,455**	**(781)**	**674**	**192,587**	**(1,237)**	**191,350**
Income statement ECL (charge)/release		**37**			**(53)**			**(211)**			**(227)**	
Recoveries of amounts previously written off		**–**			**–**			**117**			**117**	
Total credit impairment (charge)/release		**37**			**(53)**			**(94)**			**(110)**	

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

Consumer, Private and Business Banking – Secured (reviewed)

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	1,467	(15)	1,452	(1,467)	15	(1,452)	–	–	–	–	–	–
Transfers to stage 2	(2,735)	10	(2,725)	2,779	(9)	2,770	(44)	(1)	(45)	–	–	–
Transfers to stage 3	(5)	(7)	(12)	(267)	7	(260)	272	–	272	–	–	–
Net change in exposures	(885)	(8)	(893)	(820)	–	(820)	(139)	–	(139)	(1,844)	(8)	(1,852)
Net remeasurement from stage changes	–	2	2	–	(7)	(7)	–	(1)	(1)	–	(6)	(6)
Changes in risk parameters	–	12	12	–	11	11	–	(52)	(52)	–	(29)	(29)
Write-offs	–	–	–	–	–	–	(2)	2	–	(2)	2	–
Interest due but unpaid	–	–	–	–	–	–	15	(15)	–	15	(15)	–
Discount unwind	–	–	–	–	–	–	–	3	3	–	3	3
Exchange translation differences and other movements	(1,598)	13	(1,585)	(22)	(12)	(34)	(62)	56	(6)	(1,682)	57	(1,625)
As at 30 June 2023	131,606	(53)	131,553	1,616	(12)	1,604	1,068	(560)	508	134,290	(625)	133,665
Income statement ECL (charge)/release		6			4			(53)			(43)	
Recoveries of amounts previously written off		–			–			35			35	
Total credit impairment (charge)/release		6			4			(18)			(8)	

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

Consumer, Private and Business Banking – Unsecured (reviewed)

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	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	**444**	**(109)**	**335**	**(443)**	**109**	**(334)**	**(1)**	**–**	**(1)**	**–**	**–**	**–**
Transfers to stage 2	**(1,057)**	**26**	**(1,031)**	**1,066**	**(27)**	**1,039**	**(9)**	**1**	**(8)**	**–**	**–**	**–**
Transfers to stage 3	**(19)**	**8**	**(11)**	**(241)**	**80**	**(161)**	**260**	**(88)**	**172**	**–**	**–**	**–**
Net change in exposures	**1,236**	**(34)**	**1,202**	**(239)**	**8**	**(231)**	**(93)**	**–**	**(93)**	**904**	**(26)**	**878**
Net remeasurement from stage changes	**–**	**18**	**18**	**–**	**(65)**	**(65)**	**–**	**(11)**	**(11)**	**–**	**(58)**	**(58)**
Changes in risk parameters	**–**	**47**	**47**	**–**	**–**	**–**	**–**	**(147)**	**(147)**	**–**	**(100)**	**(100)**
Write-offs	**–**	**–**	**–**	**–**	**–**	**–**	**(297)**	**297**	**–**	**(297)**	**297**	**–**
Interest due but unpaid	**–**	**–**	**–**	**–**	**–**	**–**	**39**	**(39)**	**–**	**39**	**(39)**	**–**
Discount unwind	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9**	**9**	**–**	**9**	**9**
Exchange translation differences and other movements	**(1,113)**	**109**	**(1,004)**	**(9)**	**(107)**	**(116)**	**62**	**(19)**	**43**	**(1,060)**	**(17)**	**(1,077)**
As at 30 June 2023	**57,368**	**(288)**	**57,080**	**542**	**(103)**	**439**	**387**	**(221)**	**166**	**58,297**	**(612)**	**57,685**
Income statement ECL (charge)/release		**31**			**(57)**			**(158)**			**(184)**	
Recoveries of amounts previously written off		**–**			**–**			**82**			**82**	
Total credit impairment (charge)/release		**31**			**(57)**			**(76)**			**(102)**	

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 30 June 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'.

	30.06.23														
	Corporate, Commercial & Institutional Banking			Consumer, Private & Business Banking			Ventures			Central & other items			Total		
	Gross $million	ECL $million	Cove-rage %	Gross $million	ECL $million	Cove-rage %	Gross $million	ECL $million	Cove-rage %	Gross $million	ECL $million	Cove-rage %	Gross $million	ECL $million	Cove-rage %
Increase in PD	8,732	146	1.7%	1,653	101	6.1%	93	5	5.4%	2,649	19	0.7%	13,127	271	2.1%
Non-purely precautionary early alert	3,158	14	0.4%	51	1	2.0%	–	–	0.0%	12	–	0.0%	3,221	15	0.5%
Higher risk (CG12)	1,269	84	6.6%	19	–	0.0%	–	–	0.0%	1,943	26	1.3%	3,231	110	3.4%
Sub-investment grade	–	–	0.0%	–	–	0.0%	–	–	0.0%	–	–	0.0%	–	–	0.0%
Top up/Sell down (Private Banking)	–	–	0.0%	166	–	0.0%	–	–	0.0%	–	–	0.0%	166	–	0.0%
Others	1,903	13	0.7%	128	3	2.3%	–	–	0.0%	326	3	0.9%	2,357	19	0.8%
30 days past due	1	–	0.0%	141	10	7.1%	3	–	0.0%	–	–	0.0%	145	10	6.9%
Management overlay	–	99	0.0%	–	–	0.0%	–	–	0.0%	–	–	0.0%	–	99	0.0%
Total stage 2	15,063	356	2.4%	2,158	115	5.3%	96	5	5.2%	4,930	48	1.0%	22,247	524	2.4%

	31.12.22														
	Corporate, Commercial & Institutional Banking			Consumer, Private & Business Banking			Ventures			Central & other items			Total		
	Gross $million	ECL $million	Cover-age %	Gross $million	ECL $million	Cove-rage %	Gross $million	ECL $million	Cover-age %	Gross $million	ECL $million	Cove-rage %	Gross $million	ECL $million	Cove-rage %
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%

The majority of exposures and the associated expected credit loss provisions continue to be in stage 2 due to increases in the probability of default.

The amount of exposures in CCIB placed on non-purely precautionary early alert and PD have decreased from exposure reductions.

In CPBB, 7 per cent of the provisions held against stage 2 remains broadly stable.

'Others' primarily incorporates exposures where origination data is incomplete and the exposures are allocated into stage 2.

Credit impairment charge (reviewed)

Ongoing credit impairment was a net charge of $172 million (30 June 2022: $264 million). Stage 3 was a charge of $139 million (30 June 2022: $275 million). Stage 1 and 2 were a charge of $33 million (30 June 2022: release of $11 million).

Corporate, Commercial and Institutional Banking (CCIB) Stage 1 and 2 impairments of $33 million (30 June 2022: release of $44 million) were driven by Pakistan sovereign clients, model methodology updates, and net $6 million charge due to the China commercial real estate portfolio. Stage 3 impairment is $36 million from China commercial real estate clients, $26 million in Nigeria from client downgrades to stage 3 due to Foreign exchange availability offset by large number of notable releases in H1 2023.

CPBB loan impairment charge was $108 million (30 June 2022: $79 million). Stage 1 and 2 charge was low at $15 million due to $34 million release from non linearity Post Model Adjustments from 2022 as Monte Carlo results showed that modelled non linearity was sufficient, $21 million release in H1 2023 overlays of which Bahrain is $16 million from the full release of COVID-19 overlay, and release from macroeconomic variable updates to Ant Financial and model refresh in Bangladesh. Stage 3 was $93 million, which was driven by charge offs in China, Hong Kong and India partly offset by $5 million of overlay releases mainly from the Bahrain COVID-19 overlay.

Ventures was a charge of $23 million (30 June 2022: $3 million) due to book growth in Mox Bank and Trust Bank Singapore.

Central and other items Stage 1 and 2 impairments was a $27 million release (30 June 2022: release of $13 million), primarily due to Pakistan Sovereign exposure reductions.

Restructuring P&L was a net release of $11 million (30 June 2022: release of $1 million).

	30.06.23			30.06.22[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	33	36	69	(44)	238	194
Consumer, Private & Business Banking	15	93	108	43	36	79
Ventures	12	11	23	3	–	3
Central & other items	(27)	(1)	(28)	(13)	1	(12)
Credit impairment charge/(release)	33	139	172	(11)	275	264
Restructuring business portfolio						
Others	(2)	(9)	(11)	(3)	2	(1)
Credit impairment charge/(release)	(2)	(9)	(11)	(3)	2	(1)
Total credit impairment charge/(release)	31	130	161	(14)	277	263

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 statutory credit impairment

Problem credit management and provisioning (reviewed)

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 $150 million to $975 million (31 December 2022: $1,125 million), mainly due to repayments of which $100 million was in performing forborne loans and $50 million in Stage 3.

The table below presents loans with forbearance measures by segment.

	30.06.23				31.12.22			
Amortised cost	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Total $million	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Total $million
All loans with forbearance measures	2,108	321	–	2,429	2,129	377	–	2,506
Credit impairment (stage 1 and 2)	(1)	(2)	–	(3)	(1)	–	–	(1)
Credit impairment (stage 3)	(1,334)	(117)	–	(1,451)	(1,253)	(127)	–	(1,380)
Net carrying value	773	202	–	975	875	250	–	1,125
Included within the above table								
Gross performing forborne loans	7	47	–	54	89	63	–	152
Modification of terms and conditions[1]	7	47	–	54	89	63	–	152
Refinancing[2]	–	–	–	–	–	–	–	–
Impairment provisions	(1)	(2)	–	(3)	(1)	–	–	(1)
Modification of terms and conditions[1]	(1)	(2)	–	(3)	(1)	–	–	(1)
Refinancing[2]	–	–	–	–	–	–	–	–
Net performing forborne loans	6	45	–	51	88	63	–	151
Collateral	–	42	–	42	7	60	–	67
Gross non-performing forborne loans	2,101	274	–	2,375	2,040	314	–	2,354
Modification of terms and conditions[1]	2,057	274	–	2,331	1,997	314	–	2,311
Refinancing[2]	44	–	–	44	43	–	–	43
Impairment provisions	(1,334)	(117)	–	(1,451)	(1,253)	(127)	–	(1,380)
Modification of terms and conditions[1]	(1,290)	(117)	–	(1,407)	(1,210)	(127)	–	(1,337)
Refinancing[2]	(44)	–	–	(44)	(43)	–	–	(43)
Net non-performing forborne loans	767	157	–	924	787	187	–	974
Collateral	265	50	–	315	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 $150 million to $975 million (31 December 2022: $1,125 million), mainly in Asia and the Europe and Americas regions for performing forborne loans, and in the Africa and the Middle East and the Europe and Americas regions for Stage 3 forborne loans.

Amortised cost	30.06.23 Asia $million	30.06.23 Africa & Middle East $million	30.06.23 Europe & Americas $million	30.06.23 Total $million	31.12.22 Asia $million	31.12.22 Africa & Middle East $million	31.12.22 Europe & Americas $million	31.12.22 Total $million
Performing forborne loans	43	8	–	51	129	9	13	151
Stage 3 forborne loans	623	104	197	924	568	144	262	974
Net forborne loans	666	112	197	975	697	153	275	1,125

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

Gross stage 3 loans for the Group decreased by $0.2 billion to $7.7 billion (31 December 2022: $7.8 billion).

In CCIB, stage 3 loans decreased by $0.1 billion to $6 billion (31 December 2022: $6.1 billion) due to repayments, which was offset by stage 3 inflows, particularly in one China commercial real estate client and downgrade of clients in Nigeria due to past dues exceeding 90 days for our clients owing to nonavailability of USD.

CPBB stage 3 loans were materially unchanged at $1.5 billion (31 December 2022: $1.5 billion).

Stage 3 cover ratio (reviewed)

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

The balance of stage 3 loans not covered by stage 3 impairment provisions represents the adjusted value of collateral held and the net outcome of any workout or recovery strategies. Collateral provides risk mitigation to some degree in all client segments and supports the credit quality and cover ratio assessments post impairment provisions.

Further information on collateral is provided in the Credit Risk mitigation section.

The CCIB stage 3 cover ratio increased by 2 per cent to 62 per cent (31 December 2022: 60 per cent) as a result of new and incremental stage 3 ECL provisions taken in H1 2023.

The CPBB stage 3 cover ratio remains broadly stable at 54 per cent (31 December 2022: 53 per cent). The cover ratio after collateral increased to 95 per cent (31 December 2022: 91 per cent) mainly due to India Mortgage portfolio.

Amortised cost	30.06.23 Corporate, Commercial & Institutional Banking $million	30.06.23 Consumer, Private & Business Banking $million	30.06.23 Ventures $million	30.06.23 Central & Others $million	30.06.23 Total $million	31.12.22 Corporate, Commercial & Institutional Banking $million	31.12.22 Consumer, Private & Business Banking $million	31.12.22 Ventures $million	31.12.22 Central & Others $million	31.12.22 Total $million
Gross credit-impaired	6,038	1,450	6	193	7,687	6,143	1,453	1	248	7,845
Credit impairment provisions	(3,724)	(779)	(5)	(12)	(4,520)	(3,662)	(776)	(1)	(18)	(4,457)
Net credit-impaired	2,314	671	1	181	3,167	2,481	677	–	230	3,388
Cover ratio	62%	54%	83%	6%	59%	60%	53%	100%	7%	57%
Collateral ($ million)	843	605	–	–	1,448	956	543	–	–	1,499
Cover ratio (after collateral)	76%	95%	83%	6%	78%	75%	91%	100%	7%	76%

Credit-impaired (stage 3) loans and advances by geographic region

Stage 3 gross loans decreased by $0.2 billion to $7.7 billion (31 December 2022: $7.8 billion). The decrease was primarily driven by new inflows in Asia, offset by repayments, write offs and new downgrades in Africa and the Middle East.

	30.06.23				31.12.22			
Amortised cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Gross credit-impaired	4,511	2,941	235	7,687	4,562	2,725	558	7,845
Credit impairment provisions	(2,566)	(1,747)	(207)	(4,520)	(2,483)	(1,765)	(209)	(4,457)
Net credit-impaired	1,945	1,194	28	3,167	2,079	960	349	3,388
Cover ratio	57%	59%	88%	59%	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.

A secured loan is one where the borrower pledges an asset as collateral of which the Group is able to take possession in the event that the borrower defaults.

The unadjusted market value of collateral across all asset types, in respect of CCIB, without adjusting for over collateralisation, was $319 billion (31 December 2022: $345 billion).

The collateral values in the table below (which covers loans and advances to banks and customers, excluding those held at fair value through profit or loss) are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. The extent of overcollateralization has been determined with reference to both the drawn and undrawn components of exposure as this best reflects the effect of collateral and other credit enhancements on the amounts arising from expected credit losses. The value of collateral reflects management's best estimate and is backtested against our prior experience. On average, across all types of non-cash collateral, the value ascribed is approximately half of its current market value.

CCIB collateral decreased by $5.3 billion to $32.9 billion (31 December 2022: $38.2 billion) and CPBB collateral decreased by $3.6 billion to $88.7 billion (31 December 2022: $92.4 billion) due to exposure reductions from the mortgage portfolio.

Stage 2 collateral reduced by $0.7 billion to $4.3 billion (31 December 2022: $5 billion) due to a decrease in CCIB loans balances, which was partly offset by an increase in Secured wealth balances in CPBB.

Total collateral for Central and other items decreased by $8.6 billion to $2.6 billion (31 December 2022: $11.2 billion) due to a decrease in lending under reverse repurchase agreements.

Collateral held on loans and advances

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

	30.06.23								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million
Corporate, Commercial & Institutional Banking[1]	172,769	8,332	2,389	32,865	3,138	843	139,904	5,194	1,546
Consumer, Private & Business Banking	126,970	1,896	671	88,704	1,163	605	38,266	733	66
Ventures	949	35	1	–	–	–	949	35	1
Central & other items	34,051	–	181	2,576	–	–	31,475	–	181
Total	334,739	10,263	3,242	124,145	4,301	1,448	210,594	5,962	1,794

	31.12.22								
	Net amount outstanding			Collateral			Net exposure		
Amortised cost	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total[2] $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million	Total $million	Stage 2 financial assets $million	Credit-impaired financial assets (S3) $million
Corporate, Commercial & Institutional Banking[1]	179,150	11,366	2,526	38,151	3,973	956	140,999	7,393	1,570
Consumer, Private & Business Banking	130,955	1,550	677	92,350	1,019	543	38,605	531	134
Ventures	698	17	–	–	–	–	698	17	–
Central & other items	39,363	–	230	11,214	–	–	28,149	–	230
Total	350,166	12,933	3,433	141,715	4,992	1,499	208,451	7,941	1,934

1 Includes loans and advances to banks

2 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

Collateral – CCIB (reviewed)

Collateral taken for longer-term and sub-investment grade corporate loans improved to 55 per cent (31 December 2022: 53 per cent).

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

78 per cent of tangible collateral excluding reverse repurchase agreements held comprises physical assets or is property based, and investment securities. Overall collateral decreased by $5.3 billion to $33 billion (31 December 2022: $38 billion) due to a decrease in reverse repurchase agreements.

Non-tangible collateral, such as guarantees and standby letters of credit, is also held against corporate exposures, although the financial effect of this type of collateral is less significant in terms of recoveries. However, this is considered when determining the probability of default and other credit-related factors. Collateral is also held against off balance sheet exposures, including undrawn commitments and trade-related instruments.

Corporate, Commercial & Institutional Banking

Amortised cost	30.06.23 $million	31.12.22 $million
Maximum exposure	**172,769**	179,150
Property	**9,980**	10,152
Plant, machinery and other stock	**1,008**	1,168
Cash	**2,422**	2,797
Reverse repos	**9,958**	14,305
AAA	**13**	–
A- to AA+	**7,421**	10,551
BBB- to BBB+	**864**	1,485
Lower than BBB-	**176**	–
Unrated	**1,484**	2,269
Financial guarantees and insurance	**4,932**	5,096
Commodities	**45**	37
Ships and aircraft	**4,520**	4,596
Total value of collateral[1]	**32,865**	38,151
Net exposure	**139,904**	140,999

1 Adjusted for over-collateralisation based on the drawn and undrawn components of exposures

Collateral – CPBB (reviewed)

In CPBB, fully secured products remain at 86 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.

	30.06.23				31.12.22			
Amortised cost	Fully secured $million	Partially secured $million	Unsecured $million	Total $million	Fully secured $million	Partially secured $million	Unsecured $million	Total $million
Maximum exposure	**108,888**	**352**	**17,731**	**126,970**	112,556	449	17,950	130,955
Loans to individuals								
Mortgages	**83,795**	**–**	**–**	**83,795**	87,212	–	–	87,212
CCPL	**271**	**–**	**16,424**	**16,695**	221	–	16,711	16,932
Auto	**398**	**–**	**–**	**398**	502	–	–	502
Secured wealth products	**20,550**	**–**	**–**	**20,550**	19,551	–	–	19,551
Other	**3,873**	**352**	**1,307**	**5,532**	5,070	449	1,239	6,758
Total collateral[1]				**88,704**				92,350
Net exposure[2]				**38,266**				38,605
Percentage of total loans	**86%**	**0%**	**14%**		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 (reviewed)

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 remains stable at 45.1 per cent (31 December 2022: 44.7 per cent). Hong Kong, which represents 40.1 per cent of the residential mortgage portfolio, has an average LTV of 49.9 per cent (31 December 2022: 52.6 per cent). The decrease of Hong Kong average LTV is due to a recovery 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, 42.8 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.

	30.06.23			
Amortised cost	**Asia % Gross**	**Africa & Middle East % Gross**	**Europe & Americas % Gross**	**Total % Gross**
Less than 50 per cent	**60.6**	**48.1**	**26.2**	**59.6**
50 per cent to 59 per cent	**15.5**	**17.9**	**17.0**	**15.5**
60 per cent to 69 per cent	**9.7**	**13.8**	**35.5**	**10.3**
70 per cent to 79 per cent	**7.9**	**12.2**	**16.3**	**8.2**
80 per cent to 89 per cent	**3.9**	**5.0**	**3.4**	**3.9**
90 per cent to 99 per cent	**2.1**	**1.7**	**1.2**	**2.1**
100 per cent and greater	**0.3**	**1.3**	**0.4**	**0.4**
Average portfolio loan-to-value	**44.8**	**52.3**	**57.3**	**45.1**
Loans to individuals – mortgages ($million)	**80,623**	**1,256**	**1,916**	**83,795**

	31.12.22			
Amortised cost	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 (reviewed)

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 $9.7 million (31 December 2022: $14.9 million).

	30.06.23 $million	31.12.22 $million
Property, plant and equipment	5.0	9.6
Guarantees	4.7	5.3
Total	9.7	14.9

Other Credit Risk mitigation (reviewed)

Other forms of credit risk mitigation are set out below.

Credit default swaps

The Group has entered into credit default swaps for portfolio management purposes, referencing loan assets with a notional value of $5.1 billion (31 December 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 $19 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 in page 99.

Off-balance sheet exposures

For certain types of exposure, such as letters of credit and guarantees, the Group obtains collateral such as cash depending on internal Credit Risk assessments, as well as in the case of letters of credit holding legal title to the underlying assets should a default take place.

Other portfolio analysis

This section provides maturity analysis by credit quality by industry and industry and retail products analysis by region.

Credit quality by industry

Loans and advances

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

From an industry perspective, gross loans and advances decreased by $20.6 billion to $296 billion (31 December 2022: $316 billion), of which $11 billion decrease was due to CCIB, $5.7 billion decrease was due to Central and other items segments and $3.8 billion decrease was due to CPBB.

Stage 1 loans decreased by $17.5 billion to $278 billion (31 December 2022: $295 billion), the reduction was driven by the following. $5 billion decrease from lending in Hong Kong and Korea. $4.2 billion decrease from CPBB mainly from the mortgage book in Hong Kong. This was aligned with the Hong Kong mortgage strategy refinements since late 2022 in consideration of the increasing interest rate environment. This was partly offset by a $0.8 billion increase in Secured wealth products in Singapore and Hong Kong. Credit Cards increased by $0.2 billion to $7.1 billion (31 December 2022: $6.9 billion) largely in Ventures. CCIB loans decreased by $7.5 billion to $110 billion (31 December 2022: $118 billion) due to exposure reductions in Financing, insurance and non-banking and in the Manufacturing sector.

Stage 2 loans decreased by $2.9 billion to $10.1 billion (31 December 2022: $13 billion) driven by CCIB due to reduction in exposures in the Commercial real estate ($1.8 billion), Mining and quarrying ($0.4 billion) and Food and household products ($0.3 billion).

Stage 3 loans reduced by $0.2 billion to $7.7 billion (31 December 2022: $7.8 billion) from CCIB due to a new inflow in the China commercial real estate portfolio which was offset by repayments. CPBB Stage 3 loans remained unchanged at $1.5 billion (31 December 2022: $1.5 billion).

	30.06.23											
	Stage 1			Stage 2			Stage 3			Total		
Amortised cost	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million	Gross balance $million	Total credit impair-ment $million	Net carrying amount $million
Industry:												
Energy	9,347	(6)	9,341	501	(22)	479	977	(569)	408	10,825	(597)	10,228
Manufacturing	19,111	(10)	19,101	1,027	(16)	1,011	790	(494)	296	20,928	(520)	20,408
Financing, insurance and non-banking	29,037	(7)	29,030	453	(3)	450	199	(185)	14	29,689	(195)	29,494
Transport, telecom and utilities	14,656	(9)	14,647	2,106	(55)	2,051	482	(232)	250	17,244	(296)	16,948
Food and household products	8,399	(6)	8,393	371	(14)	357	414	(252)	162	9,184	(272)	8,912
Commercial real estate	13,254	(51)	13,203	1,454	(113)	1,341	1,600	(945)	655	16,308	(1,109)	15,199
Mining and quarrying	5,760	(3)	5,757	166	(4)	162	236	(157)	79	6,162	(164)	5,998
Consumer durables	7,179	(5)	7,174	410	(33)	377	346	(305)	41	7,935	(343)	7,592
Construction	2,235	(1)	2,234	638	(9)	629	411	(335)	76	3,284	(345)	2,939
Trading companies & distributors	1,389	–	1,389	119	(1)	118	141	(80)	61	1,649	(81)	1,568
Government	37,615	(2)	37,613	598	(8)	590	359	(29)	330	38,572	(39)	38,533
Other	4,067	(5)	4,062	216	(2)	214	276	(153)	123	4,559	(160)	4,399
Retail Products:												
Mortgage	82,461	(9)	82,452	978	(5)	973	548	(178)	370	83,987	(192)	83,795
Credit Cards	7,140	(100)	7,040	220	(47)	173	62	(45)	17	7,422	(192)	7,230
Personal loans and other unsecured lending	10,231	(192)	10,039	304	(59)	245	277	(147)	130	10,812	(398)	10,414
Auto	397	–	397	1	–	1	–	–	–	398	–	398
Secured wealth products	20,087	(40)	20,047	403	(6)	397	457	(351)	106	20,947	(397)	20,550
Other	5,346	(5)	5,341	145	(3)	142	112	(63)	49	5,603	(71)	5,532
Net carrying value (customers)[1]	277,711	(451)	277,260	10,110	(400)	9,710	7,687	(4,520)	3,167	295,508	(5,371)	290,137

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of $10,950 million

Amortised cost	31.12.22 Stage 1 Gross balance $million	Stage 1 Total credit impairment $million	Stage 1 Net carrying amount $million	Stage 2 Gross balance $million	Stage 2 Total credit impairment $million	Stage 2 Net carrying amount $million	Stage 3 Gross balance $million	Stage 3 Total credit impairment $million	Stage 3 Net carrying amount $million	Total Gross balance $million	Total Total credit impairment $million	Total Net carrying amount $million
Industry:												
Energy	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 analysis of loans and advances by geographic region

This section provides an analysis of the Group's amortised cost loan portfolio, net of provisions, by industry and region.

In the CCIB and Central and other items segment, our largest industry exposures are to Government, Financing, insurance and non-banking and Manufacturing with each constituting at least 10 per cent of CCIB and Central and other items loans and advances to customers.

Financing, insurance and non-banking industry clients are mostly investment-grade institutions and this lending forms part of the liquidity management of the Group. The Manufacturing sector group is spread across a diverse range of industries, including automobiles and components, capital goods, pharmaceuticals, biotech and life sciences, technology hardware and equipment, chemicals, paper products and packaging, with lending spread over 3,326 clients.

The Mortgage portfolio continues to be the largest portion of the CPBB portfolio at $84 billion (31 December 2022: $87.4 billion), of which 96% is in our key markets in Asia, with Secured wealth at $20.9 billion (31 December 2022: $19.9 billion) and Personal Loans at $10.8 billion (31 December 2022: $11.2 billion).

In Asia, the Financing, insurance and non-banking industry decreased by $5.9 billion to $18.8 billion (31 December 2022: $24.7 billion), due to lower reverse repos. The Government sector decreased by $4.8 billion to $34.9 billion (31 December 2022: $39.7 billion) due to decreased lending to Hong Kong and Korea. The Energy sector decreased by $2.2 billion to $4 billion (31 December 2022: $$6.3 billion) and the Manufacturing decreased by $1.5 billion to $15.9 billion (31 December 2022: 17.4 billion) due to exposure reductions.

	30.06.23				31.12.22			
Amortisecd cost	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Industry:								
Energy	4,033	3,607	2,588	10,228	6,250	2,278	3,938	12,466
Manufacturing	15,871	1,025	3,512	20,408	17,388	1,267	3,633	22,288
Financing, insurance and non-banking	18,809	630	10,055	29,494	24,674	761	10,262	35,697
Transport, telecom and utilities	11,690	3,004	2,254	16,948	10,841	3,567	2,599	17,007
Food and household products	5,282	1,990	1,640	8,912	4,160	2,566	1,928	8,654
Commercial real estate	12,104	623	2,472	15,199	13,179	598	2,139	15,916
Mining and quarrying	3,666	483	1,849	5,998	3,785	390	1,909	6,084
Consumer durables	6,768	349	475	7,592	5,860	461	532	6,853
Construction	1,975	472	492	2,939	1,775	625	509	2,909
Trading companies and distributors	1,424	104	40	1,568	2,281	101	32	2,414
Government	34,888	3,416	229	38,533	39,713	3,759	106	43,578
Other	3,073	641	685	4,399	3,636	702	790	5,128
Retail Products:								
Mortgages	80,623	1,256	1,916	83,795	83,954	1,388	1,870	87,212
Credit Cards	6,962	268	–	7,230	6,642	291	–	6,933
Personal loans and other unsecured lending	8,787	1,520	107	10,414	9,056	1,541	100	10,697
Auto	374	24	–	398	469	33	–	502
Secured wealth products	18,958	1,018	574	20,550	17,876	1,048	627	19,551
Other	5,462	70	–	5,532	6,676	82	–	6,758
Net loans and advances to customers	240,749	20,500	28,888	290,137	258,215	21,458	30,974	310,647
Net loans and advances to banks	31,452	3,409	9,741	44,602	22,058	3,929	13,532	39,519

Vulnerable and Cyclical sector tables

Vulnerable and cyclical sectors are those that the Group considers to be most at risk from current economic stresses, including volatile energy and commodity prices, and we continue to monitor exposures to these sectors particularly carefully.

Total net on-balance sheet exposure to vulnerable and cyclical sectors decreased by $0.3 billion to $30.6 billion (31 December 2022: $30.9 billion) largely due to lower levels of drawn balances particularly in the Metals and Mining and Commercial real estate sector. The total net on and off-balance sheet exposure for CCIB increased by $6.3 billion to $258 billion (31 December 2022: $251 billion).

Stage 2 vulnerable and cyclical sector loans decreased by $2.5 billion to $3.1 billion (31 December 2022: $5.6 billion). This was primarily driven by a decrease in the Commercial real estate sector from outflows to stage 3 and repayments.

Stage 3 vulnerable and cyclical sector loans is broadly stable at $3.9 billion (31 December 2022: $4 billion). However, there was an increase from China commercial real estate clients which was offset by other smaller movements.

Maximum exposure

	30.06.23						
Amortised Cost	Maximum on Balance Sheet Exposure (net of credit impairment) $million	Collateral $million	Net On Balance Sheet Exposure $million	Undrawn Commitments (net of credit impairment) $million	Financial Guarantees (net of credit impairment) $million	Net Off Balance Sheet Exposure $million	Total On & Off Balance Sheet Net Exposure $million
Industry:							
Aviation[1]	2,939	1,351	1,588	1,664	637	2,301	3,889
Commodity Traders	7,701	208	7,493	2,743	6,422	9,165	16,658
Metals & Mining	3,652	309	3,343	3,933	1,419	5,352	8,695
Construction	2,939	430	2,509	2,763	5,755	8,518	11,027
Commercial Real Estate	15,199	6,707	8,492	5,788	335	6,123	14,615
Hotels & Tourism	1,739	785	954	1,487	180	1,667	2,621
Oil & Gas	6,831	636	6,195	7,410	6,290	13,700	19,895
Total	41,000	10,426	30,574	25,788	21,038	46,826	77,400
Total Corporate, Commercial & Institutional Banking	128,167	29,849	98,318	99,995	59,318	159,313	257,631
Total Group	334,739	124,145	210,594	174,120	68,250	242,370	452,964

1 In addition, the Group has classified as HFS $3.3 billion of aircraft under operating leases and $0.9 billion of Aviation loans

	31.12.22						
Amortised Cost	Maximum On Balance Sheet Exposure (net of credit impairment) $million	Collateral $million	Net On Balance Sheet Exposure $million	Undrawn Commitments (net of credit impairment) $million	Financial Guarantees (net of credit impairment) $million	Net Off Balance Sheet Exposure $million	Total On & Off Balance Sheet Net Exposure $million
Industry:							
Aviation[1]	3,072	1,597	1,475	1,762	632	2,394	3,869
Commodity Traders	7,571	341	7,230	2,578	6,095	8,673	15,903
Metals & Mining	4,754	321	4,433	3,425	852	4,277	8,710
Construction	2,909	552	2,357	2,762	5,969	8,731	11,088
Commercial Real Estate	15,916	7,205	8,711	6,258	224	6,482	15,193
Hotels & Tourism	1,741	919	822	1,346	138	1,484	2,306
Oil & Gas	6,643	806	5,837	7,630	7,158	14,788	20,625
Total	42,606	11,741	30,865	25,761	21,068	46,829	77,694
Total Corporate, Commercial & Institutional Banking	139,631	35,229	104,402	95,272	51,662	146,934	251,336
Total Group	350,166	141,715	208,451	168,574	60,224	228,798	437,249

1 In addition to the aviation sector loan exposures, the Group owns $3.2 billion of aircraft under operating leases

Loans and advances by stage

	30.06.23											
	Stage 1			Stage 2			Stage 3			Total		
Amortised Cost	Gross Balance $million	Total Credit Impairment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impairment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impairment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impairment $million	Net Carrying Amount $million
Industry:												
Aviation[1]	2,706	–	2,706	185	(2)	183	61	(11)	50	2,952	(13)	2,939
Commodity Traders	7,489	(4)	7,485	61	(1)	60	581	(425)	156	8,131	(430)	7,701
Metals & Mining	3,261	–	3,261	238	(2)	236	284	(129)	155	3,783	(131)	3,652
Construction	2,235	(1)	2,234	638	(9)	629	411	(335)	76	3,284	(345)	2,939
Commercial Real Estate	13,254	(51)	13,203	1,454	(113)	1,341	1,600	(945)	655	16,308	(1,109)	15,199
Hotels & Tourism	1,555	(2)	1,553	83	(1)	82	130	(26)	104	1,768	(29)	1,739
Oil & Gas	5,944	(10)	5,934	477	(10)	467	824	(394)	430	7,245	(414)	6,831
Total	36,444	(68)	36,376	3,136	(138)	2,998	3,891	(2,265)	1,626	43,471	(2,471)	41,000
Total Corporate, Commercial & Institutional Banking	118,179	(105)	118,074	8,059	(280)	7,779	6,038	(3,724)	2,314	132,276	(4,109)	128,167
Total Group	321,691	(457)	321,234	10,675	(412)	10,263	7,765	(4,523)	3,242	340,131	(5,392)	334,739

1 In addition, the Group has classified as HFS $3.3 billion of aircraft under operating leases and $0.9 billion of Aviation loans

	31.12.22											
	Stage 1			Stage 2			Stage 3			Total		
Amortised Cost	Gross Balance $million	Total Credit Impairment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impairment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impairment $million	Net Carrying Amount $million	Gross Balance $million	Total Credit Impairment $million	Net Carrying Amount $million
Industry:												
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

Loans and advances by region (net of credit impairment)

	30.06.23[1]				31.12.22			
	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]	2,094	34	811	2,939	1,105	1,259	708	3,072
Commodity Traders	4,116	648	2,937	7,701	3,497	978	3,096	7,571
Metals & Mining	1,577	1,642	433	3,652	2,966	347	1,441	4,754
Construction	1,984	484	471	2,939	1,776	624	509	2,909
Commercial Real Estate	12,128	836	2,235	15,199	13,180	598	2,138	15,916
Hotel & Tourism	993	199	547	1,739	880	465	396	1,741
Oil & Gas	3,483	1,706	1,642	6,831	3,574	1,445	1,624	6,643
Total	26,375	5,549	9,076	41,000	26,978	5,716	9,912	42,606

1 In addition, the Group has classified as HFS $3.3 billion of aircraft under operating leases and $0.9 billion of Aviation loans

Credit quality – loans and advances

Amortised Cost Credit Grade	30.06.23 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
Strong	2,440	4,837	1,162	2,525	7,816	1,336	4,193	24,309
Satisfactory	451	2,705	1,668	962	6,796	301	2,149	15,032
Higher risk	–	8	41	12	96	1	79	237
Credit impaired (stage 3)	61	581	413	284	1,600	130	824	3,893
Total Gross Balance	2,952	8,131	3,284	3,783	16,308	1,768	7,245	43,471
Strong	–	(1)	–	–	(21)	(2)	(1)	(25)
Satisfactory	(2)	(3)	(4)	(2)	(137)	(1)	(11)	(160)
Higher risk	–	(1)	(4)	(2)	(6)	–	(8)	(21)
Credit impaired (stage 3)	(11)	(425)	(337)	(127)	(945)	(26)	(394)	(2,265)
Total Credit Impairment	(13)	(430)	(345)	(131)	(1,109)	(29)	(414)	(2,471)
Strong	0.0%	0.0%	0.0%	0.0%	0.3%	0.1%	0.0%	0.1%
Satisfactory	0.4%	0.1%	0.2%	0.2%	2.0%	0.3%	0.5%	1.1%
Higher risk	0.0%	12.5%	9.8%	16.7%	6.3%	0.0%	10.1%	8.9%
Credit impaired (stage 3)	18.0%	73.1%	81.6%	44.7%	59.1%	20.0%	47.8%	58.2%
Cover Ratio	0.4%	5.3%	10.5%	3.5%	6.8%	1.6%	5.7%	5.7%

1 In addition, the Group has classified as HFS $3.3 billion of aircraft under operating leases and $0.9 billion of Aviation loans

Credit Grade	31.12.22 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
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

China commercial real estate

Within CCIB, the Group's gross loans and advances to customers that are exposed to China commercial real estate are $2.8 billion (31 December 2022: $3.2 billion).

The proportion of credit impaired exposures increased to 46 per cent (31 December 2022: 33 per cent) as market conditions continued to deteriorate during the period, and provision coverage increased to 60 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 also decreased by 6 per cent to 2 per cent (31 December 2022: 8 per cent) primarily due to downgrades in the period.

The Group continues to hold a judgemental management overlay (see page 93), which decreased by $37 million to $136 million compared to 2022, reflecting utilisation from downgrades and repayments. $2 million (31 December 2022: $5 million) of this overlay is held against off-balance sheet exposures. Total provision coverage for the non-credit impaired portfolio is 9 per cent.

The Group is further indirectly exposed to China commercial real estate through its associate investment in China Bohai Bank.

	30.06.2023			
	China $million	Hong Kong $million	Rest of Group $million	Total $million
Loans to customers	761	1,997	59	2,817
Off balance sheet	108	207	–	315
Total as at 30 June 2023	869	2,204	59	3,132
Loans to customers – By Credit quality				
Gross				
Strong	316	93	–	409
Satisfactory	230	748	59	1,037
Higher risk	8	54	–	62
Credit impaired (stage 3)	207	1,102	–	1,309
Total as at 30 June 2023	761	1,997	59	2,817
Loans to customers – ECL				
Strong	–	(21)	–	(21)
Satisfactory	–	(114)	(6)	(120)
Higher risk	–	(2)	–	(2)
Credit impaired (stage 3)	(47)	(733)	–	(780)
Total as at 30 June 2023	(47)	(870)	(6)	(923)

	31.12.2022			
	China $million	Hong Kong $million	Rest of Group $million	Total $million
Loans to customers	953	2,248	39	3,240
Off balance sheet	74	85	8	167
Total as at 31 December 2022	1,027	2,333	47	3,407
Loans to customers – By Credit quality				
Gross				
Strong	256	221	–	477
Satisfactory	459	921	39	1,419
Higher risk	–	271	–	271
Credit impaired (stage 3)	238	835	–	1,073
Total as at 31 December 2022	953	2,248	39	3,240
Loans to customers – ECL				
Strong	–	(19)	–	(19)
Satisfactory	(9)	(110)	–	(119)
Higher risk	–	(83)	–	(83)
Credit impaired (stage 3)	(37)	(559)	–	(596)
Total as at 31 December 2022	(46)	(771)	–	(817)

Debt securities and other eligible bills (reviewed)

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

The standard credit ratings used by the Group are those used by Standard & Poor's or its equivalent. Debt securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Group applies an internal credit rating, as described under the credit rating and measurement section on page 302 of the 2022 Annual Report.

Total gross debt securities and other eligible bills decreased by $10.4 billion to $161.3 billion (31 December 2022: $171.7 billion) due to action taken to manage liquidity.

Stage 1 gross balance decreased by $9.3 billion to $156.8 billion (31 December 2022: $166.1 billion) of which $5.5 billion of the decrease was from unrated.

Stage 2 gross balance decreased by $1 billion to $4.4 billion (31 December 2022: $5.5 billion).

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

	30.06.23			31.12.22		
Amortised cost and FVOCI	Gross $million	ECL $million	Net[2] $million	Gross $million	ECL $million	Net[2] $million
Stage 1	156,760	(35)	156,725	166,103	(25)	166,078
AAA	66,969	(9)	66,960	73,933	(10)	73,923
AA- to AA+	39,475	(2)	39,473	42,327	(4)	42,323
A- to A+	31,951	(2)	31,949	29,488	(2)	29,486
BBB- to BBB+	10,604	(10)	10,594	7,387	(1)	7,386
Lower than BBB-	1,315	(2)	1,313	1,047	(2)	1,045
Unrated	6,446	(10)	6,436	11,921	(6)	11,915
Stage 2	4,400	(39)	4,361	5,455	(90)	5,365
AAA	21	–	21	21	–	21
AA- to AA+	88	–	88	40	–	40
A- to A+	148	(2)	146	17	(1)	16
BBB- to BBB+	2,219	(15)	2,204	2,605	(16)	2,589
Lower than BBB-	1,755	(20)	1,735	2,485	(71)	2,414
Unrated	169	(2)	167	287	(2)	285
Stage 3	168	(53)	115	144	(106)	38
Lower than BBB-	74	–	74	67	(55)	12
Unrated	94	(53)	41	77	(51)	26
Gross balance[1]	161,328	(127)	161,201	171,702	(221)	171,481

1 Stage 3 gross includes $100 million (2022: $28 million) originated credit-impaired debt securities with impairment of $14 million (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 $161,254 million (31 December 2022: $171,640 million). Refer to the Analysis of financial instrument by stage table on page 55

IFRS 9 expected credit loss methodology (reviewed)

Refer to pages 269 to 270 in the 2022 Annual Report for the 'Approach for determining expected credit losses', 'Application of lifetime' and pages 278 to 281 for 'Significant increase in credit risk (SICR)', 'Assessment of credit-impaired financial assets' and 'Governance and application of expert credit judgement in respect of expected credit losses'. There have been no changes to the Group's approach in determining SICR compared to 31 December 2022.

Composition of credit impairment provisions (reviewed)

The table below summarises the key components of the Group's credit impairment provision balances at 30 June 2023 and 31 December 2022.

30 June 2023		Corporate, Commercial & Institutional Banking $ million	Consumer, Private & Business Banking $ million	Ventures $ million	Central & other items[2] $ million	Total $ million
Modelled ECL provisions (base forecast)		421	554	23	91	1,089
Modelled Impact of multiple economic scenarios		37	15	–	3	55
Total ECL provisions before management judgements		458	569	23	94	1,144
Judgemental post model adjustments						
– Model Calibration		–	(17)	–	–	(17)
Management overlays[1]						
– China commercial real estate		136	–	–	–	136
– Other		13	9	–	–	22
Total modelled provisions		607	561	23	94	1,285
Of which:	Stage 1	160	341	14	38	553
	Stage 2	356	115	4	49	524
	Stage 3	91	105	5	7	208
Stage 3 non-modelled provisions		3,756	676	–	137	4,569
Total credit impairment provisions		**4,363**	**1,237**	**23**	**231**	**5,854**

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[3]		38	6	–	6	50
Total ECL provisions before management judgements		543	562	12	200	1,317
Judgemental post model adjustments						
– Model Calibration		–	10	–	–	10
– Multiple Economic Scenarios		–	34	–	–	34
Management overlays[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 $46 million (31 December 2022: $55 million) is in stage 1, $99 million (31 December 2022: $148 million) in stage 2 and $13 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

3 Includes a post model adjustment of $(17) million in CCIB

Model performance post model adjustments

As part of normal model monitoring and validation operational processes, where a model's performance breaches the monitoring thresholds or validation standards, an assessment is completed to determine whether 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 30 June 2023, model performance post model adjustments have been applied for 9 models out of the total of 172 models. In aggregate, these post model adjustments reduce the Group's impairment provisions by $8 million (0.1 per cent of modelled provisions) compared with a $60 million decrease at 31 December 2022. The most significant of these relates to adjustments to increase ECL by $33 million to account for short-term client exits in CCIB and a $22 million decrease in ECL for Malaysian CPBB Business Clients.

In addition to these model performance post model adjustments, separate judgemental post model and management adjustments have also been applied. These adjustments are summarised on page 92.

	30.06.23 $ million	31.12.22 $ million
Model performance post model adjustments		
Corporate, Commercial & Institutional Banking	26	(22)
Consumer, Private & Business Banking	(37)	(38)
Central & other items	3	–
Total model performance post model adjustments	(8)	(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 in the near term led by Europe and Americas. Global GDP is forecast to grow by less than 3 per cent in 2023. World GDP growth averaged 3.7 per cent for the 10 years prior to COVID-19 (between 2010 and 2019).

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

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

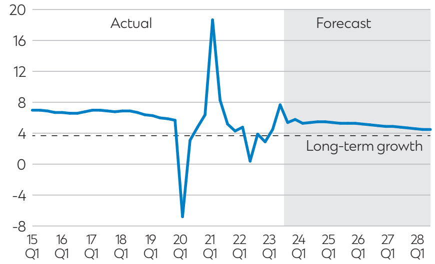
To assess the range of possible outcomes the Group simulates a set of 50 scenarios around the Base Forecast, calculates the ECL under each of them and assigns an equal weight of 2 per cent to each scenario outcome. These scenarios are generated by a Monte Carlo simulation, which addresses the challenges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

The GDP graphs below illustrate the shape of the Base Forecast for key footprint markets in relation to prior periods' actuals. The long-term growth rates are based on the pace of economic expansion expected for 2030. The tables below provide a summary of the Group's Base Forecast for these markets. The peak/trough amounts show the highest and lowest points within the Base Forecast.

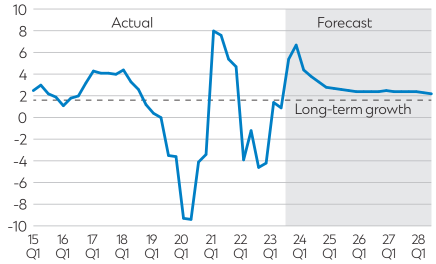
China's growth is expected to accelerate to almost 6 per cent in 2023 from around 3 per cent in 2022. Favourable base effects and China's economic reopening have provided support to the economy. Similarly the reopening of Hong Kong's economy in late 2022 and the improvement in China's economic condition have lifted business confidence their. Hong Kong GDP growth is expected to improve to over 3 per cent following a contraction by a similar margin in 2022. In contrast Singapore GDP growth is expected to decelerate to just over 1 per cent from over 3 per cent in 2022. Softer external demand and the peaking of the electronics cycle are expected to continue to weigh on economic activity and in particular trade-related sectors. US and European economic growth are expected to slow sharply this year on high inflation, monetary policy tightening and increased financial stability risk. Korea's economic growth is also expected to ease just below 1.5 per cent in 2023 from over 2 per cent on the weaker external environment and also weak domestic consumption on declining real incomes amid elevated inflation and high interest rates. Growth in India is expected to slow to 5.5 per cent from over 7 per cent in 2022 as the impact from the post-COVID pent up demand fades.

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

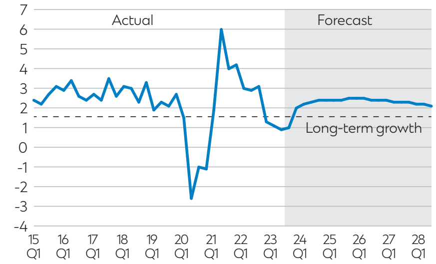
China GDP YoY%



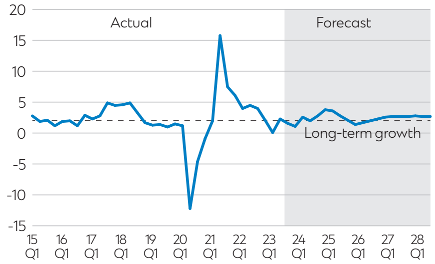
Hong Kong GDP YoY%



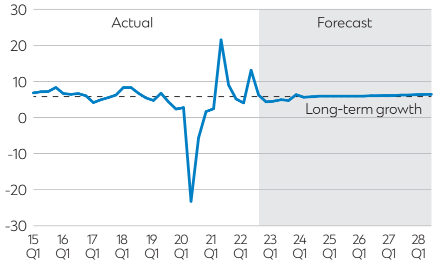
Korea GDP YoY%



Singapore GDP YoY%



India GDP YoY%



Long-term growth = GDP growth expected for 2030

	30.06.23							
	China				Hong Kong			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY %)	GDP growth (YoY %)	Unemployment %	3-month interest rates %	House prices (YoY %)
Base forecast[1]								
2023	5.8	4.2	2.2	(1.7)	3.6	3.3	3.8	(6.8)
2024	5.4	4.1	2.3	5.2	3.6	3.3	3.0	3.9
2025	5.3	4.0	2.5	5.6	2.5	3.3	2.5	3.7
2026	5.1	4.0	2.7	4.5	2.4	3.3	2.5	2.8
2027	4.7	3.9	3.0	4.4	2.4	3.3	2.5	2.7
5-year average[2]	5.1	4.0	2.6	4.3	3.0	3.3	2.7	2.6
Peak	5.8	4.2	3.0	7.2	6.7	3.4	3.9	4.9
Trough	4.5	3.9	2.2	(2.0)	2.2	3.3	2.5	(5.8)
Monte Carlo								
Low[3]	1.4	3.5	1.0	(3.2)	(3.5)	1.7	0.4	(20.2)
High[4]	9.4	4.5	4.5	12.1	8.7	5.3	5.3	27.7

	30.06.23							
	Singapore				Korea			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY %)
Base forecast[1]								
2023	1.3	2.8	4.4	6.1	1.3	3.3	3.6	(4.1)
2024	2.8	2.8	3.6	(0.4)	2.3	3.4	3.0	3.8
2025	2.5	2.7	2.8	0.8	2.5	3.3	2.3	3.5
2026	2.2	2.7	2.6	3.1	2.4	3.2	2.2	2.7
2027	2.7	2.7	2.6	3.9	2.3	3.1	2.2	2.4
5-year average[2]	2.4	2.7	3.0	2.2	2.3	3.3	2.5	2.4
Peak	3.8	2.9	4.5	3.9	2.5	3.6	3.7	4.3
Trough	1.1	2.7	2.6	(0.7)	1.0	3.1	2.2	(4.6)
Monte Carlo								
Low[3]	(3.1)	1.9	0.7	(16.3)	(2.2)	1.4	0.7	(6.0)
High[4]	8.5	3.8	5.4	22.6	7.5	5.5	6.1	11.4

	30.06.23				
	India				
	GDP growth (YoY%)	Unemployment %	3month interest rates %	House prices (YoY%)	Brent Crude $ pb
Base forecast[1]					
2023	5.5	NA	6.2	2.9	88.8
2024	6.0	NA	6.1	5.6	97.5
2025	6.0	NA	6.4	7.0	109.3
2026	6.1	NA	6.4	7.1	127.8
2027	6.4	NA	5.9	7.0	124.9
5-year average[2]	6.1	NA	6.2	6.1	113.5
Peak	6.5	NA	6.5	7.2	132.0
Trough	4.8	NA	5.9	2.2	88.0
Monte Carlo					
Low[3]	2.1	NA	2.0	0.1	53.1
High[4]	10.6	NA	11.3	11.6	221.6

	31.12.22							
	China				Hong Kong			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)
5-year average[2]	5.1	3.9	2.3	3.6	2.3	3.0	2.8	1.7
Peak	7.9	4.1	3.0	5.0	4.3	3.1	3.6	4.9
Trough	4.5	3.8	1.4	0.0	0.5	2.9	2.4	(8.4)
Monte Carlo								
Low[3]	1.1	3.4	0.6	(3.4)	(3.8)	1.7	0.5	(22.0)
High[4]	9.6	4.3	4.4	10.0	8.0	4.2	6.1	26.8

	31.12.22							
	Singapore				Korea			
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)
5-year average[2]	3.7	3.2	4.7	4.7	2.5	3.3	3.9	2.8
Peak	1.7	3.0	2.4	(2.4)	1.8	3.0	2.7	(0.4)
Trough	2.8	3.2	4.5	1.0	2.1	3.2	3.9	0.0
Monte Carlo								
Low[3]	(3.4)	2.1	0.8	(15.9)	(2.8)	1.1	1.1	(5.4)
High[4]	8.6	4.5	5.6	20.4	7.0	4.9	5.9	10.0

	31.12.22				
	India				
	GDP growth (YoY%)	Unemployment %	3-month interest rates %	House prices (YoY%)	Brent crude $ pb
5-year average[2]	6.4	NA	5.6	5.7	106.6
Peak	7.7	NA	6.3	7.2	118.8
Trough	3.2	NA	5.3	1.6	88.0
Monte Carlo					
Low[3]	1.5	NA	1.9	(1.1)	42.4
High[4]	12.1	NA	9.5	13.0	204.2

1 Annual numbers are for each year covering from Q1 to Q4. For example: 2023 is from Q1 2023 to Q4 2023

2 5 year averages reported for 30.06.23 cover Q3 2023 to Q2 2028. % year averages reported for 31.12.22 cover Q1 2023 to Q4 2027

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

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

Impact of multiple economic scenarios

The final probability-weighted ECL reported by the Group is a simple average of the ECL for each of the 50 scenarios simulated using a Monte Carlo model. The Monte Carlo approach has the advantage that it generates many plausible alternative scenarios that cover our global footprint. The Monte Carlo model was redeveloped over 2022 to increase the range of scenarios that the model forecasts.

The 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 $55 million (31 December 2022: $50 million). The CCIB and Central and other items portfolios accounted for $40 million (31 December 2022: $44 million) of the calculated non-linearity with the remaining $15 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 analysis completed during the first half of 2023 supported 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 30 June 2023[3]	**1,089**	**55**	**141**	**1,285**
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 $1,077 million (31 December 2022: $1,281 million) and $208 million (31 December 2022: $299 million) of modelled ECL on stage 3 loans

3 Includes ECL on Assets held for sale

The average expected credit loss under multiple scenarios is 5 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 30 June 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 and they are reassessed quarterly. They are reviewed and approved by the IFRS 9 Impairment Committee and will be released when no longer relevant.

		Consumer, Private & Business Banking				
30 June 2023	**Corporate, Commercial & Institutional Banking $ million**	**Mortgages $ million**	**Credit Cards $ million**	**Other $ million**	**Total $ million**	**Total $ million**
Judgemental post model adjustments	–	–	2	(19)	(17)	(17)
Judgemental management overlays:						
– China CRE	136	–	–	–	–	136
– Others	13	1	4	4	9	22
Total judgemental adjustments	149	1	6	(15)	(8)	141
Judgemental adjustments by stage:						
– Stage 1	37	1	6	(3)	4	41
– Stage 2	99	–	–	(12)	(12)	87
– Stage 3	13	–	–	–	–	13

31 December 2022	Corporate, Commercial & Institutional Banking $ million	Consumer, Private & Business Banking Mortgages $ million	Cards $ million	Other $ million	Total $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	138	3	9	17	29	165
– Stage 3	9	1	2	4	7	16

Judgemental post model adjustments
As at 30 June 2023, judgemental post model adjustments to reduce ECL by $17 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 commercial real estate
Chinese property developers continue to experience liquidity issues, triggered by government policy changes aimed at deleveraging the property sector and ensuring property developers have the financial ability to complete residential properties under construction. The government's 'three red lines' matrix was introduced in August 2020 to tighten the funding conditions for property developers by limiting the growth rate in external debt. With additional controls on sales of properties to end buyers (e.g. mortgage lending control, pricing control, eligibility control) and on restricting developers' ability to access cash from 'escrow accounts' with cash paid by retail residential buyers, the cashflow of developers has been significantly squeezed. Also, with capital markets reacting negatively to the tightening policies, we have seen greater volatility in bond pricing and reduced access to capital markets liquidity for developers. As such, some developers have faced/are facing difficulties in servicing and repaying financing obligations.

The Group's loans and advances to China commercial real estate clients was $2.8 billion at 30 June 2023 (31 December 2022: $3.2 billion). Client level analysis continues to be done, with the high-risk clients being placed on purely precautionary or non-purely precautionary early alert. Given the evolving nature of the risks in the China commercial real estate sector, a management overlay of $136 million (31 December 2022: $173 million) has been taken by estimating the impact of further deterioration to exposures in this sector. This decrease was primarily driven by repayments and utilisation.

Other
The remaining COVID-19 overlay held in CPBB of $21 million held at 31 December 2022 has been fully released in the first half of 2023 and no COVID-19 overlay is held at 30 June 2023.

Overlays of $9 million (31 December 2022: $16 million) have also been applied in CPBB to capture operating and macroeconomic environment challenges, in part caused by rising interest rates in certain markets, and the impact of sovereign defaults in the last quarter of 2022, both of which are not fully captured in the modelled outcomes.

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

Stage 3 assets
Credit-impaired assets managed by Stressed Asset Risk incorporate forward-looking economic assumptions in respect of the recovery outcomes identified, and are assigned individual probability weightings. These assumptions are not based on a Monte Carlo simulation but are informed by the Base Forecast.

Sensitivity of expected credit loss calculation to macroeconomic variables

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

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

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

	Baseline		Geopolitical Risk Intensification		GFC (50% shock)	
	Five year average	Peak/Trough	Five year average	Peak/Trough	Five year average	Peak/Trough
China GDP	5.1	5.8/4.5	3.5	6.8/(6.4)	4.8	5.3/3.9
China unemployment	4.0	4.2/3.9	5.7	6.5/4.7	4.1	4.3/3.9
China property prices	4.3	7.2/(2.0)	3.5	5.7/(3.1)	2.2	5.9/(7.5)
Hong Kong GDP	3.0	6.7/2.2	1.9	3.4/(4.1)	2.7	5.3/(1.9)
Hong Kong unemployment	3.3	3.4/3.3	4.3	5.4/3.6	3.6	4.3/3.3
Hong Kong property prices	2.6	4.9/(5.8)	1.2	11.3/(13.5)	1.6	4.4/(6.9)
US GDP	1.6	2.4/0.0	0.4	3.2/(9.0)	1.1	2.1/(1.2)
Singapore GDP	2.4	3.8/1.1	1.2	3.5/(6.9)	2.2	6.7/(3.5)
India GDP	6.1	6.5/4.8	4.8	7.1/(2.9)	5.8	6.5/4.7
Crude oil	113.5	132.0/88.0	89.5	114.6/69.0	106.4	132.0/56.8

Period covered from Q3 2023 to Q2 2028

	Base (GDP, YoY%)					Geopolitical Risk Intensification (GDP, YoY%)					Difference from Base				
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
China	5.5	5.4	5.2	4.9	4.6	(4.0)	3.0	6.6	6.1	5.4	(9.5)	(2.4)	1.4	1.2	0.9
Hong Kong	5.1	2.8	2.4	2.4	2.4	(1.3)	1.3	3.3	3.2	2.9	(6.4)	(1.5)	0.9	0.8	0.6
US	0.5	1.7	2.0	2.0	1.9	(6.8)	(0.1)	3.1	2.9	2.6	(7.2)	(1.9)	1.1	0.9	0.7
Singapore	1.8	3.3	1.8	2.6	2.7	(5.2)	1.5	2.8	3.4	3.3	(7.0)	(1.8)	1.0	0.9	0.6
India	5.7	6.0	6.0	6.2	6.4	(1.2)	4.3	7.0	7.0	7.0	(6.9)	(1.7)	1.0	0.8	0.6

Each year is from Q3 to Q2. For example 2023 is from Q3 2023 to Q2 2024.

	Base (GDP, YoY%)					GFC (50% shock) (GDP, YoY%)					Difference from Base				
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
China	5.5	5.4	5.2	4.9	4.6	4.5	4.9	5.2	4.9	4.6	(1.0)	(0.5)	0.0	0.0	0.0
Hong Kong	5.1	2.8	2.4	2.4	2.4	1.8	2.1	4.2	3.1	2.4	(3.3)	(0.7)	1.7	0.6	0.0
US	0.5	1.7	2.0	2.0	1.9	(0.3)	(0.2)	1.9	2.0	1.9	(0.8)	(1.9)	(0.1)	0.0	0.0
Singapore	1.8	3.3	1.8	2.6	2.7	(1.2)	3.8	3.0	2.8	2.7	(3.0)	0.5	1.2	0.2	0.0
India	5.7	6.0	6.0	6.2	6.4	5.0	5.5	6.0	6.2	6.4	(0.7)	(0.5)	0.0	0.0	0.0

Each year is from Q3 to Q2. For example 2023 is from Q3 2023 to Q2 2024.

The total modelled stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately $92 million higher under the GFC (50 per cent shock) scenario, and $346 million higher under the Geopolitical risk intensification scenario than the baseline ECL provisions (which excluded the impact of multiple economic scenarios and management overlays which may already capture some of the risks in these scenarios). The proportion of stage 2 assets would increase from 3.7 per cent in the base case to 4.2 per cent and 7.4 per cent respectively under the GFC (50 per cent shock) and Geopolitical risk intensification scenarios. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults.

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

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

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

Modelled provisions

	Gross as reported[1] $ million	ECL as reported[2] $ million	ECL Base case $ million	ECL (50% shock) $ million	ECL Geopolitical risk intensification $ million
Stage 1 modelled					
Corporate, Commercial & Institutional Banking	326,143	123	105	150	202
Consumer, Private & Business Banking	188,974	337	330	332	349
Ventures	927	14	14	14	14
Central & Other	197,824	35	33	37	40
Total excluding management judgements	713,868	509	482	533	605
Stage 2 modelled					
Corporate, Commercial & Institutional Banking	15,063	257	239	275	441
Consumer, Private & Business Banking	2,158	127	119	123	138
Ventures	39	4	4	4	4
Central & Other	4,416	39	37	38	39
Total excluding management judgements	21,676	427	399	440	622
Total Stage 1 & 2 modelled					
Corporate, Commercial & Institutional Banking	341,206	380	344	425	643
Consumer, Private & Business Banking	191,132	464	449	455	487
Ventures	966	18	18	18	18
Central & Other	202,240	74	70	75	79
Total excluding management judgements	735,544	936	881	973	1,227
Stage 3 exposures excluding management judgements	8,527	4,684			
Other financial assets[3]	137,138	93			
ECL from management judgments		141			
Total reported at 30 June 2023	881,209	5,854			

1 Gross balances presented on a reported basis only and 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

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 (reviewed)

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

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

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

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 (reviewed)

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

The average level of total trading and non-trading VaR in H1 2023 was $53.1 million, 2.5 per cent lower than H2 2022 ($54.5 million) and 5.2 per cent higher than H1 2022 ($50.5 million). The actual level of total trading and non-trading VaR in H1 2023 was $50.2 million, 10 per cent lower than H2 2022 ($55.8 million) and 15 per cent lower than H1 2022 ($59.2 million), due to a reduction in non-trading fair value credit spread positions, offsetting the impact of increased volatility following the bank failures in Q1 2023.

For the trading book, the average level of VaR in H1 2023 was $19.4 million, 3.2 per cent higher than H2 2022 ($18.8 million) and 12.8 per cent higher than H1 2022 ($17.2 million). Trading activities have remained relatively unchanged, and client driven.

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

Trading[1] and non-trading[2]	6 months ended 30.06.23 Average $million	High $million	Low $million	Half Year $million	6 months ended 31.12.22 Average $million	High $million	Low $million	Year End $million	6 months ended 30.06.22 Average $million	High $million	Low $million	Half Year $million
Interest Rate Risk	34.2	47.3	23.2	46.0	24.7	29.5	21.0	24.7	30.8	42.1	23.3	24.0
Credit Spread Risk	37.5	48.0	31.9	34.9	35.8	47.1	32.5	32.9	32.5	45.1	20.3	44.9
Foreign Exchange Risk	6.0	8.8	4.5	6.9	6.5	10.3	4.8	6.8	6.5	8.0	5.4	5.7
Commodity Risk	6.4	9.7	3.7	5.3	7.6	10.7	5.7	8.3	6.3	11.9	3.5	6.6
Equity Risk	0.1	0.4	–	0.1	0.1	0.2	–	0.1	0.1	0.2	–	0.2
Total	53.1	65.5	44.2	50.2	54.5	64.1	43.2	55.8	50.5	61.1	40.3	59.2

Trading[1]	6 months ended 30.06.23 Average $million	High $million	Low $million	Half Year $million	6 months ended 31.12.22 Average $million	High $million	Low $million	Year End $million	6 months ended 30.06.22 Average $million	High $million	Low $million	Half Year $million
Interest Rate Risk	11.5	16.9	7.7	13.0	8.3	11.7	5.3	9.0	7.9	10.5	5.8	9.0
Credit Spread Risk	9.6	12.4	7.4	10.2	9.7	14.2	7.3	8.7	9.3	14.9	5.0	13.1
Foreign Exchange Risk	6.0	8.8	4.5	6.9	6.5	10.3	4.8	6.8	6.5	8.0	5.4	5.7
Commodity Risk	6.4	9.7	3.7	5.3	7.6	10.7	5.7	8.3	6.3	11.9	3.5	6.6
Equity Risk	–	–	–	–	–	–	–	–	–	–	–	–
Total	19.4	24.0	14.7	19.9	18.8	22.1	15.7	21.8	17.2	24.4	12.6	19.2

Non-trading[2]	6 months ended 30.06.23 Average $million	High $million	Low $million	Half Year $million	6 months ended 31.12.22 Average $million	High $million	Low $million	Year End $million	6 months ended 30.06.22 Average $million	High $million	Low $million	Half Year $million
Interest Rate Risk	30.4	43.1	19.7	37.7	21.7	25.4	18.1	23.5	30.9	44.5	22.9	22.9
Credit Spread Risk	31.8	40.1	26.5	28.5	30.1	37.8	26.8	29.2	27.5	36.8	18.7	36.4
Equity Risk[3]	0.1	0.4	–	0.1	0.1	0.2	–	0.1	0.1	0.2	–	0.2
Total	46.8	53.4	41.7	44.3	43.4	49.4	35.1	41.3	45.9	52.5	36.3	48.1

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

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

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

Risks not in VaR

In H1 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
- Deal contingent risk where a client is granted the right to cancel a hedging trade contingent on conditions not being met within a time window
- Volatility skew risk due to movements in options volatilities at different strikes while VaR reflects only movements in at-the-money volatilities

Additional capital is set aside to cover such 'risks not in VaR'.

Backtesting

In H1 2023, there were three regulatory backtesting negative exceptions at Group level (in H2 2022 there were five and in H1 2022 there were three regulatory backtesting negative exceptions at Group level). Group exceptions occurred on:

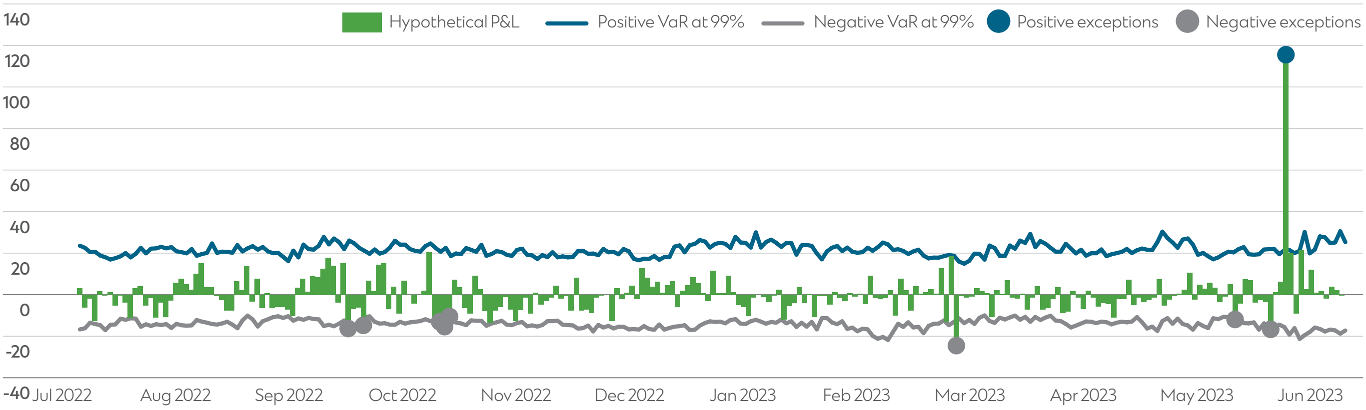
- 16 March: After the US authorities put Silicon Valley Bank and Signature Bank into administration there were strong market reactions including notable interest rate yield rises on the 16 March
- 1 June: After announcement of planned potential economic reforms in Nigeria there were sharp movements in 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

The VaR model is currently being enhanced to increase its responsiveness to abrupt upturns in market volatility.

There have been eight 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.

Half year 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)



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

The average level of total trading daily income in H1 2023 was $13.3 million, 7 per cent higher than H2 2022 ($12.4 million) and 15 per cent lower than H1 2022 ($15.7 million). The decrease is largely attributable to lower income in Commodities in 2023 on the back of falling crude oil prices. A decline in Rates income was primarily due to refinements in valuation methodology for structured notes, implemented in Q4 2022 to align with market practices.

Trading	6 months ended 30.06.23 $million	6 months ended 31.12.22 $million	6 months ended 30.06.22 $million
Interest Rate Risk	4.5	3.7	6.4
Credit Spread Risk	1.5	2.1	0.7
Foreign Exchange Risk	6.5	5.9	6.8
Commodity Risk	0.7	0.8	1.8
Equity Risk	–	–	–
Total	13.3	12.4	15.7

Non-trading	6 months ended 30.06.23	6 months ended 31.12.22	6 months ended 30.06.22
Interest Rate Risk	–	(0.3)	0.4
Credit Spread Risk	(0.8)	0.2	1.1
Equity Risk	0.1	–	–
Total	(0.8)	–	1.5

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

Counterparty Credit Risk

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

Derivative financial instruments Credit Risk mitigation

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

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

Liquidity and Funding Risk

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.

Liquidity and Funding Risk metrics

The Group continually monitors key liquidity metrics, both on a country basis and consolidated across the Group.

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

Liquidity coverage ratio (LCR)

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

The Group monitors and reports its liquidity positions under the Liquidity Coverage Ratio (CRR) part of the PRA rulebook and has maintained its LCR above the prudential requirement. The Group maintained strong liquidity ratios despite a challenging macroeconomic and geopolitical environment.

At the reporting date, the Group LCR was 164 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.

	30.06.23 $million	31.12.22 $million
Liquidity buffer	**197,035**	177,037
Total net cash outflows	**119,879**	120,720
Liquidity coverage ratio	**164%**	147%

Stressed coverage

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

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

"The Group should have sufficient stable and diverse sources of funding to meet its contractual and contingent obligations as they fall due."

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

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

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

Stress testing results show that a positive surplus was maintained under all scenarios at 30 June 2023, i.e. respective countries are able to survive for a period of time as defined under each scenario. The results take into account currency convertibility and portability constraints while calculating the liquidity surplus at Group level.

Standard Chartered Bank's credit ratings as at 30 June 2023 were A+ with stable outlook (Fitch), A+ with stable outlook (S&P) and A1 with stable outlook (Moody's). As of 30 June 2023, the estimated contractual outflow of a three-notch long-term ratings downgrade is $1.2 billion.

External wholesale borrowing

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

Advances-to-deposits ratio

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

The Group's advances-to-deposits ratio has decreased by 3.8 per cent to 53.6 per cent, driven by an increase in customer deposits of 2 per cent and combined with a reduction of 4 per cent in customer loans and advances. Deposits from customers as at 30 June 2023 are $484,594 million (31 December 2022: $473,383 million).

	30.06.23 $million	31.12.22 $million
Total loans and advances to customers[1,2]	259,806	271,897
Total customer accounts[3]	484,593	473,383
Advances-to-deposits ratio	53.6%	57.4%

1 Excludes reverse repurchase agreement and other similar secured lending of $10,950 million and includes loans and advances to customers held at fair value through profit and loss of $5,368 million

2 Loans and advances to customers for the purpose of the advances-to-deposits ratio excludes $24,749 million of approved balances held with central banks, confirmed as repayable at the point of stress (31 December 2022: $20,798 million)

3 Includes customer accounts held at fair value through profit or loss of $15,026 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 133.4 per cent.

Liquidity pool

The liquidity value of the Group's LCR eligible liquidity pool at the reporting date was $197 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 Liquidity Coverage Ratio (CRR) part of the PRA rulebook.

	30.06.23			
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Total $million
Level 1 securities				
Cash and balances at central banks	39,730	2,133	60,950	102,813
Central banks, governments/public sector entities	36,974	2,091	19,412	58,477
Multilateral development banks and international organisations	6,033	1,019	11,229	18,281
Other	6,728	33	387	7,148
Total Level 1 securities	89,465	5,276	91,978	186,719
Level 2A securities	4,005	202	5,302	9,509
Level 2B securities	22	46	739	807
Total LCR eligible assets	93,492	5,524	98,019	197,035

	31.12.22			
	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 (reviewed)

Contractual maturity of assets and liabilities

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

Within the tables below, cash and balances with central banks, interbank placements and investment securities that are fair value through other comprehensive income are used by the Group principally for 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 $31 billion as of 30 June 2023 compared to 31 December 2022.

	30.06.23								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Assets									
Cash and balances at central banks	78,466	–	–	–	–	–	–	7,873	86,339
Derivative financial instruments	11,401	12,763	8,659	6,973	4,159	6,028	6,700	3,705	60,388
Loans and advances to banks[1,2]	32,829	22,721	12,501	4,399	3,791	1,982	2,148	824	81,195
Loans and advances to customers[1,2]	92,357	44,382	23,542	14,018	14,454	22,554	29,889	94,627	335,823
Investment securities[1]	11,393	26,138	18,326	16,521	9,952	23,709	42,727	51,872	200,638
Other assets[1]	24,683	29,214	1,107	206	616	10	39	18,453	74,328
Total assets	251,129	135,218	64,135	42,117	32,972	54,283	81,503	177,354	838,711
Liabilities									
Deposits by banks[1,3]	31,444	2,391	3,621	734	305	1,051	1,246	6	40,798
Customer accounts[1,4]	380,956	52,106	30,113	13,484	9,704	8,263	33,713	1,452	529,791
Derivative financial instruments	10,789	13,072	8,826	7,543	3,935	6,262	7,616	4,980	63,023
Senior debt[5]	1,011	1,615	1,056	1,306	1,243	9,843	18,734	11,281	46,089
Other debt securities in issue[1]	3,795	6,068	9,369	5,201	2,016	733	775	176	28,133
Other liabilities	25,337	24,018	1,323	969	1,058	2,113	1,408	13,105	69,331
Subordinated liabilities and other borrowed funds	5	70	15	1,158	41	858	1,917	7,801	11,865
Total liabilities	453,337	99,340	54,323	30,395	18,302	29,123	65,409	38,801	789,030
Net liquidity gap	(202,208)	35,878	9,812	11,722	14,670	25,160	16,094	138,553	49,681

1 Loans and advances, investment securities, other assets, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 13 Financial instruments (pages 133 to 155)

2 Loans and advances include reverse repurchase agreements and other similar secured lending of $87.1 billion

3 Deposits by banks include repurchase agreements and other similar secured borrowing of $10.3 billion

4 Customer accounts include repurchase agreements and other similar secured borrowing of $45.2 billion

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

	31.12.22								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
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	14,175	26,008	23,364	13,024	12,891	22,805	41,217	52,756	206,240
Other assets[1]	15,210	31,276	1,341	181	698	89	23	20,705	69,523
Total assets	214,526	143,212	72,403	35,162	34,773	50,678	84,085	185,083	819,922
Liabilities									
Deposits by banks[1,3]	29,733	2,042	2,245	871	349	1,432	144	7	36,823
Customer accounts[1,4]	402,069	49,769	25,110	15,961	15,216	7,830	2,451	1,823	520,229
Derivative financial instruments	15,820	15,810	8,645	5,002	4,102	6,795	7,904	5,784	69,862
Senior debt[5]	204	342	509	963	711	5,855	19,673	12,086	40,343
Other debt securities in issue[1]	2,758	5,504	8,732	7,316	2,935	1,088	870	268	29,471
Other liabilities	19,857	24,725	1,616	521	503	902	1,043	10,296	59,463
Subordinated liabilities and other borrowed funds	2,004	105	22	248	25	1,882	2,045	7,384	13,715
Total liabilities	472,445	98,297	46,879	30,882	23,841	25,784	34,130	37,648	769,906
Net liquidity gap	(257,919)	44,915	25,524	4,280	10,932	24,894	49,955	147,435	50,016

1 Loans and advances, investment securities, other assets, deposits by banks, customer accounts and debt securities in issue include financial instruments held at fair value through profit or loss, see Note 13 Financial instruments (pages 133 to 155)

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 (reviewed)

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.

	30.06.23								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	31,429	2,400	3,676	753	308	1,061	1,246	527	41,400
Customer accounts	381,616	52,559	30,771	13,884	10,024	8,560	34,175	2,594	534,183
Derivative financial instruments[1]	59,397	36	164	607	68	288	1,018	1,445	63,023
Debt securities in issue	5,008	7,714	10,834	6,849	3,656	11,521	21,699	12,685	79,966
Subordinated liabilities and other borrowed funds	59	164	29	1,191	46	1,139	2,608	13,108	18,344
Other liabilities	20,968	25,277	1,216	965	1,048	2,113	1,408	11,871	64,866
Total liabilities	498,477	88,150	46,690	24,249	15,150	24,682	62,154	42,230	801,782

	31.12.22								
	One month or less $million	Between one month and three months $million	Between three months and six months $million	Between six months and nine months $million	Between nine months and one year $million	Between one year and two years $million	Between two years and five years $million	More than five years and undated $million	Total $million
Deposits by banks	29,742	2,048	2,275	876	362	1,455	144	8	36,910
Customer accounts	401,893	49,196	24,713	15,614	15,283	8,280	5,937	2,591	523,507
Derivative financial instruments[1]	65,912	48	12	116	213	940	1,185	1,436	69,862
Debt securities in issue	3,060	5,912	9,631	8,574	3,979	7,844	22,259	18,465	79,724
Subordinated liabilities and other borrowed funds	2,097	165	44	273	28	2,029	2,610	14,004	21,250
Other liabilities	17,275	25,751	1,517	504	496	895	901	9,669	57,008
Total liabilities	519,979	83,120	38,192	25,957	20,361	21,443	33,036	46,173	788,261

1 Derivatives are on a discounted basis

Interest Rate Risk in the Banking Book

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

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

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

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

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

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

Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	30.06.23 USD bloc $million	HKD bloc $million	SGD bloc $million	KRW bloc $million	CNY bloc $million	Other currency bloc $million	Total $million
+ 50 basis points	130	40	40	20	30	160	420
- 50 basis points	(130)	(40)	(40)	(30)	(30)	(160)	(430)
+ 100 basis points	250	80	90	40	50	310	820

Estimated one-year impact to earnings from a parallel shift in yield curves at the beginning of the period of:	31.12.22 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 30 June 2023, the Group estimates the one-year impact of an instantaneous, parallel increase across all yield curves of 50 basis points to increase projected NII by $420 million. The equivalent impact from a parallel decrease of 50 basis points would result in a reduction in projected NII of $430 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 $820 million.

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

Operational and Technology Risk

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

Operational and Technology Risk profile

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

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

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

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

Other principal risks

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

Capital review

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.

	30.06.23	31.12.22
CET1 capital	**14.0%**	14.0%
Tier 1 capital	**16.2%**	16.6%
Total capital	**21.1%**	21.7%
Leverage ratio	**4.8%**	4.8%
MREL ratio	**32.1%**	32.1%
Risk-weighted assets (RWA) $million	**249,117**	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 H1 2023.

The Group's CET1 capital ratio increased 5 basis points to 14.0 percent of RWA since FY2022. Profits, RWA optimisations, movements in FVOCI and a decrease in regulatory deductions were partly offset by distributions (including ordinary share buybacks of $1.0 billion during the period), and adverse movements in FX translation reserves.

The PRA updated the Group's Pillar 2A requirement during Q4 2022. As at 30 June 2023 the Group's Pillar 2A was 3.7 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 10.4 per cent at H1 2023.

The Group CET1 capital ratio at H1 2023 reflects the share buy-back of $1 billion that was announced as part of FY2022 results which is currently ongoing. The CET1 capital ratio also includes an accrual for the FY 2023 interim dividend. The Board has recommended an interim dividend for H1 2023 of $168 million or 6 cents per share representing a third of the total 2022 dividend.

In addition, the Board has announced a further share buy-back of $1 billion, the impact of which will be reflected in the Group's CET1 capital position in the third quarter of 2023 by around 40 bps.

The Group expects to manage CET1 capital dynamically within the 13-14 per cent target range, in support of our aim of delivering future sustainable shareholder distributions.

The Group's MREL requirement as at H1 2023 was equivalent to 27.3 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 32.1 per cent of RWA and 9.4 per cent of leverage exposure at H1 2023.

During the period, the Group successfully raised $3.7 billion of MREL eligible senior debt securities from its holding company, Standard Chartered PLC. The Group raised an additional $2.5 billion in senior securities post the balance sheet date, i.e. not included in the H1 2023 MREL position.

The Group is a G-SII, with a 1.0 per cent G-SII CET1 capital buffer. The Standard Chartered PLC G-SII disclosure is published at: sc.com/en/investors/financial-results.

Capital base[1] (reviewed)

	30.06.23 $million	31.12.22 $million
CET1 capital instruments and reserves		
Capital instruments and the related share premium accounts	5,389	5,436
Of which: share premium accounts	3,989	3,989
Retained earnings	26,549	25,154
Accumulated other comprehensive income (and other reserves)	7,932	8,165
Non-controlling interests (amount allowed in consolidated CET1)	190	189
Independently audited year-end profits	2,386	2,988
Foreseeable dividends	(377)	(648)
CET1 capital before regulatory adjustments	42,069	41,284
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	(693)	(854)
Intangible assets (net of related tax liability)	(5,825)	(5,802)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(86)	(76)
Fair value reserves related to net losses on cash flow hedges	317	564
Deduction of amounts resulting from the calculation of excess expected loss	(787)	(684)
Net gains on liabilities at fair value resulting from changes in own credit risk	203	63
Defined-benefit pension fund assets	(134)	(116)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(64)	(90)
Exposure amounts which could qualify for risk weighting of 1,250%	(52)	(103)
Other regulatory adjustments to CET1 capital[2]	(52)	(29)
Total regulatory adjustments to CET1	(7,173)	(7,127)
CET1 capital	34,896	34,157
Additional Tier 1 capital (AT1) instruments	5,512	6,504
AT1 regulatory adjustments	(20)	(20)
Tier 1 capital	40,388	40,641
Tier 2 capital instruments	12,311	12,540
Tier 2 regulatory adjustments	(30)	(30)
Tier 2 capital	12,281	12,510
Total capital	52,669	53,151
Total risk-weighted assets (unaudited)	249,117	244,711

1 Capital base is prepared on the regulatory scope of consolidation

2 Other regulatory adjustments to CET1 capital includes Insufficient coverage for non-performing exposures of $(52) million

Movement in total capital (reviewed)

	6 months ended 30.06.23 $million	6 months ended 31.12.22 $million
CET1 at 1 January/1 July	**34,157**	38,362
Ordinary shares issued in the period and share premium	–	–
Share buy-back	**(1,000)**	(1,258)
Profit for the period	**2,386**	2,988
Foreseeable dividends deducted from CET1	**(377)**	(648)
Difference between dividends paid and foreseeable dividends	**4**	(301)
Movement in goodwill and other intangible assets	**(23)**	(1,410)
Foreign currency translation differences	**(641)**	(1,892)
Non-controlling interests	**1**	(12)
Movement in eligible other comprehensive income	**410**	(1,224)
Deferred tax assets that rely on future profitability	**(10)**	74
Decrease/(increase) in excess expected loss	**(103)**	(104)
Additional value adjustments (prudential valuation adjustment)	**161**	(189)
IFRS 9 transitional impact on regulatory reserves including day one	**(106)**	(146)
Exposure amounts which could qualify for risk weighting	**51**	(67)
Fair value gains arising from the institution's own Credit Risk related to derivative liabilities	**26**	(30)
Others	**(40)**	14
CET1 at 30 June/31 December	**34,896**	34,157
AT1 at 1 January/1 July	**6,484**	6,791
Net issuances (redemptions)	**(1,000)**	241
Foreign currency translation difference	**8**	9
Excess on AT1 grandfathered limit (ineligible)	–	(557)
AT1 at 30 June/31 December	**5,492**	6,484
Tier 2 capital at 1 January/1 July	**12,510**	12,491
Regulatory amortisation	**1,703**	778
Net issuances (redemptions)	**(2,042)**	(1,098)
Foreign currency translation difference	**110**	(337)
Tier 2 ineligible minority interest	**(3)**	102
Recognition of ineligible AT1	–	557
Others	**3**	17
Tier 2 capital at 30 June/31 December	**12,281**	12,510
Total capital at 30 June/31 December	**52,669**	53,151

The main movements in capital in the period were:

- CET1 capital increased by $0.7 billion as retained profits of $2.4 billion, movement in FVOCI of $0.3 billion and a decrease in regulatory deductions $0.1 billion were partly offset by share buy-backs of $1.0 billion, distributions paid and foreseeable of $0.4 billion and foreign currency translation impact of $0.6 billion.
- AT1 capital decreased by $1.0 billion following the redemption of $1.0 billion of 7.75 per cent securities in April 2023.
- Tier 2 capital decreased by $0.2 billion due to an increase in regulatory amortisation of bullet Tier 2 securities.

Risk-weighted assets by business

	30.06.23			
	Credit risk $million	Operational risk $million	Market risk $million	Total risk $million
Corporate, Commercial & Institutional Banking	109,343	18,083	19,832	147,258
Consumer, Private & Business Banking	41,881	8,783	–	50,664
Ventures	1,888	35	2	1,925
Central & Other items	44,039	960	4,271	49,270
Total risk-weighted assets	197,151	27,861	24,105	249,117

	31.12.22			
	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

	30.06.23 $million	31.12.22 $million
Asia	155,410	150,816
Africa & Middle East	41,068	40,716
Europe & Americas	48,787	50,174
Central & Other items	3,852	3,005
Total risk-weighted assets	249,117	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
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
Asset growth & mix	(2,392)	58	278	(4,289)	(6,345)	–	–	(6,345)
Asset quality	(5,648)	(32)	–	(163)	(5,843)	–	–	(5,843)
Risk-weighted assets efficiencies	–	–	–	–	–	–	–	–
Model updates	2,073	2,628	–	–	4,701	–	(1,000)	3,701
Methodology and policy changes	2,024	85	–	38	2,147	–	1,100	3,247
Acquisitions and disposals	–	–	–	–	–	–	–	–
Foreign currency translation	(4,081)	(1,591)	–	(2,392)	(8,064)	–	–	(8,064)
Others, including non-credit risk movements	–	–	–	(1,005)	(1,005)	61	(1,903)	(2,847)
At 30 June 2022	117,789	43,879	1,034	42,477	205,179	27,177	22,726	255,082
Asset growth & mix	(10,821)	(1,043)	316	(5,744)	(17,292)	0	–	(17,292)
Asset quality	1,390	463	–	7,507	9,360	–	–	9,360
Risk-weighted assets efficiencies	–	–	–	–	–	–	–	–
Model updates	2,256	(1,208)	–	–	1,048	–	–	1,048
Methodology and policy changes	–	–	–	55	55	–	400	455
Acquisitions and disposals	–	–	–	–	–	–	–	–
Foreign currency translation	(802)	–	–	(984)	(1,786)	–	–	(1,786)
Others, including non-credit risk movements	291	–	–	–	291	–	(2,447)	(2,156)
At 31 December 2022	**110,103**	**42,091**	**1,350**	**43,311**	**196,855**	**27,177**	**20,679**	**244,711**
Asset growth & mix	**(726)**	**693**	**538**	**2,000**	**2,505**	**–**	**–**	**2,505**
Asset quality	**(157)**	**(125)**	**–**	**420**	**138**	**–**	**–**	**138**
Risk-weighted assets efficiencies		**–**	**–**	**-**	**-**	**–**	**–**	**–**
Model updates	**800**	**–**	**–**	**–**	**800**	**–**	**700**	**1,500**
Methodology and policy changes	**–**	**(200)**	**–**	**–**	**(200)**	**–**	**–**	**(200)**
Acquisitions and disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign currency translation	**(677)**	**(578)**	**–**	**(1,692)**	**(2,947)**	**–**	**–**	**(2,947)**
Others, including non-credit risk movements	**–**	**–**	**–**	**–**	**–**	**684**	**2,726**	**3,410**
At 30 June 2023	**109,343**	**41,881**	**1,888**	**44,039**	**197,151**	**27,861**	**24,105**	**249,117**

Movements in risk-weighted assets
RWA increased by $4.4 billion, or 1.8 per cent from 31 December 2022 to $249.1 billion. This was mainly due to an increase in Market Risk RWA of $3.4 billion, Operational Risk RWA of $0.7 billion and an increase in Credit Risk RWA of $0.3 billion.

Corporate, Commercial & Institutional Banking
Credit Risk RWA decreased by $0.8 billion, or 0.7 per cent from 31 December 2022 to $109.3 billion mainly due to:

- $0.7 billion decrease from changes in asset growth & mix of which:
  - $6.4 billion decrease from optimisation actions including reduction in lower returning portfolios
  - $4.4 billion increase from asset balance growth
  - $1.3 billion increase from derivatives
- $0.7 billion decrease from foreign currency translation
- $0.2 billion decrease mainly due to an improvement in asset quality reflecting client upgrades in Asia and Europe and Americas, partially offset by sovereign downgrades in Africa & Middle East
- $0.8 billion increase from a model change relating to certain facilities in Financial Markets and Lending

Consumer, Private & Business Banking
Credit Risk RWA decreased by $0.2 billion, or 0.5 per cent from 31 December 2022 to $41.9 billion mainly due to:

- $0.6 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 mainly due to improvement in asset quality mainly in Asia
- $0.7 billion increase from changes in asset growth & mix mainly from Asia

Ventures
Ventures is comprised of Mox Bank Limited, Trust Bank and SC Ventures. Credit Risk RWA increased by $0.5 billion, or 39.9 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 Market's liquidity portfolio, equity investments and current & deferred tax assets.

Credit Risk RWA increased by $0.7 billion, or 1.7 per cent from 31 December 2022 to $44.0 billion mainly due to:

- $2.0 billion increase from asset balances mainly from Asia
- $0.4 billion increase due to deterioration in asset quality mainly from sovereign downgrades in Africa & Middle East
- $1.7 billion decrease from foreign currency translation

Market Risk
Total Market Risk RWA increased by $3.4 billion, or 16.6 per cent from 31 December 2022 to $24.1 billion due to:

- $2.4 billion increase in Standardised Approach (SA) Specific Interest Rate Risk RWA due to increases in the traded credit portfolio
- $0.8 billion increase in Internal Models Approach (IMA) capital addons for Risks not in VaR
- $0.2 billion increase in SA Commodities risk with increased energy transition positions

Operational Risk
Operational Risk RWA increased by $0.7 billion, or 2.5 per cent from 31 December 2022 to $27.9 billion mainly due to marginal increase in average income as measured over a rolling three-year time horizon for certain products.

Leverage ratio

The Group's leverage ratio, which excludes qualifying claims on central banks, was 4.8 per cent at H1 2023, which was above the current minimum requirement of 3.7 per cent. The leverage ratio was 2 basis points higher than FY 2022. Leverage exposure decrease of $9.3 billion was largely driven by optimisation initiatives. End point Tier 1 decreased by $0.3 billion as CET1 capital increased by $0.7 billion and AT1 capital decreased by $1.0 billion following the redemption of $1.0 billion of 7.75 per cent securities in April 2023.

Leverage ratio

	30.06.23 $million	31.12.22 $million
Tier 1 capital (transitional)	40,388	40,641
Additional Tier 1 capital subject to phase out	–	–
Tier 1 capital (end point)	40,388	40,641
Derivative financial instruments	60,388	63,717
Derivative cash collateral	9,304	12,515
Securities financing transactions (SFTs)	87,118	89,967
Loans and advances and other assets	681,901	653,723
Total on-balance sheet assets	838,711	819,922
Regulatory consolidation adjustments[1]	(102,523)	(71,728)
Derivatives adjustments		
Derivatives netting	(44,747)	(47,118)
Adjustments to cash collateral	(7,267)	(10,640)
Net written credit protection	931	548
Potential future exposure on derivatives	39,239	35,824
Total derivatives adjustments	(11,844)	(21,386)
Counterparty risk leverage exposure measure for SFTs	7,591	15,553
Off-balance sheet items	120,355	119,049
Regulatory deductions from Tier 1 capital	(7,311)	(7,099)
Total exposure measure excluding claims on central banks	844,979	854,311
Leverage ratio excluding claims on central banks (%)	4.8%	4.8%
Average leverage exposure measure excluding claims on central banks	842,493	864,605
Average leverage ratio excluding claims on central banks (%)	4.7%	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

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting and ISA 34 as adopted by the EU.
- The interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the six months ended 30 June 2023 and their impact on the condensed consolidated interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the six months ended 30 June 2023 that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could have materially affected the financial position or performance of the entity during that period

By order of the Board

Andy Halford
Group Chief Financial Officer

28 July 2023

Standard Chartered PLC Board of Directors

Chairman
José Viñals

Executive Directors
Bill Winters
Andy Halford

Non-Executive Directors
Shirish Apte
David Conner
Gay Huey Evans
Jackie Hunt
Robin Lawther
David Tang
Carlson Tong
Phil Rivett
Maria Ramos
Linda Yueh

Independent review report to Standard Chartered PLC

Conclusion

We have been engaged by Standard Chartered PLC (the 'Company' or the 'Group')) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement, the related notes 1 to 31, and the risk and capital disclosures marked as 'reviewed' from page 51 to 112 (together the 'condensed consolidated interim financial statements'). We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the half-yearly financial report for the six months ended 30 June 2023 are not prepared, in all material respects, in accordance with United Kingdom (UK) adopted International Accounting Standard 34 (IAS 34), IAS 34 as adopted by the European Union (EU) and the Disclosure Guidance and Transparency Rules (DTR) of the UK's Financial Conduct Authority (FCA).

Basis for Conclusion

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards and international financial reporting standard as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted IAS 34 and IAS 34 as adopted by the EU.

Conclusions Relating to Going Concern

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

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

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK's FCA.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

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

Use of our report

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

Ernst & Young LLP

Ernst & Young LLP
London

28 July 2023

Condensed consolidated interim income statement

For the six months ended 30 June 2023

	Notes	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Interest income		12,826	5,785
Interest expense		(8,842)	(2,147)
Net interest income	3	3,984	3,638
Fees and commission income		2,079	2,023
Fees and commission expense		(434)	(359)
Net fee and commission income	4	1,645	1,664
Net trading income	5	3,233	2,679
Other operating income	6	265	244
Operating income		9,127	8,225
Staff costs		(4,158)	(3,853)
Premises costs		(208)	(197)
General administrative expenses		(741)	(686)
Depreciation and amortisation		(561)	(592)
Operating expenses	7	(5,668)	(5,328)
Operating profit before impairment losses and taxation		3,459	2,897
Credit impairment	8	(161)	(263)
Goodwill, property, plant and equipment and other impairment	9	(77)	(15)
Profit from associates and joint ventures	19	102	153
Profit before taxation		3,323	2,772
Taxation	10	(938)	(684)
Profit for the period		2,385	2,088
Profit attributable to:			
Non-controlling interests		(3)	(1)
Parent company shareholders		2,388	2,089
Profit for the period		2,385	2,088
		cents	cents
Earnings per share:			
Basic earnings per ordinary share	12	75.6	62.1
Diluted earnings per ordinary share	12	73.9	61.0

The notes on pages 121 to 172 form an integral part of these financial statements.

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June 2023

	Notes	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Profit for the period		**2,385**	2,088
Other comprehensive income/(loss):			
Items that will not be reclassified to income statement:		**(53)**	135
Own credit gains on financial liabilities designated at fair value through profit or loss		**(141)**	138
Equity instruments at fair value through other comprehensive income		**67**	(70)
Actuarial gains on retirement benefit obligations	26	**35**	84
Taxation relating to components of other comprehensive income		**(14)**	(17)
Items that may be reclassified subsequently to income statement:		**(233)**	(3,106)
Exchange differences on translation of foreign operations:			
Net losses taken to equity		**(979)**	(1,885)
Net gains on net investment hedges		**294**	482
Share of other comprehensive loss from associates and joint ventures		**(11)**	(82)
Debt instruments at fair value through other comprehensive income:			
Net valuation gains/(losses) taken to equity		**167**	(1,279)
Reclassified to income statement		**84**	(12)
Net impact of expected credit losses		**(41)**	(9)
Cash flow hedges:			
Net movements in cash flow hedge reserve[1]		**271**	(525)
Taxation relating to components of other comprehensive income		**(18)**	204
Other comprehensive loss for the period, net of taxation		**(286)**	(2,971)
Total comprehensive income/(loss) for the period		**2,099**	(883)
Total comprehensive income/(loss) attributable to:			
Non-controlling interests		**(31)**	(32)
Parent company shareholders		**2,130**	(851)
Total comprehensive income/(loss) for the period		**2,099**	(883)

1 This line item has been represented in 2022 as a net balance of all movements in the cash flow hedge reserve

Condensed consolidated interim balance sheet

As at 30 June 2023

	Notes	30.06.23 $million	31.12.22 $million
Assets			
Cash and balances at central banks		**86,339**	58,263
Financial assets held at fair value through profit or loss	13	**120,845**	105,812
Derivative financial instruments	13, 14	**60,388**	63,717
Loans and advances to banks	13	**44,602**	39,519
Loans and advances to customers	13	**290,137**	310,647
Investment securities	13	**162,079**	172,448
Other assets	18	**53,951**	50,383
Current tax assets		**423**	503
Prepayments and accrued income		**3,307**	3,149
Interests in associates and joint ventures	19	**1,734**	1,631
Goodwill and intangible assets	16	**5,898**	5,869
Property, plant and equipment	17	**2,216**	5,522
Deferred tax assets	10	**748**	834
Assets classified as held for sale	20	**6,044**	1,625
Total assets		**838,711**	819,922
Liabilities			
Deposits by banks	13	**28,560**	28,789
Customer accounts	13	**469,567**	461,677
Repurchase agreements and other similar secured borrowing	13, 15	**13,320**	2,108
Financial liabilities held at fair value through profit or loss	13	**78,783**	79,903
Derivative financial instruments	13, 14	**63,023**	69,862
Debt securities in issue	13	**63,815**	61,242
Other liabilities	21	**50,450**	43,527
Current tax liabilities		**723**	583
Accruals and deferred income		**6,238**	5,895
Subordinated liabilities and other borrowed funds	13, 24	**11,865**	13,715
Deferred tax liabilities	10	**689**	769
Provisions for liabilities and charges		**321**	383
Retirement benefit obligations	26	**126**	146
Liabilities included in disposal groups held for sale	20	**1,550**	1,307
Total liabilities		**789,030**	769,906
Equity			
Share capital and share premium account	25	**6,883**	6,930
Other reserves		**7,932**	8,165
Retained earnings		**28,988**	28,067
Total parent company shareholders' equity		**43,803**	43,162
Other equity instruments	25	**5,512**	6,504
Total equity excluding non-controlling interests		**49,315**	49,666
Non-controlling interests		**366**	350
Total equity		**49,681**	50,016
Total equity and liabilities		**838,711**	819,922

The notes on pages 121 to 172 form an integral part of these financial statements.

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

Andy Halford
Group Chief Financial Officer

Condensed consolidated interim statement of changes in equity

For the six months ended 30 June 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 reserve – debt $million	Fair value through other comprehensive income reserve – equity $million	Cash flow hedge reserve $million	Translation reserve $million	Retained earnings $million	Parent company shareholders' equity $million	Other equity instruments $million	Non-controlling interests $million	Total $million
As at 1 January 2022	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 period	–	–	–	–	–	–	–	–	2,089	2,089	–	(1)	2,088
Other comprehensive income/(loss)	–	–	–	115	(1,261)	(43)	(441)	(1,382)	72[2]	(2,940)	–	(31)	(2,971)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(26)	(26)
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	–	(990)	–	(990)
Treasury shares net movement	–	–	–	–	–	–	–	–	11	11	–	–	11
Share option expenses	–	–	–	–	–	–	–	–	104	104	–	–	104
Dividends on ordinary shares	–	–	–	–	–	–	–	–	(274)	(274)	–	–	(274)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(216)	(216)	–	–	(216)
Share buy-back[3]	(56)	–	56	–	–	–	–	–	(754)	(754)	–	–	(754)
Other movements	–	–	–	–	–	–	–	(12)[4]	35	23	–	61[6]	84
As at 30 June 2022	5,472	1,494	17,302	100	(1,158)	206	(475)	(7,138)	28,251	44,054	5,264	374	49,692
Profit/(loss) for the period	–	–	–	–	–	–	–	–	859	859	–	(45)	814
Other comprehensive (loss)/income	–	–	–	(163)	42	–	(89)	(522)	(64)[2]	(796)	–	(11)	(807)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(5)	(5)
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	–	–	1,240	–	1,240
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	–	(9)[4]	–	(9)
Treasury shares net movement	–	–	–	–	–	–	–	–	(214)	(214)	–	–	(214)
Share option expense, net of taxation	–	–	–	–	–	–	–	–	59	59	–	–	59
Dividends on ordinary shares	–	–	–	–	–	–	–	–	(119)	(119)	–	–	(119)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(185)	(185)	–	–	(185)
Share buy-back[7]	(36)	–	36	–	–	–	–	–	(504)	(504)	–	–	(504)
Other movements	–	–	–	–	–	–	–	24[4]	(16)[5]	8	9[4]	37[6]	54
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 period	–	–	–	–	–	–	–	–	2,388	2,388	–	(3)	2,385
Other comprehensive income/(loss)	–	–	–	(140)	204	50	247	(666)	47[2]	(258)	–	(28)	(286)
Distributions	–	–	–	–	–	–	–	–	–	–	–	(17)	(17)
Redemption of other equity instruments	–	–	–	–	–	–	–	–	–	–	(1,000)	–	(1,000)
Treasury shares net movement	–	–	–	–	–	–	–	–	23	23	–	–	23
Share option expenses	–	–	–	–	–	–	–	–	90	90	–	–	90
Dividends on ordinary shares	–	–	–	–	–	–	–	–	(401)	(401)	–	–	(401)
Dividends on preference shares and AT1 securities	–	–	–	–	–	–	–	–	(243)	(243)	–	–	(243)
Share buy-back[8]	(47)	–	47	–	–	–	–	–	(1,000)	(1,000)	–	–	(1,000)
Other movements	–	–	–	–	–	–	–	25[4]	17	42	8[4]	64[9]	114
As at 30 June 2023	5,389	1,494	17,385	(203)	(912)	256	(317)	(8,277)	28,988	43,803	5,512	366	49,681

1 Includes capital reserve of $5 million, capital redemption reserve of $269 million and merger reserve of $17,111 million

2 Comprises actuarial gain, net of taxation on Group defined benefit schemes

3 On 18 February 2022, the Group announced the buy-back programme for a share buy-back of its ordinary shares of $0.50 each. Nominal value of share purchases was $56 million, and the total consideration paid was $754 million (including $4 million of fees and stamp duty), the buy-back completed on 19 May 2022. The total number of shares purchased was 111,295,408, representing 3.61 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

4 Movement relating to Translation adjustment and AT1 Securities charges

5 Movement mainly related to $21million NCI on Power2SME Pte. Ltd. and $(12)million related to translation adjustment. $8 million in CurrencyFair relates to share of prior year reserves reported in half year ending Dec 2022

6 Movements related to non-controlling interest from Mox Bank Limited ($29 million), Trust Bank Singapore Ltd ($23 million) and Power2SME Pte. Ltd. ($9million) pertaining to half year ending Jun 2022. Further movement in NCI from Mox Bank Limited ($10 million), Trust Bank Singapore Ltd ($24 million) and Zodia Markets Holdings Ltd ($3 million) during the half year ending Dec 2022

7 On 1 August 2022, the Group announced the buy-back programme for a share buy-back of its ordinary shares of $0.50 each. Nominal value of share purchases was $36 million, and the total consideration paid was $504 million (including $2.5 million of fees). The total number of shares purchased was 73,073,837 representing 2.5 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

8 On 16 February 2023, the Group announced an additional buy-back programme for a share buy-back of its ordinary shares of $0.50 each. As at H1 2023 the buyback is ongoing, but the Nominal value of share purchases was $47 million, and the total consideration paid was $732 million and a further $268 million relating to irrevocable obligation to buy back shares. The total number of shares purchased was 93,894,706 representing 3.24 per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account

9 Movements related to non-controlling interest from Zodia Custody Limited ($27 million), Mox Bank Limited ($17 million), Trust Bank Singapore Ltd ($17 million) and Zodia Market Holdings Limited ($3 million)

Note 25 includes a description of each reserve.

The notes on pages 121 to 172 form an integral part of these financial statements.

Condensed consolidated interim cash flow statement

For the six months ended 30 June 2023

	Notes	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Cash flows from operating activities:			
Profit before taxation		**3,323**	2,772
Adjustments for non-cash items and other adjustments included within income statement	31	**1,518**	700
Change in operating assets	31	**(2,061)**	(24,285)
Change in operating liabilities	31	**26,466**	26,042
Contributions to defined benefit schemes		**(19)**	(15)
UK and overseas taxes paid		**(633)**	(252)
Net cash from operating activities		**28,594**	4,962
Cash flows from investing activities:			
Internally generated Capitalised Software	16	**(513)**	(486)
Purchase of property, plant and equipment	17	**(205)**	(553)
Disposal of property, plant and equipment	17	**68**	139
Disposal of held for sale property, plant and equipment	20	**136**	79
Acquisition of investment associates, and joint ventures, net of cash acquired	19	**(23)**	(4)
Disposal of investment in subsidiaries, associates and joint ventures, net of cash acquired		**26**	–
Dividends received from associates and joint ventures		**–**	58
Purchase of investment securities		**(140,689)**	(145,272)
Disposal and maturity of investment securities		**150,779**	135,373
Net cash from/(used in) investing activities		**9,579**	(10,666)
Cash flows from financing activities:			
Exercise of share options		**–**	11
Treasury Share sale		**23**	–
Cancellation of shares including share buy-back		**(736)**	(754)
Premises and equipment lease liability principal payment		**(120)**	(164)
Redemption of Tier 1 Capital	25	**(1,000)**	(990)
Gross proceeds from issue of subordinated liabilities	31	**–**	750
Interest paid on subordinated liabilities	31	**(300)**	(310)
Repayment of subordinated liabilities	31	**(2,000)**	(1,048)
Proceeds from issue of senior debts	31	**7,072**	6,511
Repayment of senior debts	31	**(2,715)**	(3,618)
Interest paid on senior debts	31	**(561)**	(487)
Net cash inflow from Non-controlling interest		**70**	82
Dividends paid to non-controlling interests, preference shareholders and AT1 securities		**(260)**	(242)
Dividends paid to ordinary shareholders		**(401)**	(274)
Net cash used in financing activities		**(928)**	(533)
Net increase/(decrease) in cash and cash equivalents		**37,245**	(6,237)
Cash and cash equivalents at beginning of the period		**88,719**	99,605
Effect of exchange rate movements on cash and cash equivalents		**(1,452)**	(2,553)
Cash and cash equivalents at end of the period[1]		**124,512**	90,815

1 Comprises cash and balances at central banks $86,339 million (30.06.22: $67,005 million), treasury bills and other eligible bills $9,982 million (30.06.22: $12,826 million), loans and advances to banks $33,431 million (30.06.22: $21,195 million), trading securities $2,656 million (30.06.22: $1,062 million) less restricted balances $7,896 million (30.06.22: $11,273 million)

Interest received was $13,068 million (30.06.22: $6,043 million), interest paid was $7,898 million (30.06.22: $1,878 million).

Contents – Notes to the financial statements

1. Accounting policies

Statement of compliance

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

These interim financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority (FCA) and with UK-adopted IAS 34 Interim Financial Reporting and IAS 34 as adopted by the European Union (EU). They should be read in conjunction the 2022 Annual Report, which was prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Standards (IFRS) as adopted by the EU (EU IFRS).

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

a) Risk review: Disclosures marked as 'reviewed' from the start of the Credit Risk section to the end of Other principal risks in the same section; and

b) Capital review: Tables marked as 'reviewed' from the start of 'CRD Capital base' to the end of 'Movement in total capital', excluding 'Total risk-weighted assets'.

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

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of cash-settled share-based payments, assets held for sale, 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 ($) and all values are rounded to the nearest million dollars, except when otherwise indicated.

Significant accounting estimates and judgements

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

IFRS and Hong Kong accounting requirements

As required by the Hong Kong Listing Rules, an explanation of the differences in accounting practices between UK-adopted IFRS and Hong Kong Financial Reporting Standards is required to be disclosed. There would be no significant differences had these accounts been prepared in accordance with Hong Kong Financial Reporting Standards.

Comparatives

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

- Note 2 Segmental information
- Note 12 Earnings per ordinary share

Going concern

These financial statements were approved by the Board of directors on 28 July 2023. The directors have made an assessment of the Group's ability to continue as a going concern. This assessment has been made having considered the current macroeconomic and geopolitical headwinds, including:

- Review of the Group Strategy and Corporate Plan
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual budget
- Consideration of stress testing performed, including both the Bank of England annual stress test and a Group Recovery and Resolution Plan (RRP) as submitted to the PRA. Both these submissions include the application of stressed scenarios. Under the tests and through the range of scenarios, the results of these exercises and the RRP demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet minimum regulatory capital and liquidity requirements
- Analysis of the capital, funding and liquidity position of the Group, including the capital and leverage ratios, and ICAAP which summarises the Group's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the ADR and LCR ratios

1. Accounting policies continued

- 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 28 July 2023. 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 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 (page 146).

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 statutory IFRS performance is adjusted for certain items to arrive at alternative performance measures. These items include profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing consistent performance period by period. The alternative performance measures are not within the scope of IFRS and not a substitute for IFRS measures. These adjustments are set out below.

Restructuring gains of $56 million primarily relate to the exits in AME and the aviation finance business. The Group is also reclassifying the movements in the Debit Valuation Adjustment (DVA) into restructuring and other items.

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

Profit before taxation (PBT)

	6 months ended 30.06.23			
	Underlying $million	Restructuring $million	DVA $million	Statutory $million
Operating income	8,951	215	(39)	9,127
Operating expenses	(5,504)	(164)	–	(5,668)
Operating profit/(loss) before impairment losses and taxation	3,447	51	(39)	3,459
Credit impairment	(172)	11	–	(161)
Other impairment	(63)	(14)	–	(77)
Profit from associates and joint ventures	94	8	–	102
Profit/(loss) before taxation	**3,306**	**56**	**(39)**	**3,323**

	6 months ended 30.06.22[1]			
	Underlying $million	Restructuring $million	DVA $million	Statutory $million
Operating income	7,859	246	120	8,225
Operating expenses	(5,096)	(232)	–	(5,328)
Operating profit before impairment losses and taxation	2,763	14	120	2,897
Credit impairment	(264)	1	–	(263)
Other impairment	(1)	(14)	–	(15)
Profit from associates and joint ventures	153	–	–	153
Profit before taxation	2,651	1	120	2,772

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

2. Segmental information continued

Underlying performance by client segment

	6 months ended 30.06.23				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	5,823	3,556	89	(517)	8,951
External	4,569	2,154	89	2,139	8,951
Inter-segment	1,254	1,402	–	(2,656)	–
Operating expenses	(2,818)	(2,075)	(211)	(400)	(5,504)
Operating profit/(loss) before impairment losses and taxation	3,005	1,481	(122)	(917)	3,447
Credit impairment	(69)	(108)	(23)	28	(172)
Other impairment	(21)	–	–	(42)	(63)
(Loss)/profit from associates and joint ventures	–	–	(13)	107	94
Underlying profit/(loss) before taxation	2,915	1,373	(158)	(824)	3,306
Restructuring	73	(16)	(1)	–	56
DVA	(39)	–	–	–	(39)
Statutory profit/(loss) before taxation	2,949	1,357	(159)	(824)	3,323
Total assets	401,001	129,660	3,076	304,974	838,711
Of which: loans and advances to customers[1]	174,214	127,039	947	33,623	335,823
loans and advances to customers	128,548	127,020	947	33,622	290,137
loans held at fair value through profit or loss (FVTPL)	45,666	19	–	1	45,686
Total liabilities	490,697	190,690	2,317	105,326	789,030
Of which: customer accounts[1]	333,584	185,741	2,072	8,394	529,791

1 Loans and advances to customers includes FVTPL and customer accounts includes FVTPL and repurchase agreements

	6 months ended 30.06.22[2]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Operating income	4,569	2,845	5	440	7,859
External	4,273	2,586	5	995	7,859
Inter-segment	296	259	–	(555)	–
Operating expenses	(2,565)	(2,050)	(146)	(335)	(5,096)
Operating profit/(loss) before impairment losses and taxation	2,004	795	(141)	105	2,763
Credit impairment	(194)	(80)	(3)	13	(264)
Other impairment	–	(1)	–	–	(1)
(Loss)/profit from associates and joint ventures	–	–	(7)	160	153
Underlying profit/(loss) before taxation	1,810	714	(151)	278	2,651
Restructuring	30	(17)	(1)	(11)	1
DVA	120	–	–	–	120
Statutory profit/(loss) before taxation	1,960	697	(152)	267	2,772
Total assets	427,483	134,979	1,371	272,084	835,917
Of which: loans and advances to customers[1]	192,439	132,275	342	29,418	354,474
loans and advances to customers	134,154	132,233	342	26,779	293,508
loans held at fair value through profit or loss (FVTPL)	58,285	42	–	2,639	60,966
Total liabilities	500,400	179,637	770	105,418	786,225
Of which: customer accounts[1]	321,517	175,747	689	9,058	507,011

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 statutory performance

2. Segmental information continued

Operating income by client segment

	6 months ended 30.06.23				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	5,823	3,556	89	(517)	8,951
Restructuring	187	23	–	5	215
DVA	(39)	–	–	–	(39)
Statutory operating income	5,971	3,579	89	(512)	9,127

	6 months ended 30.06.22[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Underlying operating income	4,569	2,845	5	440	7,859
Restructuring	213	26	–	7	246
DVA	120	–	–	–	120
Statutory operating income	4,902	2,871	5	447	8,225

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

Underlying performance by region

	6 months ended 30.06.23				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Operating income	6,355	1,441	850	305	8,951
Operating expenses	(3,527)	(796)	(866)	(315)	(5,504)
Operating profit/(loss) before impairment losses and taxation	2,828	645	(16)	(10)	3,447
Credit impairment	(182)	9	(4)	5	(172)
Other impairment	(2)	(1)	9	(69)	(63)
Profit/(loss) from associates and joint ventures	105	–	–	(11)	94
Underlying profit/(loss) before taxation	2,749	653	(11)	(85)	3,306
Restructuring	(22)	35	19	24	56
DVA	(22)	(3)	(14)	–	(39)
Statutory profit/(loss) before taxation	2,705	685	(6)	(61)	3,323
Total assets	500,118	50,716	278,561	9,316	838,711
Of which: loans and advances to customers[1]	255,211	22,498	58,114	–	335,823
loans and advances to customers	240,304	20,987	28,846	–	290,137
loans held at fair value through profit or loss (FVTPL)	14,907	1,511	29,268	–	45,686
Total liabilities	445,833	40,487	233,442	69,268	789,030
Of which: customer accounts[1]	353,487	30,922	145,382	–	529,791

2. Segmental information continued

	6 months ended 30.06.22[2]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Operating income	5,339	1,202	1,375	(57)	7,859
Operating expenses	(3,318)	(749)	(762)	(267)	(5,096)
Operating profit/(loss) before impairment losses and taxation	2,021	453	613	(324)	2,763
Credit impairment	(398)	99	31	4	(264)
Other impairment	(3)	(1)	2	1	(1)
Profit/(loss) from associates and joint ventures	156	–	–	(3)	153
Underlying profit/(loss) before taxation	1,776	551	646	(322)	2,651
Restructuring	13	19	(12)	(19)	1
DVA	43	15	62	–	120
Statutory profit/(loss) before taxation	1,832	585	696	(341)	2,772
Total assets	477,485	57,859	291,264	9,309	835,917
Of which: loans and advances to customers[1]	259,484	28,003	66,987	–	354,474
loans and advances to customers	243,169	26,656	23,683	–	293,508
loans held at fair value through profit or loss (FVTPL)	16,315	1,347	43,304	–	60,966
Total liabilities	431,424	42,672	243,877	68,252	786,225
Of which: customer accounts[1]	332,705	33,480	140,826	–	507,011

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 statutory performance

Operating income by region

	6 months ended 30.06.23				
	Asia $million	**Africa & Middle East $million**	**Europe & Americas $million**	**Central & other items (region) $million**	**Total $million**
Underlying operating income	**6,355**	**1,441**	**850**	**305**	**8,951**
Restructuring	**117**	**74**	**25**	**(1)**	**215**
DVA	**(22)**	**(3)**	**(14)**	**–**	**(39)**
Statutory operating income	**6,450**	**1,512**	**861**	**304**	**9,127**

	6 months ended 30.06.22[1]				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Underlying operating income	5,339	1,202	1,375	(57)	7,859
Restructuring	150	75	7	14	246
DVA	43	15	62	–	120
Statutory operating income	5,532	1,292	1,444	(43)	8,225

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

2. Segmental information continued

Additional segmental information (statutory)

	6 months ended 30.06.23				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Net interest income	2,272	2,451	31	(770)	3,984
Net fees and commission income	861	816	26	(58)	1,645
Net trading and other income	2,838	312	32	316	3,498
Operating income	5,971	3,579	89	(512)	9,127

	6 months ended 30.06.22[1]				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Net interest income	1,579	1,735	4	320	3,638
Net fees and commission income	788	868	3	5	1,664
Net trading and other income	2,535	268	(2)	122	2,923
Operating income	4,902	2,871	5	447	8,225

	6 months ended 30.06.23				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Net interest income	3,141	777	(304)	370	3,984
Net fees and commission income	1,157	261	272	(45)	1,645
Net trading and other income	2,152	474	893	(21)	3,498
Operating income	6,450	1,512	861	304	9,127

	6 months ended 30.06.22				
	Asia $million	Africa & Middle East $million	Europe & Americas $million	Central & other items (region) $million	Total $million
Net interest income	2,668	577	357	36	3,638
Net fees and commission income	1,167	271	301	(75)	1,664
Net trading and other income	1,697	444	786	(4)	2,923
Operating income	5,532	1,292	1,444	(43)	8,225

	6 months ended 30.06.23									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Net interest income	1,103	366	271	73	547	331	47	201	(506)	100
Net fees and commission income	322	88	93	94	274	116	23	37	15	213
Net trading and other income	777	123	228	122	441	174	43	181	664	138
Operating income	2,202	577	592	289	1,262	621	113	419	173	451

	6 months ended 30.06.22									
	Hong Kong $million	Korea $million	China $million	Taiwan $million	Singapore $million	India $million	Indonesia $million	UAE $million	UK $million	US $million
Net interest income	819	384	273	92	407	315	43	109	122	189
Net fees and commission income	307	89	75	86	307	135	29	53	42	198
Net trading and other income	620	138	251	58	161	227	39	143	609	145
Operating income	1,746	611	599	236	875	677	111	305	773	532

3. Net interest income

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Balances at central banks	1,211	146
Loans and advances to banks	958	326
Loans and advances to customers	7,407	3,962
Debt securities	2,344	1,080
Other eligible bills	809	206
Accrued on impaired assets (discount unwind)	97	65
Interest income	12,826	5,785
Of which: financial instruments held at fair value through other comprehensive income	1,767	833
Deposits by banks	374	92
Customer accounts	6,489	1,438
Debt securities in issue	1,538	347
Subordinated liabilities and other borrowed funds	415	247
Interest expense on IFRS 16 lease liabilities	26	23
Interest expense	8,842	2,147
Net interest income	3,984	3,638

4. Net fees and commission

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Fees and commissions income	2,079	2,023
Of which:		
Financial instruments that are not fair valued through profit or loss	687	650
Trust and other fiduciary activities	265	284
Fees and commissions expense	(434)	(359)
Of which:		
Financial instruments that are not fair valued through profit or loss	(145)	(114)
Trust and other fiduciary activities	(25)	(24)
Net fees and commission	1,645	1,664

4. Net fees and commission continued

	6 months ended 30.06.23				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Transaction Banking	574	16	–	–	590
Trade & Working capital	296	12	–	–	308
Cash Management	278	4	–	–	282
Financial Markets	442	–	–	–	442
Lending & Portfolio Management	65	3	–	–	68
Wealth Management	–	644	–	–	644
Retail Products	–	298	14	–	312
Treasury	–	–	–	(6)	(6)
Others	–	1	24	4	29
Fees and commission income	1,081	962	38	(2)	2,079
Fees and commission expense	(220)	(146)	(12)	(56)	(434)
Net fees and commission	861	816	26	(58)	1,645

	6 months ended 30.06.22				
	Corporate, Commercial & Institutional Banking $million	Consumer, Private & Business Banking $million	Ventures $million	Central & other items (segment) $million	Total $million
Transaction Banking	525	17	–	–	542
Trade & Working capital	320	13	–	–	333
Cash Management	205	4	–	–	209
Financial Markets	434	–	–	–	434
Lending & Portfolio Management	53	3	–	–	56
Wealth Management	–	666	–	–	666
Retail Products	–	293	4	–	297
Treasury	–	–	–	(4)	(4)
Others	–	16	4	12	32
Fees and commission income	1,012	995	8	8	2,023
Fees and commission expense	(224)	(127)	(5)	(3)	(359)
Net fees and commission	788	868	3	5	1,664

Up front bancassurance consideration amounts are amortised on a straight-line basis over the contractual period to which the consideration relates. Deferred income on the balance sheet in respect of these activities is $507 million (30 June 2022: $592 million). The income will be earned evenly over the next 6 years (30 June 2022: 7 years). For the six months ended 30 June 2023, $42 million of fee income was released from deferred income (30 June 2022: $42 million)

For the bancassurance contract with the annual performance bonus, based on progress so far and expectation of meeting the performance targets by year-end with a high probability, a pro-rata portion of the total performance fee, equal to $107 million of the fee has been recognised as fee income in the period.

5. Net trading income

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Net trading income	3,233	2,679
Significant items within net trading income include:		
Gains on instruments held for trading[1]	2,876	2,480
Gains on financial assets mandatorily at fair value through profit or loss	1,914	157
Gains/(losses) on financial assets designated at fair value through profit or loss	4	(6)
(Losses)/gains on financial liabilities designated at fair value through profit or loss	(1,642)	178

1 Includes $29 million loss (30 June 2022: $666 million gain) from the translation of foreign currency monetary assets and liabilities

6. Other operating income

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Other operating income includes:		
Rental income from operating lease assets	246	203
Net (loss)/gain on disposal of fair value through other comprehensive income debt instruments	(85)	12
Net (loss)/gain on amortized cost financial assets	(20)	2
Net gain/(loss) on sale of businesses	28	(1)
Dividend income	10	6
Gain on sale of aircrafts	–	6
Other	86	16
Other operating income	265	244

7. Operating expenses

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Staff costs:		
Wages and salaries	3,204	2,963
Social security costs	123	115
Other pension costs	214	195
Share-based payment costs	112	122
Other staff costs	505	458
	4,158	3,853

Other staff costs include redundancy expenses of $25 million (30 June 2022: $24 million). Further costs in this category include training, travel costs and other staff-related costs.

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Premises and equipment expenses	208	197
General administrative expenses	741	686
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	158	161
Equipment	54	64
Operating lease assets	27	105
Intangibles:		
Software	322	260
Acquired on business combinations	–	2
	561	592
Total operating expenses	5,668	5,328

Operating expenses include research expenditure of $472 million (30 June 2022: $408 million), which was recognized as an expense in the period.

8. Credit impairment

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Net credit impairment on loans and advances to banks and customers	225	278
Net credit impairment on debt securities	(37)	(1)
Net credit impairment relating to financial guarantees and loan commitments	(37)	(14)
Net credit impairment relating to other financial assets	10	–
Credit impairment[1]	**161**	263

1 No material purchased or originated credit-impaired (POCI) assets

9. Other impairment

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Impairment of property, plant and equipment (Note 17)	2	(1)
Impairment of other intangible assets (Note 16)	67	1
Other	8	15
Other impairment	**77**	15

10. Taxation

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

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
The charge for taxation based upon the profit for the period comprises:		
Current tax:		
United Kingdom corporation tax at 23.5 per cent (2022: 19 per cent):		
Current tax charge on income for the period	2	–
Adjustments in respect of prior periods (including double tax relief)	–	–
Foreign tax:		
Current tax charge on income for the period	892	578
Adjustments in respect of prior periods	(3)	(6)
	891	572
Deferred tax:		
Origination/reversal of temporary differences	33	113
Adjustments in respect of prior periods	14	(1)
	47	112
Tax on profits on ordinary activities	938	684
Effective tax rate	**28.2%**	24.7%

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

The tax charge for the period of $938 million (30 June 2022: $684 million) on a profit before tax of $3,323 million (30 June 2022: $2,772 million) reflects the impact of non-deductible expenses, non-creditable withholding taxes offset by countries with tax rates lower than the UK, the most significant of which is Singapore.

Foreign tax includes current tax of $98 million (30 June 2022: $4 million) on the profits assessable in Hong Kong. Deferred tax includes origination or reversal of temporary differences of $29 million (30 June 2022: $36 million) provided at a rate of 16.5 per cent (30 June 2022: 16.5 per cent) on the profits assessable in Hong Kong.

Legislation in respect of Pillar Two income taxes was substantively enacted in the UK on 20 June 2023 to apply for periods commencing 1 January 2024. The group is in the process of undertaking an impact assessment. The IAS 12 exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

10. Taxation continued

Deferred tax comprises assets and liabilities as follows:

	30.06.23			31.12.22		
	Total $million	Asset $million	Liability $million	Total $million	Asset $million	Liability $million
Deferred tax comprises:						
Accelerated tax depreciation	(402)	–	(402)	(589)	1	(590)
Impairment provisions on loans and advances	343	361	(18)	334	339	(5)
Tax losses carried forward	148	125	23	212	90	122
Equity instruments at fair value through other comprehensive income	(86)	(1)	(85)	(74)	–	(74)
Debt instruments at fair value through other comprehensive income	53	40	13	61	45	16
Cash flow hedges	67	75	(8)	89	85	4
Own credit adjustment	6	(1)	7	5	(1)	6
Retirement benefit obligations	(19)	9	(28)	2	15	(13)
Share-based payments	38	7	31	36	5	31
Other temporary differences	(89)	133	(222)	(11)	255	(266)
	59	748	(689)	65	834	(769)

11. Dividends

Ordinary equity shares

	6 months ended 30.06.23		6 months ended 31.12.22		6 months ended 30.06.22	
	Cents per share	$million	Cents per share	$million	Cents per share	$million
2022/2021 final dividend declared and paid during the period	14	401	–	–	9	274
2022 interim dividend declared and paid during the year	–	–	4	119	–	–

The 2022 final dividend per share of 14 cents per ordinary share ($401 million) was paid to eligible shareholders on 11 May 2023, and is recognised in these interim accounts.

Interim 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.

2023 recommended interim dividend

The 2023 interim dividend of 6 cents per ordinary share will be paid in pounds sterling, Hong Kong dollars or US dollars on 13 October 2023 to shareholders on the UK register of members at the close of business in the UK on 11 August 2023.

Preference shares and Additional Tier 1 securities

Dividends on these preference shares and securities classified as equity are recorded in the period in which they are declared.

	6 months ended 30.06.23 $million	6 months ended 31.12.22 $million	6 months ended 30.06.22 $million
Non-cumulative redeemable preference shares: 7.014 per cent preference shares of $5 each	26	27	26
6.409 per cent preference shares of $5 each	23	14	6
	49	41	32
Additional Tier 1 securities: fixed rate resetting perpetual subordinated contingent convertible securities	194	144	184
	243	185	216

12. Earnings per ordinary share

	6 months ended 30.06.23 $million	6 months ended 30.06.22[1] $million
Profit for the period attributable to equity holders	2,385	2,088
Non-controlling interest	3	1
Dividend payable on preference shares and AT1 classified as equity	(243)	(216)
Profit for the period attributable to ordinary shareholders	2,145	1,873
Items normalised:		
Restructuring[1]	(56)	(1)
DVA	39	(120)
Tax on normalised items	–	14
Underlying profit[1]	2,128	1,766
Basic – Weighted average number of shares (millions)	2,839	3,014
Diluted – Weighted average number of shares (millions)	2,902	3,069
Basic earnings per ordinary share (cents)	75.6	62.1
Diluted earnings per ordinary share (cents)	73.9	61.0
Underlying basic earnings per ordinary share (cents)[1]	75.0	58.6
Underlying diluted earnings per ordinary share (cents)[1]	73.3	57.5

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

13. Financial instruments

Classification and measurement

Assets	Notes	Assets at fair value: Trading $million	Derivatives held for hedging $million	Non-trading mandatorily at fair value through profit or loss $million	Designated at fair value through profit or loss $million	Fair value through other compre-hensive income $million	Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
Cash and balances at central banks		–	–	–	–	–	–	86,339	86,339
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		2,126	–	–	–	–	2,126	–	2,126
Loans and advances to customers[1]		5,106	–	262	–	–	5,368	–	5,368
Reverse repurchase agreements and other similar secured lending	15	5,276	–	69,509	–	–	74,785	–	74,785
Debt securities, alternative tier one and other eligible bills		35,488	–	117	75	–	35,680	–	35,680
Equity shares		2,650	–	229	–	–	2,879	–	2,879
Other assets	18	–	–	7	–	–	7	–	7
		50,646	–	70,124	75	–	120,845	–	120,845
Derivative financial instruments	14	57,366	3,022	–	–	–	60,388	–	60,388
Loans and advances to banks[1]		–	–	–	–	–	–	44,602	44,602
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	1,383	1,383
Loans and advances to customers[1]		–	–	–	–	–	–	290,137	290,137
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	10,950	10,950
Investment securities									
Debt securities, alternative tier one and other eligible bills		–	–	–	–	102,866	102,866	58,388	161,254
Equity shares		–	–	–	–	825	825	–	825
		–	–	–	–	103,691	103,691	58,388	162,079
Other assets	18	–	–	–	–	–	–	45,367	45,367
Assets held for sale	20	–	–	–	39	–	39	2,444	2,483
Total at 30 June 2023		108,012	3,022	70,124	114	103,691	284,963	527,277	812,240

1 Further analysed in Risk review and Capital review (pages 49 to 112)

13. Financial instruments continued

Assets	Notes	Assets at fair value: Trading $million	Derivatives held for hedging $million	Non-trading mandatorily at fair value through profit or loss $million	Designated at fair value through profit or loss $million	Fair value through other comprehensive income $million	Total financial assets at fair value $million	Assets held at amortised cost $million	Total $million
Cash and balances at central banks		–	–	–	–	–	–	58,263	58,263
Financial assets held at fair value through profit or loss									
Loans and advances to banks[1]		976	–	–	–	–	976	–	976
Loans and advances to customers[1]		5,765	–	781	–	–	6,546	–	6,546
Reverse repurchase agreements and other similar secured lending	15	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	18	–	–	7	–	–	7	–	7
		41,075	–	64,661	76	–	105,812	–	105,812
Derivative financial instruments	14	60,858	2,859	–	–	–	63,717	–	63,717
Loans and advances to banks[1]		–	–	–	–	–	–	39,519	39,519
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	978	978
Loans and advances to customers[1]		–	–	–	–	–	–	310,647	310,647
of which – reverse repurchase agreements and other similar secured lending	15	–	–	–	–	–	–	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	18	–	–	–	–	–	–	39,295	39,295
Assets held for sale	20	–	–	–	3	–	3	1,388	1,391
Total at 31 December 2022		101,933	2,859	64,661	79	112,734	282,266	508,826	791,092

1 Further analysed in Risk review and Capital review (pages 49 to 112)

13. Financial instruments continued

Liabilities	Notes	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
		Liabilities at fair value					
Deposits by banks		–	–	–	–	28,560	28,560
Customer accounts		–	–	–	–	469,567	469,567
Financial liabilities held at fair value through profit or loss							
Deposits by banks		–	–	1,941	1,941	–	1,941
Customer accounts		43	–	14,983	15,026	–	15,026
Repurchase agreements and other similar secured borrowing	15	45	–	42,130	42,175	–	42,175
Debt securities in issue		–	–	10,407	10,407	–	10,407
Short positions		9,226	–	–	9,226	–	9,226
Other liabilities		–	–	8	8	–	8
		9,314	–	69,469	78,783	–	78,783
Derivative financial instruments	14	59,371	3,652	–	63,023	–	63,023
Repurchase agreements and other similar secured borrowing	15	–	–	–	–	13,320	13,320
Debt securities in issue		–	–	–	–	63,815	63,815
Other liabilities	21	–	–	–	–	49,958	49,958
Subordinated liabilities and other borrowed funds	24	–	–	–	–	11,865	11,865
Liabilities included in disposal groups held for sale	20	–	–	–	–	1,194	1,194
Total at 30 June 2023		68,685	3,652	69,469	141,806	638,279	780,085

Liabilities	Notes	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
		Liabilities at fair value					
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	15	–	–	51,706	51,706	–	51,706
Debt securities in issue		–	–	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	15	–	–	–	–	2,108	2,108
Debt securities in issue		–	–	–	–	61,242	61,242
Other liabilities	21	–	–	–	–	42,915	42,915
Subordinated liabilities and other borrowed funds	24	–	–	–	–	13,715	13,715
Liabilities included in disposal groups held for sale	20	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 the first six months of 2023, significant progress was made in support of the IBOR transition.

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

Having completed the remediation of all non-USD LIBOR exposures at the end of 2021 with no reliance on synthetic rates, the Programme focused on remediating legacy USD LIBOR stock. Clients with legacy USD LIBOR loans were engaged to remediate their contracts primarily via active conversion to alternative rates, or other suitable transition mechanisms such as the inclusion of robust fallbacks. For derivatives, the Group adhered to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol for all its trading entities, and continued to engage clients to do the same or to negotiate remediation bilaterally.

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

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

Risks which the Group is exposed to due to IBOR transition

The Group has largely mitigated all material adverse outcomes associated with the cessation of IBOR benchmarks, and these have not required a change to the Group's risk management strategy. However, the Group will continue to focus on the remediation required for other benchmarks, and monitor and manage the inherent risks of the transition, with particular attention being paid to the following:

- Legal Risk: IBOR transition introduces significant legal risks and the Group has taken action to mitigate them where possible. Steps have been taken to either insert robust fallbacks or actively convert transactions from the relevant IBOR to the new RFR-based options. The Group actively monitors remediation progress and tracks exposures that are proving difficult to remediate, and where there is a risk they may remain outstanding after the expected end of synthetic LIBOR at the end of September 2024
- Conduct Risk: The Group considers Conduct Risk to be a significant area of non-financial risk management throughout the transition. Our risk appetite statement on Conduct Risk strives to maintain appropriate outcomes by continuously demonstrating that we are 'Doing the Right Thing' in the way we do business. Accordingly, we recognise that the identification and mitigation of conduct risks arising in respect of the transition are fundamental to the successful transition to new RFR-based rates. The Group has therefore taken actions in this regard as an integral part of its IBOR Transition Programme, including an extensive outreach programme
- Operational Risk: The Group has recognised the importance of the ongoing identification and management of Operational Risk resulting from the IBOR transition, including those related to systems affected by the transition. The Programme has adopted the Group's existing Operational Risk Framework in its approach to identifying, quantifying, and mitigating the impact of operational risks resulting from the transition
- Market Risk: As trades are transitioned from IBOR to RFRs, the business-as-usual metrics, limit structure and controls will continue to apply. Limits for value at risk and market risk sensitivities are in accordance with the Group Risk Appetite Statement. New limits have been set following engagement with the business to consider client demand and market liquidity in RFR-linked products, as well as the regulatory expectations. It should be noted that no legacy LIBOR exposures were transitioned to credit sensitive rates, nor does the Group plan on making this available in its future product offering
- Financial and pricing risk: The Group continues to monitor any financial impact of IBOR transition across business and functional workstreams in the Programme, and has implemented model and pricing changes to mitigate these risks and ensure alignment with conventions and pricing mechanisms of the alternative reference rates and indices
- Accounting Risk: The Group has identified the financial instruments that may be affected by accounting issues such as accounting for contractual changes due to IBOR reform, fair value measurement and hedge accounting. We continue to monitor as remediation for residual contracts is completed.

13. Financial instruments continued

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

IBOR exposures by benchmark as of 30 June 2023	USD LIBOR $million	GBP LIBOR $million	SGD SOR $million	THB FIX $million	Other IBOR $million	Total IBOR $million
Assets[1]						
Loans and advances to banks	90	–	–	–	–	90
Loans and advances to customers	15,676	–	6	–	–	15,682
Debt securities, AT1 and other eligible bills	2,025	–	14	–	–	2,039
	17,791	–	20	–	–	17,811
Liabilities[1]						
Deposits by banks	322	–	–	–	–	322
Customer accounts	396	–	–	32	–	428
Repurchase agreements and other secured borrowing	–	–	–	–	–	–
Debt securities in issue	1,001	–	–	–	–	1,001
Subordinated liabilities and other borrowed funds	–	–	–	–	–	–
	1,719	–	–	32	–	1,751
Derivatives – Foreign exchange contracts						
Currency swaps and options	413	–	–	–	–	413
Derivatives – Interest rate contracts						
Swaps	5,340	–	–	–	–	5,340
Forward rate agreements and options	–	–	–	–	–	–
Exchange traded futures and options	–	–	–	–	–	–
Equity and stock index options	–	–	–	–	–	–
Credit derivative contracts	–	–	–	–	–	–
Total IBOR derivative exposure	5,753	–	–	–	–	5,753
Total IBOR exposure	25,263	–	20	32	–	25,315
Loan commitments off balance sheet	1,050	–	–	–	–	1,050

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

13. Financial instruments continued

IBOR exposures by benchmark as at 31 December 2022	USD LIBOR $million	GBP LIBOR $million	SGD SOR $million	THB FIX $million	Other IBOR $million	Total IBOR $million
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

Financial liabilities designated at fair value through profit or loss

	30.06.23 $million	31.12.22 $million
Carrying balance aggregate fair value	**69,469**	73,027
Amount contractually obliged to repay at maturity	**70,986**	74,138
Difference between aggregate fair value and contractually obliged to repay at maturity	**(1,517)**	(1,111)
Cumulative change in fair value accredited to credit risk difference	**(201)**	(56)

The net fair value loss on financial liabilities designated at fair value through profit or loss was $ 1,642 million for the half year ended 30 June 2023 (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 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.

13. Financial instruments continued

The Valuation Methodology function is responsible for independent price verification, oversight of fair value and appropriate value adjustments and escalation of valuation issues. Independent price verification is the process of determining that the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Methodology function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification(PV) may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. The Valuation Methodology function perform an ongoing review of the market data sources that are used as part of the PV and fair value processes which are formally documented on a semi-annual basis detailing the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

The Valuation and Benchmarks Committee (VBC) is the valuation governance forum consisting of representatives from Group Market Risk, Product Control, Valuation Methodology and the business, which meets monthly to discuss and approve the independent valuations of the inventory. For Principal Finance, the Investment Committee meeting is held on a quarterly basis to review investments and valuations.

Significant accounting estimates and judgements

The Group evaluates the significance of financial instruments and material accuracy of the valuations incorporated in the financial statements as they involve a high degree of judgement and estimation uncertainty in determining the carrying values of financial assets and liabilities at the balance sheet date.

- Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments
- When establishing the exit price of a financial instrument using a valuation technique, the Group estimates valuation adjustments in determining the fair value
- 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 147)
- Where the estimated measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs

Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3 (page 142)

- **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 commodity crack swaption and equity options based on the performance of two or more underlying indices. In most cases these unobservable correlation parameters cannot be implied from the market, and methods such as historical analysis and comparison with historical levels or other benchmark data must be employed

13. Financial instruments continued

- **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
- **Investment securities:** For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using input proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or input proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relates to asset-backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows

13. Financial instruments continued

- **Loans and advances to banks and customers:** For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar Credit Risk and remaining maturity. The Group's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and Credit Risk. Expected cash flows are discounted at current market rates to determine fair value. The Group has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical
- **Other assets:** Other assets comprise primarily of cash collateral and trades pending settlement. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are either short-term in nature or re-price to current market rates frequently

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Group considers adjustments to the modelled price which market participants would make when pricing that instrument. The main valuation adjustments (described further below) in determining fair value for financial assets and financial liabilities are as follows:

	01.01.23 $million	Movement during the year $million	30.06.23 $million	01.01.22 $million	Movement during the year $million	31.12.22 $million
Bid-offer valuation adjustment	118	1	119	101	17	118
Credit valuation adjustment	171	(32)	139	165	6	171
Debit valuation adjustment	(112)	39	(73)	(70)	(42)	(112)
Model valuation adjustment	3	–	3	5	(2)	3
Funding valuation adjustment	46	(8)	38	–	46	46
Other fair value adjustments	23	(3)	20	20	3	23
Total	249	(3)	246	221	28	249
Income deferrals						
Day 1 and other deferrals	186	(61)	125	147	39	186
Total	186	(61)	125	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 to the inception of the trade and, conversely, decrease if its credit standing improves. The Group's OCA reserve will reverse over time as its liabilities mature.

Fair value hierarchy – financial instruments held at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

- **Level 1:** Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities
- **Level 2**: Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- **Level 3:** Fair value measurements are those where inputs which could have a significant effect on the instrument's valuation are not based on observable market data

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	–	2,126	–	2,126
Loans and advances to customers	–	4,145	1,223	5,368
Reverse repurchase agreements and other similar secured lending	–	73,270	1,515	74,785
Debt securities and other eligible bills	17,734	17,043	903	35,680
Of which:				
Issued by Central banks & Governments	14,636	6,171	–	20,807
Issued by corporates other than financial institutions[1]	482	3,958	655	5,095
Issued by financial institutions[1]	2,616	6,914	248	9,778
Equity shares	2,701	3	175	2,879
Derivative financial instruments	973	59,302	113	60,388
Of which:				
Foreign exchange	129	50,237	54	50,420
Interest rate	16	7,401	28	7,445
Credit	–	378	29	407
Equity and stock index options	–	97	2	99
Commodity	828	1,189	–	2,017
Investment securities				
Debt securities and other eligible bills	55,613	47,202	51	102,866
Of which:				
Issued by Central banks & Governments	47,196	18,322	51	65,569
Issued by corporates other than financial institutions[1]	1,520	2,079	–	3,599
Issued by financial institutions[1]	6,897	28,801	–	33,698
Equity shares	128	7	690	825
Other Assets	–	–	7	7
Total financial instruments at 30 June 2023[2]	77,149	203,098	4,677	284,924

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	1,689	252	1,941
Customer accounts	–	14,146	880	15,026
Repurchase agreements and other similar secured borrowing	–	42,175	–	42,175
Debt securities in issue	–	9,886	521	10,407
Short positions	5,149	4,077	–	9,226
Derivative financial instruments	756	62,094	173	63,023
Of which:				
Foreign exchange	125	49,979	17	50,121
Interest rate	28	10,039	7	10,074
Credit	–	663	95	758
Equity and stock index options	–	71	54	125
Commodity	603	1,342	–	1,945
Other Liabilities	–	–	8	8
Total financial instruments at 30 June 2023[2]	5,905	134,067	1,834	141,806

1 Includes covered bonds of $6,963 million, securities issued by Multilateral Development Banks/International Organisations of $7,782 million and State-owned agencies and development banks of $7,098 million

2 The above table does not include held for sale assets of $39 million and liabilities of nil million. These are reported in Note 20 together with their fair value hierarchy

The fair value of derivatives and debt securities in issue classified as Level 2 in the fair value hierarchy that are subject to complex modelling techniques is $ 780 million.

There were no significant changes to valuation or levelling approaches during the period ended 30 June 2023.

There were no significant transfers of financial assets and liabilities measured at fair value between Level 1 and Level 2 during the period ended 30 June 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 instruments at 31 December 2022[2]	75,168	201,230	5,865	282,263

Liabilities	Level 1 $million	Level 2 $million	Level 3 $million	Total $million
Financial instruments held at fair value through profit or loss				
Deposits by banks	–	778	288	1,066
Customer accounts	–	10,734	972	11,706
Repurchase agreements and other similar secured borrowing	–	51,706	–	51,706
Debt securities in issue	–	8,121	451	8,572
Short positions	4,085	2,722	40	6,847
Derivative financial instruments	642	69,099	121	69,862
Of which:				
Foreign exchange	101	56,710	12	56,823
Interest rate	29	10,020	12	10,061
Credit	–	899	42	941
Equity and stock index options	–	191	55	246
Commodity	512	1,279	–	1,791
Other Liabilities	–	–	6	6
Total financial instruments at 31 December 2022[2]	4,727	143,160	1,878	149,765

1 Includes covered bonds of $8,455 million, securities issued by Multilateral Development Banks/International Organisations of $11,438 million , and State-owned agencies and development banks of $9,211 million

2 The above table does not include held for sale assets of $3 million and liabilities of $5 million. These are reported in Note 20 together with their fair value hierarchy

The fair value of derivatives and debt securities in issue classified as Level 2 in the fair value hierarchy that are subject to complex modelling techniques is $781 million.

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]	86,339	–	86,339	–	86,339
Loans and advances to banks	44,602	–	44,409	145	44,554
of which – reverse repurchase agreements and other similar secured lending	1,383	–	1,381	–	1,381
Loans and advances to customers	290,137	–	46,351	242,133	288,484
of which – reverse repurchase agreements and other similar secured lending	10,950	–	10,014	936	10,950
Investment securities[2]	58,388	–	56,205	38	56,243
Other assets[1]	45,367	–	45,367	–	45,367
Assets held for sale	2,444	–	1,891	553	2,444
At 30 June 2023	527,277	–	280,562	242,869	523,431
Liabilities					
Deposits by banks	28,560	–	28,561	–	28,561
Customer accounts	469,567	–	469,995	–	469,995
Repurchase agreements and other similar secured borrowing	13,320	–	13,320	–	13,320
Debt securities in issue	63,815	27,148	36,367	–	63,515
Subordinated liabilities and other borrowed funds	11,865	10,906	313	–	11,219
Other liabilities[1]	49,958	–	49,958	–	49,958
Liabilities held for sale	1,194	–	1,194	–	1,194
At 30 June 2023	638,279	38,054	599,708	–	637,762

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 $16,824 million at 30 June 2023

13. Financial instruments continued

	Carrying value $million	Fair value 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 $17,943 million at 31 December 2022

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

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 30 June 2023 Assets $million	Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	–	–	Discounted cash flows	Credit spreads	N/A	N/A
Loans and advances to customers	1,223	–	Discounted cash flows	Price/yield	0.01% – 28.7%	13.2%
				Recovery rates	4.7% – 100%	44.9%
Reverse repurchase agreements and other similar secured lending	1,515	–	Discounted cash flows	Repo curve	5.3% –8.3%	6.9%
				Price/yield	1.6% – 7.9%	7.8%
Debt securities, alternative tier one and other eligible securities	903	–	Discounted cash flows	Price/yield	0.01%–48.5%	9.9%
				Credit spreads	0.2% – 1.5%	0.7%
Government bonds and treasury bills	51	–	Discounted cash flows	Price/yield	17.7% – 21.8%	19.7%
Asset-backed securities	–	–	Discounted cash flows	Price/yield	N/A	N/A
Equity shares (includes private equity investments)	865	–	Comparable pricing/ yield	EV/EBITDA multiples	6.2x – 11.5x	11.4x
				EV/Revenue multiples	9.0x – 36.3x	18.2x
				P/E multiples	11.3x – 33.1x	15.8x
				P/B multiples	0.3x – 3.9x	1.4x
				P/S multiples	1.5x	1.5x
				Liquidity discount	0.0% – 20.0%	8.9%
			Discounted cash flows	Discount rates	7.6% – 34.5%	13.1%
			Option pricing model	Equity value based on EV/Revenue multiples	8.0x – 52.0x	25.9x
				Equity value based on EV/EBITDA multiples	2.4x	2.4x
				Equity value based on volatility	60.0%	60.0%
Other Assets	7	–	NAV	N/A	N/A	N/A
Derivative financial instruments of which:						
Foreign exchange	54	17	Option pricing model	Foreign exchange option implied volatility	(11.9%) – 7.5%	1.0%
			Discounted cash flows	Foreign exchange curves	(1.8)%-24.3%	5.6%
Interest rate	28	7	Discounted cash flows	Interest rate curves	(1.8)% – 21.5%	8.8%
				Foreign exchange curves	1.8%-13.9%	3.0%
			Option pricing model	Foreign exchange option implied volatility	(6.8)%–6.8%	1.2%
Credit	29	95	Discounted cash flows	Credit spreads	0.2%–2.5%	0.9%
				Price/yield	N/A	N/A
Equity and stock index	2	54	Internal pricing model	Equity-Equity correlation	45.0%–100%	85.1%
				Equity-FX correlation	(40.0)%- 45.0%	12.0%
Deposits by banks	–	252	Discounted cash flows	Credit spreads	0.3%–3.4%	2.1%
				Price/yield	5.3% – 10.0%	6.9%
				Interest rate curves	2.6% – 30.8%	5.2%
			Internal pricing model	Equity-Equity correlation	45.0%–100%	85.1%
				Equity-FX correlation	(40.0)%- 45.0%	12.0%
Customer accounts	–	880	Discounted cash flows	Credit spreads	N/A	N/A
				Interest rate curves	8.1% – 9.4%	8.7%
				Price/yield	4.1% – 27.8%	17.0%
			Internal pricing model	Equity-Equity correlation	45.0%–100%	85.1%
				Equity-FX correlation	(40.0)%- 45.0%	12.0%
Debt securities in issue	–	521	Discounted cash flows	Credit spreads	1.0% – 8.4%	2.5%
				Price/yield	4.5% – 12.4%	11.8%
			Internal pricing model	Equity-Equity correlation	45.0%–100%	85.1%
				Equity-FX correlation	(40.0)%- 45.0%	12.0%
Short positions	–	–	Discounted cash flows	Price/yield	N/A	N/A
Other Liabilities	–	8	Comparable pricing/yield	EV/EBITDA multiples	3.5x – 10.7x	7.7x
Total	4,677	1,834				

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 30 June 2023. The ranges of values used are reflective of the underlying characteristics of these Level 3 financial instruments based on the market conditions at the balance sheet date. However, these ranges of values may not represent the uncertainty in fair value measurements of the Group's Level 3 financial instruments

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 Assets $million	Value as at 31 December 2022 Liabilities $million	Principal valuation technique	Significant unobservable inputs	Range[1]	Weighted average[2]
Loans and advances to banks	21	–	Discounted cash flows	Price/yield	N/A	N/A
				Credit spreads	2.9%	2.9%
Loans and advances to customers	1,805	–	Discounted cash flows	Price/yield	0.3% – 18.2%	5.3%
				Recovery rates	5.0% – 100%	90.5%
Reverse repurchase agreements and other similar secured lending	1,998	–	Discounted cash flows	Repo curve	2.3% – 8.0%	6.2%
				Price/yield	1.9%–7.2%	6.0%
Debt securities, alternative tier one and other eligible securities	1,152	–	Discounted cash flows	Price/yield	3.1% – 48.5%	7.1%
				Recovery rates	0.0% – 1.0%	0.2%
Government bonds and treasury bills	–	–	Discounted cash flows	Price/yield	N/A	N/A
Asset-backed securities	1	–	Discounted cash flows	Price/yield	6.8%	6.8%
Equity shares (includes private equity investments)	837	–	Comparable pricing/ yield	EV/EBITDA multiples	7.0x – 13.1x	11.0x
				EV/Revenue multiples	8.2x – 23.2x	12.9x
				P/E multiples	13.4x – 29.7x	17.6x
				P/B multiples	0.3x – 3.3x	1.3x
				P/S multiples	2.1x – 2.2x	2.2x
				Liquidity discount	10.0% – 29.7%	17.5%
			Discounted cash flows	Discount rates	7.5% – 16.4%	9.4%
			Option pricing model	Equity value based on EV/Revenue multiples	4.8x – 76.1x	32.9x
				Equity value based on EV/EBITDA multiples	2.6x	2.6x
				Equity value based on volatility	60.0%	60.0%
Other Assets	7	–	NAV	N/A	N/A	N/A
Derivative financial instruments of which:						
Foreign exchange	13	12	Option pricing model	Foreign exchange option implied volatility	(21.0)% – 21.0%	(2.7)%
			Discounted cash flows	Foreign exchange curves	(4.6)% – 81.8%	15.9%
Interest rate	28	12	Discounted cash flows	Interest rate curves	(2.1)% – 50.2%	10.6%
Credit	1	42	Discounted cash flows	Credit spreads	0.1% – 2.3%	1.4%
				Price/yield	7.2% – 9.7%	7.2%
Equity and stock index	2	55	Internal pricing model	Equity correlation	30.0% – 96.0%	67.0%
				Equity-FX correlation	(70.0)% – 85.0%	37.0%
Deposits by banks	–	288	Discounted cash flows	Credit spreads	0.9% – 3.4%	1.8%
				Price/yield	6.0%	6.0%
Customer accounts	–	972	Discounted cash flows	Credit spreads	0.9% – 19.1%	10.3%
			Internal pricing model	Equity correlation	30.0% – 96.0%	67.0%
				Equity-FX correlation	(70.0)% – 85.0%	37.0%
			Discounted cash flows	Interest rate curves	N/A	N/A
				Price/yield	3.1% – 22.9%	17.8%
Debt securities in issue	–	451	Discounted cash flows	Credit Spreads	0.3% – 7.0%	4.7%
				Price/Yield	6.8% – 12.4%	9.1%
			Internal pricing model	Equity-Equity Correlation	30.0% – 96.0%	67.0%
				Equity-FX Correlation	(70.0)% – 85.0%	37.0%
Short 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.

	30.06.23									
	Held at fair value through profit or loss							Investment securities		
Assets	Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Other Assets $million	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 01 January 2023	21	1,805	1,998	1,153	182	7	44	–	655	5,865
Total (losses)/gains recognised in income statement	–	(62)	(12)	(217)	1	–	13	–	–	(277)
Net trading income	–	(62)	(12)	(217)	–	–	13	–	–	(278)
Other operating income	–	–	–	–	1	–	–	–	–	1
Total gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	1	69	70
Fair value through OCI reserve	–	–	–	–	–	–	–	–	77	77
Exchange difference	–	–	–	–	–	–	–	1	(8)	(7)
Purchases	–	313	3,020	565	1	–	124	5	4	4,032
Sales	–	(481)	(3,156)	(282)	(9)	–	(56)	(10)	–	(3,994)
Settlements	–	(221)	(335)	(310)	–	–	(9)	–	–	(875)
Transfers out[1]	(21)	(206)	–	(6)	–	–	(3)	(4)	(39)	(279)
Transfers in[2]	–	75	–	–	–	–	–	59	1	135
At 30 June 2023	–	1,223	1,515	903	175	7	113	51	690	4,677
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 30 June 2023	–	(10)	–	14	(1)	–	(10)	–	–	(7)

1 Transfers out includes loans and advances, debt securities, alternative tier one and other eligible bills, equity shares and derivative financial instruments where the valuation parameters became observable during the period and were transferred to Level 1 and Level 2

2 Transfers in primarily relate to loans and advances, debt securities, alternative tier one and other eligible bills and equity shares where the valuation parameters become unobservable during the period

13. Financial instruments continued

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

Assets	Held at fair value through profit or loss: 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	Investment securities: Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 01 January 2022	9	1,357	1,566	349	186	26	90	40	493	4,116
Total (losses)/gains recognised in income statement	(4)	(76)	2	(129)	4	–	13	–	–	(190)
Net trading income	(4)	(76)	2	(129)	4	–	13	–	–	(190)
Other operating income	–	–	–	–	–	–	–	–	–	–
Total (losses) recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	–	(40)	(40)
Fair value through OCI reserve	–	–	–	–	–	–	–	–	(32)	(32)
Exchange difference	–	–	–	–	–	–	–	–	(8)	(8)
Purchases	90	326	2,764	347	58	–	44	–	115	3,743
Sales	(9)	(255)	(2,497)	(104)	(3)	(1)	(46)	–	(1)	(2,916)
Settlements	–	(321)	(221)	(2)	–	–	(4)	(25)	–	(573)
Transfers out[1]	–	(65)	–	–	–	–	(4)	–	–	(69)
Transfers in[2]	–	19	–	76	–	–	11	–	–	106
At 30 June 2022	86	985	1,614	537	245	25	104	14	567	4,177
Total unrealised (losses)/gains recognised in the income statement, within net trading income, relating to change in fair value of assets held at 30 June 2022	–	(40)	–	(2)	8	–	3	–	–	(31)

1 Transfers out include loans and advances and derivative financial instruments where the valuation parameters became observable during the period and were transferred to Level 1 and Level 2

2 Transfers in primarily relate to loans and advances, debt securities, alternative tier one and other eligible bills and derivative financial instruments where the valuation parameters become unobservable during the period

13. Financial instruments continued

Assets	Held at fair value through profit or loss							Investment securities		
	Loans and advances to banks $million	Loans and advances to customers $million	Reverse repurchase agreements and other similar secured lending $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Other Assets $million	Derivative financial instruments $million	Debt securities, alternative tier one and other eligible bills $million	Equity shares $million	Total $million
At 01 July 2022	86	985	1,614	537	245	25	104	14	567	4,177
Total (losses)/gains recognised in income statement	(12)	(56)	–	136	–	–	17	–	–	85
Net trading income	(12)	(56)	–	136	–	–	17	–	–	85
Other operating income	–	–	–	–	–	–	–	–	–	–
Total (losses) /gains recognised in other comprehensive income (OCI)	–	–	–	–	–	–	–	(4)	33	29
Fair value through OCI reserve	–	–	–	–	–	–	–	–	31	31
Exchange difference	–	–	–	–	–	–	–	(4)	2	(2)
Purchases	(34)	1,279	3,674	716	–	8	80	–	60	5,783
Sales	(21)	18	(2,987)	(238)	(63)	(8)	(53)	–	(5)	(3,357)
Settlements	(19)	(556)	(303)	1	–	–	(80)	–	–	(957)
Transfers out[1]	–	(95)	–	–	–	–	(25)	(10)	–	(130)
Transfers in[2]	21	230	–	1	–	(18)	1	–	–	235
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	–	40	–	2	(5)	–	(5)	–	–	32

1 Transfers out include loans and advances, debt securities, alternative tier one and other eligible bills and derivative financial instruments where the valuation parameters became observable during the period and were transferred to Level 1 and Level 2

2 Transfers in primarily relate to loans and advances, debt securities, alternative tier one and other eligible bills, other assets and derivative financial instruments where the valuation parameters become unobservable during the period

13. Financial instruments continued

Level 3 movement tables – financial liabilities

	30.06.23						
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Short positions $million	Other liabilities $million	Total $million
At 01 January 2023	288	972	451	121	40	6	1,878
Total (gains)/losses recognised in income statement – net trading income	(9)	16	(5)	3	–	2	7
Issues	271	868	654	225	–	–	2,018
Settlements	(298)	(989)	(558)	(165)	(40)	–	(2,050)
Transfers out[1]	–	(5)	(21)	(13)	–	–	(39)
Transfers in[2]	–	18	–	2	–	–	20
At 30 June 2023	252	880	521	173	–	8	1,834
Total unrealised (gains)/losses recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 30 June 2023	–	(6)	3	(12)	–	–	(15)

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

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

	30.06.22						
	Deposits by banks $million	Customer accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Short positions $million	Other liabilities $million	Total $million
At 01 January 2022	283	454	821	94	–	1	1,653
Total (gains)/losses recognised in income statement – net trading income	(15)	(56)	(142)	104	(3)	3	(109)
Issues	223	934	387	89	100	–	1,733
Settlements	(172)	(647)	(473)	(89)	–	–	(1,381)
Transfers out[1]	–	–	(24)	(3)	–	–	(27)
Transfers in[2]	–	–	76	1	–	–	77
At 30 June 2022	319	685	645	196	97	4	1,946
Total unrealised (gains) recognised in the income statement, within net trading income, relating to change in fair value of liabilities held at 30 June 2022	–	(2)	(7)	(2)	–	–	(11)

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

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

	31.12.22						
	Deposits by banks $million	Customer Accounts $million	Debt securities in issue $million	Derivative financial instruments $million	Short positions $million	Other Liabilities $million	Total $million
At 01 July 2022	319	685	645	196	97	4	1,946
Total (gains)/losses recognised in income statement – net trading income	(21)	(26)	(16)	51	–	2	(10)
Issues	224	884	428	89	40	–	1,665
Settlements	(229)	(620)	(593)	(203)	(97)	–	(1,742)
Transfers out[1]	(5)	–	(14)	(18)	–	–	(37)
Transfers in[2]	–	49	1	6	–	–	56
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)	(15)	–	(1)	–	–	(17)

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

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

13. Financial instruments continued

Sensitivities in respect of the fair values of Level 3 assets and liabilities

Sensitivity analysis is performed on products with significant unobservable inputs. The Group applies a 10 per cent increase or decrease on the values of these unobservable inputs, to generate a range of reasonably possible alternative valuations. The percentage shift is determined by statistical analysis performed on a set of reference prices based on the composition of the Group's Level 3 inventory as the measurement date. Favourable and unfavourable changes (which show the balance adjusted for input change) are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. The Level 3 sensitivity analysis assumes a one-way market move and does not consider offsets for hedges.

	Held at fair value through profit or loss			Fair value through other comprehensive income		
	Net exposure $million	Favourable changes $million	Unfavourable changes $million	Net exposure $million	Favourable changes $million	Unfavourable changes $million
Financial instruments held at fair value						
Loans and advances	1,223	1,236	1,189	–	–	–
Reverse Repurchase agreements and other similar secured lending	1,515	1,522	1,508	–	–	–
Asset backed securities	–	–	–	–	–	–
Debt securities, alternative tier one and other eligible bills	903	1,027	782	51	55	47
Equity shares	175	193	157	690	749	631
Other Assets	7	8	6	–	–	–
Derivative financial instruments	(60)	(31)	(89)	–	–	–
Customers accounts	(880)	(823)	(937)	–	–	–
Deposits by banks	(252)	(239)	(267)	–	–	–
Short positions	–	–	–	–	–	–
Debt securities in issue	(521)	(476)	(566)	–	–	–
Other Liabilities	(8)	(7)	(9)	–	–	–
At 30 June 2023	2,102	2,410	1,774	741	804	678
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

13. Financial instruments continued

The reasonably possible alternatives could have increased or decreased the fair values of financial instruments held at fair value through profit or loss and those classified as fair value through other comprehensive income by the amounts disclosed below.

Financial instruments	Fair value changes	30.06.23 $million	31.12.22 $million
Held at fair value through profit or loss	Possible increase	308	185
	Possible decrease	(328)	(242)
Fair value through other comprehensive income	Possible increase	63	60
	Possible decrease	(63)	(60)

14. Derivative financial instruments

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

Derivatives

	30.06.23			31.12.22		
Derivatives	Notional principal amounts $million	Assets $million	Liabilities $million	Notional principal amounts $million	Assets $million	Liabilities $million
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	3,493,329	35,864	35,038	3,154,440	38,162	39,376
Currency swaps and options	1,152,637	14,556	15,083	1,168,026	16,010	17,447
	4,645,966	50,420	50,121	4,322,466	54,172	56,823
Interest rate derivative contracts:						
Swaps	5,050,021	65,806	67,919	3,516,310	62,001	64,005
Forward rate agreements and options	174,233	2,254	2,753	98,465	2,214	2,880
Exchange traded futures and options	451,348	20	37	324,702	279	258
	5,675,602	68,080	70,709	3,939,477	64,494	67,143
Credit derivative contracts	267,322	407	758	249,082	411	941
Equity and stock index options	6,894	99	125	6,788	100	246
Commodity derivative contracts	116,021	2,017	1,945	90,952	1,622	1,791
Gross total derivatives	10,711,805	121,023	123,658	8,608,765	120,799	126,944
Offset	–	(60,635)	(60,635)	–	(57,082)	(57,082)
Net Total derivatives	10,711,805	60,388	63,023	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 derivative such as interest rate swaps, interest rate futures and cross currency swaps to manage interest rate and currency risks of the Group. These derivatives are measured at fair value, with fair value changes recognised in net trading income: refer to Market risk (page 96).

14. Derivative financial instruments continued

Derivatives held for hedging

The Group enters into derivative contracts for the purpose of hedging interest rate, currency and structural foreign exchange risks inherent in assets, liabilities and forecast transactions. The table below summarises the notional principal amounts and carrying values of derivatives designated in hedge accounting relationships at the reporting date.

Included in the table above are derivatives held for hedging purposes as follows:

	30.06.23			31.12.22		
	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	87,159	1,921	2,811	80,760	2,438	2,939
Currency swaps	966	59	11	1,273	16	48
	88,125	1,980	2,822	82,033	2,454	2,987
Derivatives designated as cash flow hedges:						
Interest rate swaps	26,458	31	584	31,977	100	671
Forward foreign exchange contracts	8,215	460	59	11,987	99	385
Currency swaps	12,100	211	163	11,787	86	362
	46,773	702	806	55,751	285	1,418
Derivatives designated as net investment hedges:						
Forward foreign exchange contracts	17,209	340	24	14,576	120	141
Total derivatives held for hedging	152,107	3,022	3,652	152,360	2,859	4,546

Interest rate benchmark reform

As at 30 June 2023, there are no derivative instruments designated in fair value or cash flow hedge accounting relationships that were linked to IBOR reference rates (31 December 2022: $65,769 million).

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

Reverse repurchase agreements and other similar secured lending

	30.06.23 $million	31.12.22 $million
Banks	35,850	24,932
Customers	51,268	65,035
	87,118	89,967
Of which:		
Fair value through profit or loss	74,785	64,491
Banks	34,467	23,954
Customers	40,318	40,537
Held at amortised cost	12,333	25,476
Banks	1,383	978
Customers	10,950	24,498

Under reverse repurchase and securities borrowing arrangements, the Group obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

	30.06.23 $million	31.12.22 $million
Securities and collateral received (at fair value)	115,863	124,989
Securities and collateral which can be repledged or sold (at fair value)	114,760	123,759
Amounts repledged/transferred to others for financing activities, to satisfy liabilities under sale and repurchase agreements (at fair value)	43,439	44,628

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

Repurchase agreements and other similar secured borrowing

	30.06.23 $million	31.12.22 $million
Banks	**10,297**	6,968
Customers	**45,198**	46,846
	55,495	53,814
Of which:		
Fair value through profit or loss	**42,175**	51,706
Banks	**8,458**	5,737
Customers	**33,717**	45,969
Held at amortised cost	**13,320**	2,108
Banks	**1,839**	1,231
Customers	**11,481**	877

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

	30.06.23				
Collateral pledged against repurchase agreements	**Fair value through profit or loss $million**	**Fair value through Other Comprehensive Income $million**	**Amortised cost $million**	**Off-balance sheet $million**	**Total $million**
On-balance sheet					
Debt securities and other eligible bills	**5,920**	**4,584**	**2,643**	**–**	**13,147**
Off-balance sheet					
Repledged collateral received	**–**	**–**	**–**	**43,439**	**43,439**
At 30 June 2023	**5,920**	**4,584**	**2,643**	**43,439**	**56,586**

	31.12.22				
Collateral pledged against repurchase agreements	Fair value through profit or loss $million	Fair value through Other Comprehensive Income $million	Amortised cost $million	Off-balance sheet $million	Total $million
On-balance sheet					
Debt securities and other eligible bills	2,956	3,630	4,917	–	11,503
Off-balance sheet					
Repledged collateral received	–	–	–	44,628	44,628
At 31 December 2022	2,956	3,630	4,917	44,628	56,131

16. Goodwill and intangible assets

	30.06.23				31.12.22			
	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million	Goodwill $million	Acquired intangibles $million	Computer software $million	Total $million
Cost								
At 1 January	2,471	295	5,178	7,944	2,595	457	4,464	7,516
Exchange translation differences	(38)	(13)	(56)	(107)	(108)	(26)	(22)	(156)
Additions	–	–	513	513	–	–	1,096	1,096
Impairment	–	–	(90)	(90)	(14)	–	(7)	(21)
Amounts written off	–	–	(29)	(29)	–	(136)	(348)	(484)
Classified as held for sale	(18)	(5)	–	(23)	(2)	–	(5)	(7)
At 30 June/31 December	2,415	277	5,516	8,208	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	–	(13)	(22)	(35)	–	(29)	(11)	(40)
Amortisation	–	–	322	322	–	4	531	535
Impairment charge	–	–	(23)	(23)	–	–	5	5
Amounts written off	–	–	(29)	(29)	–	(136)	(331)	(467)
Classified as held for sale	–	–	–	–	–	–	(3)	(3)
At 30 June/31 December	–	263	2,047	2,310	–	276	1,799	2,075
Net book value	2,415	14	3,469	5,898	2,471	19	3,379	5,869

At 30 June 2023, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to $ 3,331 million (31 December 2022: $3,331 million), of which Nil was recognised in 2023 (31 December 2022: $14 million).

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

17. Property, plant and equipment

	30.06.23					
	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	(48)	(21)	–	(10)	(2)	(81)
Additions[1]	14	35	156	158	–	363
Disposals and fully depreciated assets written off[2]	(40)	(107)	(233)	(66)	(9)	(455)
Transfers to assets held for sale	15	–	(4,343)[3]	(3)	–	(4,331)
As at 30 June	1,714	747	–	1,731	18	4,210
Depreciation						
Accumulated at 1 January	678	575	1,185	730	24	3,192
Exchange translation differences	(18)	(16)	–	(6)	(1)	(41)
Charge for the year	37	51	27	121	3	239
Impairment charge	–	–	–	2	–	2
Attributable to assets sold, transferred or written off[2]	(31)	(106)	(178)	(39)	(9)	(363)
Transfers to assets held for sale	2	(1)	(1,034)[3]	(2)	–	(1,035)
Accumulated at 30 June	668	503	–	806	17	1,994
Net book amount at 30 June	1,046	244	–	925	1	2,216

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 $205 million

2 Disposals for property, plant and equipment during the year of $68 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 period and the net book value disposed

3 Aviation business have been moved to held for sale, See Note 20 Assets held for sale and associated liabilities

17. Property, plant and equipment continued

	31.12.22					
	Premises $million	Equipment $million	Operating lease assets $million	Leased premises assets $million	Lease equipment assets $million	Total $million
Cost or valuation						
At 1 January	1,980	901	4,248	1,854	33	9,016
Exchange translation differences	(90)	(65)	–	(111)	(4)	(270)
Additions[1]	87	124	624	339	1	1,175
Disposals and fully depreciated assets written off[2]	(142)	(102)	(452)	(425)	(1)	(1,122)
Transfers to assets held for sale	(62)	(18)	–	(5)	–	(85)
As at 31 December	1,773	840	4,420	1,652	29	8,714
Depreciation						
Accumulated at 1 January	795	611	1,155	819	20	3,400
Exchange translation differences	(39)	(39)	–	(33)	(3)	(114)
Charge for the year	76	116	202	250	7	651
Impairment charge	1	–	40	9	–	50
Attributable to assets sold, transferred or written off[2]	(125)	(101)	(212)	(313)	–	(751)
Transfers to assets held for sale	(30)	(12)	–	(2)	–	(44)
Accumulated at 31 December	678	575	1,185	730	24	3,192
Net book amount at 31 December	1,095	265	3,235	922	5	5,522

1 Refer to the cash flow statement (FY22) under cash flows from investing activities section for the purchase of property, plant and equipment during the year of $835 million

2 Disposals for property, plant and equipment during the year of $343 million in the cash flow statement (FY22) would include the gains and losses incurred as part of other operating income (FY22 Note 6) on disposal of assets during the year and the net book value disposed

18. Other assets

Other assets include:	30.06.23 $million	31.12.22 $million
Financial assets held at amortized cost (Note 13):		
Hong Kong SAR Government certificates of indebtedness (Note 21)[1]	**6,783**	7,106
Cash collateral	**9,304**	12,515
Acceptances and endorsements	**4,700**	5,264
Unsettled trades and other financial assets	**24,580**	14,410
	45,367	39,295
Non-financial assets:		
Commodities and emissions certificates[2]	**8,209**	10,598
Other assets	**375**	490
	53,951	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 Commodities and emissions certificates are carried at fair value less costs to sell, $2.4 billion (31 December 2022: $6 billion) are classified as Level 1 and $5.8 billion are classified as Level 2 (31 December 2022: $4.6 billion)

19. Investment in associates and joint ventures

Share of profit from investment in associates and joint ventures comprises:

	6 months ended 30.06.23 $million	6 months ended 30.06.22 $million
Loss from investment in joint ventures	(7)	(3)
Profit from investment in associates	109	156
Total	102	153

Interests in associates and joint ventures	30.06.23 $million	31.12.22 $million
As at 1 January	1,631	2,147
Exchange translation difference	(27)	(232)
Additions	40	26
Share of profits	102	156
Dividend received	–	(58)
Disposals	–	(1)
Impairment[1]	(1)	(336)
Share of FVOCI and Other reserves	(11)	(79)
Other movements[2]	–	8
Transfer to held for sale assets	–	–
As at 30 June/31 December	1,734	1,631

1 H123 the impairment related to group's investment in its associate Fintech. FY22 Other impairment mainly relates to the Group's investment in its associate China Bohai Bank (Bohai)

2 FY22 Movement related to CurrencyFair

The Group's principal associate are:

Associate	Nature of activities	Main areas of operation	Group interest in ordinary share capital %
China Bohai Bank	Banking	China	16.26
CurrencyFair Limited	Banking	Ireland	43.42

The Group's ownership percentage in China Bohai Bank is 16.26%.

The Group's investment in China Bohai Bank is less than 20 per cent but it is considered to be an associate because of the significant influence the Group is able to exercise over the management and financial and operating polices. This influence is primarily through board representation and the provision of technical expertise to Bohai. The Group applies the equity method of accounting for investments in associates.

For the period ended 30 June 2023, the Group recognised Bohai's results from 1 October 2022 through 31 March 2023 (six months of earnings). Bohai publishes their results after the Group. As it is impracticable for Bohai to prepare financial statements earlier for use of the Group, the Group recognises its share of Bohai's earnings on a three-month lag basis.

There have been no material events after 31 March 2023 which would require adjustments in respect of the share of Bohai's profits and movements in OCI recognised by the Group for the period ended on 30 June 2023.

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

19. Investment in associates and joint ventures continued

Impairment testing

At 30 June 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 no impairment was required at 30 June 2023 ($309 million impairment in 2022). The revised carrying value of the Group's investment in Bohai of $1,499 million (2022: $1,729 million) represents the higher of the value in use and fair value less costs to sell. The financial forecasts used for the VIU calculation reflect the current economic conditions. The increase (compared to 2022) in the recoverable amount of Bohai is primarily a result of the recognition of the Group's share of Bohai's profits and impact of FX translation.

Bohai	**30.06.23 $million**	31.12.22 $million
VIU	**1,499**	1,421
Carrying amount[1]	**1,499**	1,421
Market value[2]	**446**	685

1 The Group's 16.26% share in the net assets less other equity instruments which the Group does not hold. The carrying amounts in 2022 and 2023 are net of cumulative impairment of $609 million taken in 2022 and 2021

2 Number of shares held by the Group multiplied by the quoted price at period end

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 the regulatory capital requirements, for a 5-year period, after which a terminal value ('TV') is calculated based on the 'Gordon Growth' model. The key assumptions in the VIU are as follows:

- Short to medium term projections are based on management's best estimates of future profits available to ordinary shareholders and have been determined with reference to the latest published financial results and historical performance of Bohai;
- The projections use publicly available information and include normalised performance over the forecast period, inclusive of: (i) assets growth assumptions based on China GDP; (ii) ECL assumptions using Bohai historical ECL, based on the proportion of credit losses to loans and advances to customers. This was further adjusted to reflect the prevailing Chinese market challenges and uncertainties as a basis; (iii) Net Interest Margin (NIM) increases from 2024 with reference to third party market interest rate forecasts in China; and (iv) Effective Tax Rate (ETR) based on the latest Bohai historical financial results for the short term projection, updated, as per management best estimate, for the medium and long term to a more conservative view, to reflect any future change in Bohai's assets mix;
- The discount rate applied to these cash flows was estimated with reference to transaction and broker data in the local Chinese market, cross checked to the capital asset pricing model (CAPM), which includes a long term risk-free rate, beta and company risk premium assumptions for Bohai;
- A long term growth rate for China is used to extrapolate the expected short to medium term earnings to perpetuity to derive a terminal value; and
- Capital haircut is 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, including required retained earnings over time to meet the target capital ratios.

19. Investment in associates and joint ventures continued

The key assumptions used in the VIU calculation:

	30.06.23 per cent	31.12.22 per cent
Pre-tax discount rate	14.77	13.03
Forecast profit long term growth rate	3.99	4.00
Total assets growth rate	3.99	N/A[1]
RWA as percentage of total assets	64.00	N/A[1]
Net interest margin	1.50 – 1.77	1.50–1.84
Expected credit losses as a percentage of customer loans	1.02	0.90–1.45
Effective tax rate	6.20 – 16.00	16.00
Core CET1 ratio[2]	8.00	7.50

1 More granular balance sheet and RWA assumptions were included in the VIU calculation from 30 June 2023

2 At 31 March 2023 Bohai's Core CET 1 ratio was 8.26% (8.06% at 31 December 2022). Minimum Core CET 1 requirement is 5.0% (7.50% including buffers) as per local regulation

The sensitivities disclosed below are for changes to the discount rate, normalised profits and RWA assumptions of Bohai. All these sensitivity analysis assume a CET1 capital requirement of 8.00%. The GDP growth assumptions affect the forecast profits over the short to medium term and in the terminal period, and sensitivities are already disclosed, thus a separate sensitivity has not yet been included for this input.

	Base Case				Sensitivities – 30.06.23							
											Combined	Combined
					Discount rate		Forecast profit[1]		RWA		RWA -10%	RWA +10%
					+1%	-1%	+10%	-10%	+10%	-10%	CF -10%	CF +10%
Carrying amount $million	VIU $million	Headroom $million	Pre tax discount rate	GDP	Impairment $million	Headroom $million	Headroom $million	Impairment $million	Impairment $million	Headroom $million	Impairment $million	Headroom $million
1,499	1,499	–	14.77%	3.99%	(191)	255	247	(248)	(201)	200	(48)	47

1 Results include changes to NIM and additional ECL overlay assumptions, which are not necessarily linear

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

	31.03.23 $million	31.03.22 $million
Total assets	237,604	240,876
Total liabilities	221,897	224,212
Operating income[1]	1,942	1,954
Net profit[1]	638	963
Other comprehensive income[1]	(68)	(483)

1 This represents six months of earnings (1 October to 31 March)

20. Assets held for sale and associated liabilities

On 11 January 2023 the Group announced its intention to explore alternatives for the future ownership of its aviation finance loan and lease businesses within the CCIB business segment to enable a new investor to drive the next phase of growth in the business while the Group continues to focus on its commitment to improve shareholder returns and deliver on its 2024 targets. A commitment to sell the business to a third party was made during 1Q 2023. During 2Q 2023 a decision was made to sell the loan and lease businesses separately and it is anticipated the separate sales will be completed before the end of 2023. Consequently, assets of $3.3 billion related to aircraft held under operating leases, $2.2 billion of Aviation loans, the Group's equity share of $37 million in the SDH Wings Leasing International Limited Joint Venture (incorporated in Ireland) reclassified to 'Assets classified as held for sale' with no gain or loss on remeasurement. In addition, $292 million of liabilities were reclassified to 'Liabilities classified as held for sale'. Subsequently, it was determined that $1.2 billion of Aviation loans would no longer form part of the sale for commercial reasons, reducing the balance of Aviation loans classified within 'Assets classified as held for sale' to $909 million.

Assets classified as held for sale

The financial assets reported below are classified under Level 1 nil million (31 December 2022: $345 million), Level 2 $1,891 million (31 December 2022: $946 million) and Level 3 $592 million (31 December 2022: $100 million).

	30.06.23 $million	31.12.22 $million
Financial assets held at fair value through profit or loss	**39**	3
Equity shares	**39**	2
Derivative financial instruments – Assets	**–**	1
Financial assets held at amortised cost	**2,444**	1,388
Cash and balances at central banks	**594**	423
Loans and advances to banks	**238**	81
Loans and advances to customers	**1,310**	508
Debt securities held at amortised cost	**302**	376
Goodwill and intangible assets	**25**	4
Property, plant and equipment	**3,381**	174
Aircrafts	**3,309**	–
Vessels	**43**	133
Others	**29**	41
Other assets	**155**	56
	6,044	1,625

Disposal of Property, Plant and equipment classified under assets held for sale during 30 June 2023 was $136 million (31 December 2022: $79 million).

20. Assets held for sale and associated liabilities continued

Liabilities classified as held for sale

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

	30.06.23 $million	31.12.22 $million
Financial liabilities held at fair value through profit or loss	–	5
Derivative financial instruments	–	5
Financial liabilities held at amortised cost	1,194	1,230
Deposits by banks	15	17
Customer accounts	1,179	1,213
Other liabilities	354	64
Provisions for liabilities and charges	2	8
	1,550	1,307

21. Other liabilities

	30.06.23 $million	31.12.22 $million
Financial liabilities held at amortised cost (Note 13)		
Notes in circulation[1]	6,783	7,106
Acceptances and endorsements	4,700	5,264
Cash collateral	9,126	9,206
Property leases	1,020	1,029
Equipment leases	7	8
Unsettled trades and other financial liabilities[2]	28,322	20,302
	49,958	42,915
Non-financial liabilities		
Cash-settled share-based payments	80	81
Other liabilities	412	531
	50,450	43,527

1 Hong Kong currency notes in circulation of $6,783 million (31 December 2022: $7,106 million) that are secured by the Government of Hong Kong SAR certificate of indebtedness of the same amount in Other assets (Note 18)

2 Other financial liabilities include the present value of lease liabilities, as required by IFRS 16 from 1 January 2019.

22. Contingent liabilities and commitments

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	30.06.23 $million	31.12.22 $million
Financial guarantees and trade credits		
Financial guarantees, trade credits and irrevocable letters of credit	68,403	60,410
	68,403	60,410
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	73,214	69,597
Less than one year	32,563	31,688
Unconditionally cancellable	68,432	67,383
	174,209	168,668
Capital Commitments		
Contracted capital expenditure approved by the directors but not provided for in these accounts[1]	71	257

1 Of which the Group has commitments totalling $53 million to purchase aircraft for delivery in 2023 (31 December 2022: $209 million). Upon delivery, the aircraft will be part of the Assets classified as held for sale in Note 20. Pre-delivery payments of $10 million (31 December 2022: $40 million) have been made in respect of these commitments

As set out in Note 23, 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.

23. Legal and regulatory matters

The Group receives legal claims against it in a number of jurisdictions and is subject to regulatory and enforcement investigations and proceedings from time to time. Apart from the matters described below, the Group currently considers none of the ongoing claims, investigations or proceedings to be individually material. However, in light of the uncertainties involved in such matters there can be no assurance that the outcome of a particular matter or matters currently not considered to be material may not ultimately be material to the Group's results in a particular reporting period depending on, among other things, the amount of the loss resulting from the matter(s) and the results otherwise reported for such period.

Since 2014, the Group has been named as a defendant in a series of lawsuits that have been filed in the United States District Courts for the Southern and Eastern Districts of New York against a number of banks (including Standard Chartered Bank or its affiliates) on behalf of plaintiffs who are, or are relatives of, victims of 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 SCB and seven individuals were removed from the case. Standard Chartered PLC and Standard Chartered Holdings Limited remained as named "nominal defendants" in the complaint. In May 2021, Standard Chartered PLC filed a motion to dismiss the complaint. In February 2022, the New York State Court ruled in favour of Standard Chartered PLC's motion to dismiss the complaint. The plaintiffs are pursuing an appeal against the February 2022 ruling. A hearing date for the plaintiffs' appeal is awaited.

Since October 2020, four lawsuits have been filed in the English High Court against Standard Chartered PLC on behalf of more than 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.

The Group has concluded that the threshold for recording provisions pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not met with respect to the above matters; however, the outcomes of these lawsuits are inherently uncertain and difficult to predict.

24. Subordinated liabilities and other borrowed funds

	30.06.23			
	USD $million	GBP $million	EUR $million	Total $million
Fixed rate subordinated debt	8,366	844	2,494	11,704
Floating rate subordinated debt	161	–	–	161
Total	**8,527**	**844**	**2,494**	**11,865**

	31.12.22			
	USD $million	GBP $million	EUR $million	Total $million
Fixed rate subordinated debt	10,372	822	2,360	13,554
Floating rate subordinated debt	161	–	–	161
Total	10,533	822	2,360	13,715

Redemptions and repurchases during the year

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

Issuance during the year

There are no issuance during the period.

25. Share capital, other equity instruments and reserves

	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	(111)	(56)	–	–	(56)	–
Additional Tier 1 equity redemption	–	–	–	–	–	(990)
At 30 June 2022	2,968	1,483	3,989	1,494	6,966	5,264
Cancellation of shares including share buy-back	(73)	(36)	–	–	(36)	–
Additional Tier 1 equity issuance	–	–	–	–	–	1,240
At 31 December 2022	**2,895**	**1,447**	**3,989**	**1,494**	**6,930**	**6,504**
Cancellation of shares including share buy-back	**(94)**	**(47)**	**–**	**–**	**(47)**	**–**
Additional Tier 1 redemption	**–**	**–**	**–**	**–**	**–**	**(992)**
At 30 June 2023	**2,801**	**1,400**	**3,989**	**1,494**	**6,883**	**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. As at H1 2023 the buyback is ongoing, but the Nominal value of share purchases was $47 million, and the total consideration paid was $732 million and a further $268 million relating to irrevocable obligation to buy back shares. The total number of shares purchased was 93,894,706, representing 3.24% per cent of the ordinary shares in issue. The nominal value of the shares was transferred from the share capital to the capital redemption reserve account. The shares were purchased by Standard Chartered PLC on various exchanges not including the Hong Kong Stock Exchange, by private arrangement.

See footnote 8 of the Statement of changes in Equity on page 118.

	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	7.994	7.416	7.77508	74,039,628	89,017,672
March 2023	48,672,024	7.946	5.790	7.07885	344,541,860	416,300,544
April 2023	9,521,811	6.582	6.106	6.30837	60,067,118	74,798,622
May 2023	10,662,964	6.660	5.928	6.28592	67,026,502	83,626,929
June 2023	15,515,223	6.922	6.360	6.70601	104,045,286	131,601,470

Ordinary share capital

In accordance with the Companies Act 2006 the Company does not have authorised share capital. The nominal value of each ordinary share is 50 cents.

During the period nil shares were issued under employee share plans.

Preference share capital

At 30 June 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.

25. Share capital, other equity instruments and reserves continued

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 date[3]	Conversion price per ordinary share
18-Aug-16	USD 999 million	USD 990 million	7.50%	2 April, 2 October each year	2–Apr–22	USD 7.732
3-Jul-19	SGD 750 million	USD 552 million	5.38%	3 April, 3 October each year	3–Oct–24	SGD 10.909
26-Jun-20	USD 1,000 million	USD 992 million	6.00%	26 January, 26 July each year	26–Jan–26	USD 5.331
14-Jan-21	USD 1,250 million	USD 1,239 million	4.75%	14 January, 14 July each year	14–Jul–31	USD 6.353
19-Aug-21	USD 1,500 million	USD 1,489 million	4.30%	19 February, 19 August each year	19–Aug–28	USD 6.382
15-Aug-22	USD 1,250 million	USD 1,239 million	7.75%	15 February, 15 August each year	15–Feb–28	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 947 million ordinary shares would be required to satisfy the conversion of all the securities mentioned above

The securities rank behind the claims against Standard Chartered PLC (a) of unsubordinated creditors, (b) which are expressed to be subordinated to the claims of unsubordinated creditors of Standard Chartered PLC but not further or otherwise; or (c) which are, or are expressed to be, junior to the claims of other creditors of Standard Chartered PLC, whether subordinated or unsubordinated, other than claims which rank, or are expressed to rank, pari passu with, or junior to, the claims of holders of the AT1 securities in a winding–up occurring prior to the conversion trigger.

Reserves

The constituents of the reserves are summarised as follows:

- The capital reserve represents the exchange difference on redenomination of share capital and share premium from sterling to US dollars in 2001. The capital redemption reserve represents the nominal value of preference shares redeemed
- The amounts in the "Capital and Merger Reserve" represents the premium arising on shares issued using a cash box financing structure, which required the Company to create a merger reserve under section 612 of the Companies Act 2006. Shares were issued using this structure in 2005 and 2006 to assist in the funding of Korea ($1.9 billion) and Taiwan ($1.2 billion) acquisitions, in 2008, 2010 and 2015 for the shares issued by way of a rights issue, primarily for capital maintenance requirements and for the shares issued in 2009 by way of an accelerated book build, the proceeds of which were used in the ordinary course of business of the Group. The funding raised by the 2008, 2010 and 2015 rights issues and 2009 share issue was fully retained within the Company. Of the 2015 funding, $1.5 billion was used to subscribe to additional equity in Standard Chartered Bank, a wholly owned subsidiary of the Company. Apart from the Korea, Taiwan and Standard Chartered Bank funding, the merger reserve is considered realised and distributable.

25. Share capital, other equity instruments and reserves continued

- Own credit adjustment reserve represents the cumulative gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit. Gains and losses on financial liabilities designated at fair value through profit or loss relating to own credit in the year have been taken through other comprehensive income into this reserve. On derecognition of applicable instruments the balance of any OCA will not be recycled to the income statement, but will be transferred within equity to retained earnings
- Fair value through other comprehensive income (FVOCI) debt reserve represents the unrealised fair value gains and losses in respect of financial assets classified as FVOCI, net of expected credit losses and taxation. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying asset is sold, matures or becomes impaired
- FVOCI equity reserve represents unrealised fair value gains and losses in respect of financial assets classified as FVOCI, net of taxation. Gains and losses are recorded in this reserve and never recycled to the income statement
- Cash flow hedge reserve represents the effective portion of the gains and losses on derivatives that meet the criteria for these types of hedges. Gains and losses are deferred in this reserve and are reclassified to the income statement when the underlying hedged item affects profit and loss or when a forecast transaction is no longer expected to occur
- Translation reserve represents the cumulative foreign exchange gains and losses on translation of the net investment of the Group in foreign operations. Since 1 January 2004, gains and losses are deferred to this reserve and are reclassified to the income statement when the underlying foreign operation is disposed. Gains and losses arising from derivatives used as hedges of net investments are netted against the foreign exchange gains and losses on translation of the net investment of the foreign operations
- Retained earnings represents profits and other comprehensive income earned by the Group and Company in the current and prior periods, together with the after tax increase relating to equity-settled share options, less dividend distributions, own shares held (treasury shares) and share buy-backs

A substantial part of the Group's reserves is held in overseas subsidiary undertakings and branches, principally to support local operations or to comply with local regulations. The maintenance of local regulatory capital ratios could potentially restrict the amount of reserves which can be remitted. In addition, if these overseas reserves were to be remitted, further unprovided taxation liabilities might arise.

As at 30 June 2023, the distributable reserves of Standard Chartered PLC (the Company) were $15 billion (31 December 2022: $13 billion). These comprised retained earnings and $17 billion of the merger reserve account. Distribution of reserves is subject to maintaining minimum capital requirements.

Own shares

Computershare Trustees (Jersey) Limited is the trustee of the 2004 Employee Benefit Trust (2004 Trust) and Ocorian Trustees (Jersey) Limited is the trustee of the 1995 Employees' Share Ownership Plan Trust (1995 Trust). The 2004 Trust is used in conjunction with the Group's employee share schemes and other employee share-based payments (such as upfront shares and salary shares) and the 1995 Trust has historically been used for the delivery of other employee share-based payments (such as upfront shares and fixed pay allowances). Group companies fund these trusts from time to time to enable the trustees to acquire shares to satisfy these arrangements.

Except as disclosed, neither the Company nor any of its subsidiaries has bought, sold or redeemed any securities of the Company listed on The Stock Exchange of Hong Kong Limited during the period. Details of the shares purchased and held by the trusts are set out below.

	1995 Trust			2004 Trust			Total		
	30.06.23	31.12.22	30.06.22	**30.06.23**	31.12.22	30.06.22	**30.06.23**	31.12.22	30.06.22
Shares purchased during the period	**–**	–	–	**–**	30,203,531	–	**–**	30,203,531	–
Market price of shares purchased ($million)	**–**	–	–	**–**	218	–	**–**	218	–
Shares transferred between trusts	**–**	–	–	**–**	–	–	**–**	–	–
Shares held at the end of the period	**–**	–	–	**3,541,529**	27,525,624	479,591	**3,541,529**	27,525,624	479,591
Maximum number of shares held during the period							**27,525,624**	27,976,046	22,459,399

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, waive any dividend on the balance of ordinary shares that have not been allocated to employees, except for 0.01p per share.

26. Retirement benefit obligations

Retirement benefit obligations comprise:

	30.06.23 $million	31.12.22 $million	30.06.22 $million
Total market value of assets	2,042	2,004	2,242
Present value of the plans liabilities	(2,152)	(2,132)	(2,362)
Defined benefit plans obligation	(110)	(128)	(120)
Defined contribution plans obligation	(16)	(18)	(21)
Net obligation	(126)	(146)	(141)

Retirement benefit charge comprises:

	6 months ended 30.06.23	6 months ended 31.12.22	6 months ended 30.06.22
The pension cost for defined benefit plans was:			
Current service cost[1]	23	25	28
Past service cost and curtailments	9	3	(1)
Interest income on pension plan assets	(51)	(34)	(32)
Interest on pension plan liabilities	54	35	34
Total charge to profit before deduction of tax	35	29	29
Losses on plan assets excluding interest income[2]	12	170	429
Gains on liabilities	(47)	(127)	(513)
Total (gains)/losses recognised directly in statement of comprehensive income before tax	(35)	43	(84)
Deferred taxation	4	(3)	23
Total (gains)/losses after tax	(31)	40	(61)

1 Includes administrative expenses paid out of plan assets of $1 million

2 The actual return on assets was a gain of $39 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.

Material holdings of government and corporate bonds partially hedge movements in the liabilities resulting from interest rate and inflation changes. Setting aside movements from other drivers such as currency fluctuation, the increases over 2023 in discount rates in the UK, which accounts for more than half of total liabilities, have led to lower liabilities. These have been partly offset by decreases in the value of assets held, but overall there has been a fall in the pension deficit reported. These movements are shown as actuarial gains and losses in the tables above.

The disclosures required under IAS 19 have been calculated by independent qualified actuaries based on the most recent full actuarial valuations updated, where necessary, to 30 June 2023.

27. Related party transactions

Directors and officers

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

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

Associate and joint ventures

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

	30.06.23 $million	31.12.22 $million
Assets		
Loans and advances	–	20
Other assets	5	–
Derivative assets	22	18
Total assets	27	38
Liabilities		
Deposits	788	610
Other Liabilities	499	19
Total liabilities	1,287	629
Loan commitments and other guarantees[1]	103	164

1 The maximum loan commitments and other guarantees during the period were $103 million (31 December 2022: $164 million)

28. Post balance sheet events

On 6 July 2023, Standard Chartered PLC issued $1 billion 6.187 per cent Fixed Rate Reset Notes due 2027, $1 billion 6.296 per cent Fixed Rate Reset Notes due 2034 and $500 million Floating Rate Notes due 2027.

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

A share buy-back for up to a maximum consideration of $1 billion has been declared by the directors after 30 June 2023. This will reduce the number of ordinary shares in issue by cancelling the repurchased shares.

The Board has recommended an interim ordinary dividend for the half year 2023 of 6 cents a share or $168 million.

29. Corporate governance

The directors confirm that, throughout the period, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules. The directors also confirm that the announcement of these results has been reviewed by the Company's Audit Committee. The Company confirms that it has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Hong Kong Listing Rules and, that having made specific enquiry of all directors, the directors of the Company have complied with the required standards of the adopted code of conduct throughout the period. Details of the Group's Corporate Governance arrangements are set out in the Directors' Report within the 2022 Annual Report.

As previously announced, the following changes to the composition of the Board have taken place since 31 December 2022. Effective 1 January 2023, Shirish Apte became Chair of the Remuneration Committee and member of the Governance and Nomination Committee (GNC) and Dr Linda Yueh, CBE was appointed to the Board as an Independent Non-Executive Director (INED) and became a member of the Culture and Sustainability Committee (CSC) and the Remuneration Committee. On 31 January 2023, Christine Hodgson retired from the Board. On 3 May 2023, Jasmine Whitbread retired from the Board and Dr Linda Yueh, CBE was appointed Chair of the CSC and a member of the GNC. Biographies for each of the directors and a list of the committees' membership can be found at sc.com.

In compliance with Rule 13.51B(1) of the Hong Kong Listing Rules, the Company confirms that effective 1 April 2023, Jackie Hunt, INED, was appointed to the Board of Willis Towers Watson plc as an INED after retiring from Man Group plc on 28 March 2023 and from Rothesay Life plc on 30 April 2023. Carlson Tong, INED, was appointed to the board of Hong Kong Exchanges and Clearing Limited, listed on the Hong Kong Stock Exchange, as a government appointed INED on 26 April 2023.

30. Statutory accounts

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

31. Cash flow note

Adjustment for non-cash items and other adjustments included within income statement

	30.06.23 $million	30.06.22 $million
Amortisation of discounts and premiums of investment securities	(219)	195
Interest expense on subordinated liabilities	415	247
Interest expense on senior debt securities in issue	959	283
Other non-cash items	(168)	16
Pension costs for defined benefit schemes	35	29
Share-based payment costs	112	122
Impairment losses on loans and advances and other credit risk provisions	161	263
Other impairment	77	15
Gain on disposal of property, plant and equipment	(32)	(32)
Loss/(gain) on disposal of FVOCI and AMCST financial assets	105	(14)
Depreciation and amortisation	561	592
Fair value changes taken to income statement	(357)	(199)
Foreign Currency revaluation	(29)	(666)
Net gain on derecognition of investment in associate	–	2
Profit from associates and joint ventures	(102)	(153)
Total	**1,518**	700

Change in operating assets

	30.06.23 $million	30.06.22 $million
Decrease/(increase) in derivative financial instruments	2,893	(25,182)
(Increase)/decrease in debt securities, treasury bills and equity shares held at fair value through profit or loss	(11,282)	7,861
Net decrease in loans and advances to banks and customers	13,316	5,139
Net increase in prepayments and accrued income	(205)	(244)
Net increase in other assets	(6,783)	(11,859)
Total	**(2,061)**	(24,285)

Change in operating liabilities

	30.06.23 $million	30.06.22 $million
(Decrease)/increase in derivative financial instruments	(6,511)	23,620
Increase/(decrease) in deposits from banks, customer accounts, debt securities in issue, Hong Kong notes in circulation and short positions	23,238	(14,783)
Increase/(decrease) in accruals and deferred income	437	(353)
Net increase in other liabilities	9,302	17,558
Total	**26,466**	26,042

31. Cash flow note continued

Disclosures

	30.06.23 $million	30.06.22 $million
Subordinated debt (including accrued interest):		
Opening balance	13,929	16,885
Proceeds from the issue	–	750
Interest paid	(300)	(310)
Repayment	(2,000)	(1,048)
Foreign exchange movements	109	(401)
Fair value changes	38	(1,018)
Accrued Interest and Others	282	320
Closing balance	12,058	15,178
Senior debt (including accrued interest):		
Opening balance	32,288	29,904
Proceeds from the issue	7,072	6,511
Interest paid	(561)	(487)
Repayment	(2,715)	(3,618)
Foreign exchange movements	(158)	(881)
Fair value changes	(98)	(804)
Accrued Interest and Others	390	521
Closing balance	36,218	31,146

Supplementary financial information

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

	30.06.23		31.12.22	
	Bank deposits $million	Customer accounts $million	Bank deposits $million	Customer accounts $million
Insured deposits	142	64,140	28	60,008
Current accounts	9	15,755	8	16,373
Savings deposits	–	29,387	–	26,973
Time deposits	19	18,901	20	16,599
Other deposits	114	97	–	63
Uninsured deposits	40,656	465,651	36,795	460,221
Current accounts	21,519	147,732	22,425	144,931
Savings deposits	–	84,532	–	90,937
Time deposits	8,436	187,017	6,870	176,090
Other deposits	10,701	46,370	7,500	48,263
Total	40,798	529,791	36,823	520,229

Classification of insured deposits is based on the local deposits insurance regulations existing in the jurisdictions in which the Group operates. The jurisdictions with the most significant levels customer deposits are Hong Kong, Korea and Singapore, which provide insurance for deposits up to HKD 500,000, KRW 50,000,000 and SGD 75,000, respectively, in each case based on the total relationship value.

UK and non-UK deposits

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

	30.06.23		31.12.22	
	Bank deposits $million	Customer accounts $million	Bank deposits $million	Customer accounts $million
UK deposits	2,782	29,706	4,163	38,557
Current accounts	995	8,769	903	8,955
Savings deposits	–	563	–	420
Time deposits	246	5,611	1,004	6,760
Other deposits	1,541	14,763	2,256	22,422
Non-UK deposits	38,016	500,085	32,660	481,672
Current accounts	20,532	154,719	21,530	152,349
Savings deposits	–	113,356	–	117,490
Time deposits	8,210	200,306	5,886	185,929
Other deposits	9,274	31,704	5,244	25,904
Total	40,798	529,791	36,823	520,229

Contractual maturity of Loans, Investment securities and Deposits

	30.06.23						
	Loans and advances to banks $million	Loans and advances to customers $million	Investment securities - Treasury and other eligible Bills $million	Investment securities – Debt securities $million	Investment securities – Equity shares $million	Bank deposits $million	Customer accounts $million
One year or less	76,241	188,753	35,997	46,333	–	38,495	486,363
Between one and five years	4,130	52,443	367	66,070	–	2,296	41,976
Between five and ten years	415	17,532	1	20,363	–	3	1,390
Between ten years and fifteen years	85	13,559	–	9,883	–	–	52
More than fifteen years and undated	324	63,536	–	17,920	3,704	4	10
Total	81,195	335,823	36,365	160,569	3,704	40,798	529,791
Total amortised cost and FVOCI exposures	44,602	290,137					
Fixed interest rate exposures	37,127	173,633					
Floating interest rate exposures	7,475	116,504					

	31.12.22						
	Loans and advances to banks $million	Loans and advances to customers $million	Investment securities – Treasury and other eligible Bills $million	Investment securities – Debt securities $million	Investment securities – Equity shares $million	Bank deposits $million	Customer accounts $million
One year or less	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

	One year or less		Between one and five years		Between five and ten years		More than ten years		Total	
	$million	Yield %	$million	Yield %	$million	Yield %	$million	Yield %	$million	Yield %
Central and other government agencies										
– US	1,569	1.45	6,470	1.48	7,548	1.57	4,271	3.91	19,858	2.03
– UK	45	1.25	108	1.43	–	–	51	0.88	204	1.25
– Other	4,353	2.44	11,884	2.64	2,245	2.88	6	4.32	18,488	2.63
Other debt securities	2,827	5.90	2,830	4.84	2,285	5.72	11,896	4.85	19,838	5.10
As at 30 June 2023	**8,794**	**3.37**	**21,292**	**2.58**	**12,078**	**2.60**	**16,224**	**4.59**	**58,388**	**3.26**

	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

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 30 June 2023, 31 December 2022 and 30 June 2022. For the purpose of these tables, average balances have been determined on the basis of daily balances, except for certain categories, for which balances have been determined less frequently. The Group does not believe that the information presented in these tables would be significantly different had such balances been determined on a daily basis.

Average assets

	6 months ended 30.06.23				
Average assets	**Average non-interest earning balance $million**	**Average interest earning balance $million**	**Interest income $million**	**Gross yield %**	**Gross yield total balance %**
Cash and balances at central banks	10,799	63,057	1,211	3.87	3.31
Gross loans and advances to banks	33,352	42,692	958	4.53	2.54
Gross loans and advances to customers	57,325	305,444	7,504	4.95	4.17
Impairment provisions against loans and advances to banks and customers	–	(5,996)	–	–	–
Investment securities – Treasury and Other Eligible Bills	6,851	35,488	809	4.60	3.85
Investment securities – Debt Securities	26,211	135,464	2,344	3.49	2.92
Investment securities – Equity Shares	3,230	–	–	–	–
Property, plant and equipment and intangible assets	9,278	–	–	–	–
Prepayments, accrued income and other assets	125,751	–	–	–	–
Investment associates and joint ventures	1,781	–	–	–	–
Total average assets	**274,578**	**576,149**	**12,826**	**4.49**	**3.04**

Average assets	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield %	Gross yield total balance %
	6 months ended 31.12.22				
Cash and balances at central banks	15,814	53,421	619	2.34	1.80
Gross loans and advances to banks	30,286	43,945	527	2.42	1.43
Gross loans and advances to customers	60,000	308,454	6,141	4.01	3.36
Impairment provisions against loans and advances to banks and customers	–	(6,232)	–	–	–
Investment securities – Treasury and Other Eligible Bills	6,022	27,294	424	3.13	2.57
Investment securities – Debt Securities	24,060	138,522	1,756	2.56	2.18
Investment securities – Equity Shares	3,636	–	–	–	–
Property, plant and equipment and intangible assets	8,913	–	–	–	–
Prepayments, accrued income and other assets	154,164	–	–	–	–
Investment associates and joint ventures	2,109	–	–	–	–
Total average assets	305,004	565,404	9,467	3.38	2.19

Average assets	Average non-interest earning balance $million	Average interest earning balance $million	Interest income $million	Gross yield %	Gross yield total balance %
	6 months ended 30.06.22				
Cash and balances at central banks	23,650	55,603	146	0.53	0.37
Gross loans and advances to banks	28,854	41,945	326	1.57	0.93
Gross loans and advances to customers	62,985	305,280	4,027	2.66	2.21
Impairment provisions against loans and advances to banks and customers	–	(5,496)	–	–	–
Investment securities – Treasury and Other Eligible Bills	5,098	24,531	206	1.69	1.40
Investment securities – Debt Securities	23,169	143,472	1,080	1.52	1.31
Investment securities – Equity Shares	4,676	–	–	–	–
Property, plant and equipment and intangible assets	8,727	–	–	–	–
Prepayments, accrued income and other assets	130,842	–	–	–	–
Investment associates and joint ventures	2,196	–	–	–	–
Total average assets	290,197	565,335	5,785	2.06	1.36

Average liabilities

Average liabilities	6 months ended 30.06.23 Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %	Rate paid total balance %
Deposits by banks	14,395	25,176	374	3.00	1.91
Customer accounts:					
Current accounts	43,861	130,405	1,705	2.64	1.97
Savings deposits	–	112,506	892	1.60	1.60
Time deposits	14,489	187,106	3,830	4.13	3.83
Other deposits	49,348	2,978	62	4.20	0.24
Debt securities in issue	10,546	66,201	1,538	4.68	4.04
Accruals, deferred income and other liabilities	130,519	1,029	26	5.10	0.04
Subordinated liabilities and other borrowed funds	–	12,148	415	6.89	6.89
Non-controlling interests	320	–	–	–	–
Shareholders' funds	49,700	–	–	–	–
	313,178	537,549	8,842	3.32	1.04
Adjustment for Financial Markets trading book funding costs			(822)		
Financial guarantee fees on interest earning assets			36		
Total average liabilities and shareholders' funds	313,178	537,549	8,056	3.02	0.95

Average liabilities	6 months ended 31.12.22 Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %	Rate paid total balance %
Deposits by banks	15,805	25,321	341	2.72	1.67
Customer accounts:					
Current accounts	48,235	135,529	1,155	1.72	1.27
Savings deposits	–	123,054	573	0.94	0.94
Time deposits	12,312	160,419	2,191	2.75	2.56
Other deposits	52,875	4,019	86	4.32	0.30
Debt securities in issue	7,204	59,842	822	2.77	2.47
Accruals, deferred income and other liabilities	159,818	1,004	21	4.22	0.03
Subordinated liabilities and other borrowed funds	–	14,438	323	4.51	4.51
Non-controlling interests	284	–	–	–	–
Shareholders' funds	50,247	–	–	–	–
	346,780	523,626	5,512	2.12	1.28
Adjustment for Financial Markets trading book funding costs			(463)		
Financial guarantee fees on interest earning assets			80		
Total average liabilities and shareholders' funds	346,780	523,626	5,129	1.98	1.19

Average liabilities	6 months ended 30.06.22 Average non-interest bearing balance $million	Average interest bearing balance $million	Interest expense $million	Rate paid %	Rate paid total balance %
Deposits by banks	18,293	29,193	92	0.64	0.39
Customer accounts:					
Current accounts	54,567	129,842	325	0.50	0.36
Savings deposits	–	140,229	259	0.37	0.37
Time deposits	10,848	143,679	830	1.16	1.08
Other deposits	53,050	6,187	24	0.78	0.08
Debt securities in issue	6,228	61,288	347	1.14	1.04
Accruals, deferred income and other liabilities	132,958	1,127	23	4.12	0.03
Subordinated liabilities and other borrowed funds	–	15,559	247	3.20	3.20
Non-controlling interests	340	–	–	–	–
Shareholders' funds	49,493	–	–	–	–
	325,777	527,104	2,147	0.82	0.51
Adjustment for Financial Markets trading book funding costs			(106)		
Financial guarantee fees on interest earning assets			47		
Total average liabilities and shareholders' funds	325,777	527,104	2,088	0.80	0.49

Net interest margin

	6 months ended 30.06.23 $million	6 months ended 31.12.22 $million	6 months ended 30.06.22 $million
Interest income (statutory)	**12,826**	9,467	5,785
Average interest-earning assets	**576,149**	565,403	565,335
Gross yield (%)	**4.49**	3.38	2.06
Interest expense (statutory)	**8,842**	5,512	2,147
Adjustment for Financial Markets trading book funding costs	**(822)**	(463)	(106)
Financial guarantee fees on interest-earning assets	**36**	80	47
Adjusted interest expense used to fund financial instruments held at fair value	**8,056**	5,129	2,088
Average interest-bearing liabilities	**537,549**	523,626	527,104
Rate paid (%)	**3.02**	1.98	0.80
Net yield (%)	**1.47**	1.40	1.26
Net interest income adjusted for Financial Markets trading book funding costs and Financial guarantee fees on interest-earning assets	**4,770**	4,338	3,697
Net interest margin (%)	**1.67**	1.52	1.32

A. Our Fair Pay Charter

Our Fair Pay Charter, introduced in 2018, sets out the principles we use to make remuneration decisions across the Group that are fair, transparent and competitive in order to support us in embedding a performance oriented, inclusive and innovative culture and in delivering a differentiated employee experience. Our Fair Pay Charter principles are set out in the Group's 2022 Annual Report together with a summary of our progress in implementing these across the Group. Our fourth external Fair Pay Report, published in February 2023, provides further details and is available on our Group website.

B. Group share plans

Discretionary share plans

The 2021 Standard Chartered Share Plan (the '2021 Plan') was approved by shareholders in May 2021 and is the Group's main share plan, replacing the 2011 Standard Chartered Share Plan (the '2011 Plan') for new awards from June 2021. It is 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 are granted with vesting subject to performance measures which have 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
- Buy-out awards are made outside of the annual performance process as replacement awards for new joiners who forfeit awards on leaving their previous employers, and vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, buy-out 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 can be granted under this plan.

All employee share plans

The Standard Chartered 2013 Sharesave Plan (2013 Sharesave Plan) expired in May 2023. As a result, no further invitations to save can be made under the 2013 Sharesave Plan.

The Standard Chartered 2023 Sharesave Plan was approved by shareholders in May 2023. Under the 2023 Sharesave Plan, employees may open a savings contract. Within a maturity period of six months after the third anniversary, employees may purchase ordinary shares in the Company at a discount of up to 20 per cent on the share price at the date of invitation (this is known as the 'option exercise price'). There are no performance measures attached to options granted under the 2023 Sharesave Plan and no grant price is payable to receive an option.

In some countries in which the Group operates, it is not possible to deliver shares under the 2023 Sharesave Plan, typically due to securities laws and regulatory restrictions. In these countries, where possible, the Group offers an equivalent cash-based plan to its employees.

Valuation of share awards

Details of the valuation models used in determining the fair values of share awards granted under the Group's share plans are detailed in the Group's 2022 Annual Report.

Reconciliation of share award movements for the period to 30 June 2023

	LTIP[1]	Deferred/ Buy-out awards[1]	Sharesave	Weighted average Sharesave exercise price (£)
Outstanding on 1 January 2023	11,339,951	46,449,040	17,109,519	3.81
Granted[2,3]	2,140,739	21,288,282	–	–
Lapsed	(1,911,931)	(813,863)	(684,608)	4.10
Vested/Exercised	(601,174)	(18,226,698)	(1,467,406)	4.96
Outstanding on 30 June 2023	10,967,585	48,696,761	14,957,505	3.68
Total number of securities available for issue under the plan	10,967,585	48,696,761	14,957,505	3.68
Percentage of the issued shares this represents as of 30 June 2023	0.39	1.74	0.53	
Exercisable as of 30 June 2023	–	861,088	48,088	3.91
Range of exercise prices (£)	–	–	3.14 – 5.13	
Intrinsic value of vested but not exercised options ($ million)	0.00	7.48	0.18	
Weighted average contractual remaining life (years)	8.08	8.50	1.98	
Weighted average share price for awards exercised during the period (£)	6.93	7.05	6.88	

1. Employees do not contribute towards the cost of these awards, which are covered under the rules of the 2011 Standard Chartered Share Plan for grants prior to May 2021, and under the rules of the 2021 Standard Chartered Share Plan for grants from June 2021
2. 2,134,238 (LTIP) granted on 13 March 2023, 6,501 (LTIP) granted as a notional dividend on 1 March 2023; 20,828,385 (Deferred/Buy-out awards) granted on 13 March 2023; 121,314 (Deferred awards) granted as a notional dividend on 1 March 2023; 338,583 (Deferred/Buy-out awards) granted on 19 June 2023
3. No discretionary awards (LTIP or deferred/buy-out awards) have been granted in the form of options since June 2015. For historic awards granted as options and exercised in the period to 30 June 2023, the exercise price of deferred/restricted shares options was nil
4. All Sharesave awards are in the form of options. The exercise price of Sharesave options exercised was £4.23 for options granted in 2022, £3.67 for options granted in 2021, £3.14 for options granted in 2020 and £4.98 for options granted in 2019
5. No options were cancelled in the period

C. Group Chairman and independent non-executive directors' interests in ordinary shares as at 30 June 2023[1,2]

	Shares beneficially held as at 31 December 2022	**Shares beneficially held as at 30 June 2023**
Chairman		
J Viñals	45,000	**45,000**
Independent non-executive directors		
S M Apte	2,000	**2,000**
D P Conner	10,000	**10,000**
C Hodgson, CBE[3]	2,571	**–**
G Huey Evans, CBE	2,615	**2,615**
J Hunt	2,000	**2,000**
R A Lawther, CBE	2,000	**2,000**
M Ramos	2,000	**2,000**
P G Rivett	2,128	**2,128**
D Tang	2,000	**2,000**
C Tong	2,000	**2,000**
J M Whitbread[4]	3,615	**–**
L Yueh[5]	–	**2,000**

1. Independent non-executive directors are required to hold shares with a nominal value of $1,000. All the directors have met this requirement
2. The beneficial interests of directors and their related parties in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares. None of the directors used ordinary 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 as at 30 June 2023
3. Christine Hodgson retired from the Board on 31 January 2023
4. Jasmine Whitbread retired from the Board on 3 May 2023
5. Linda Yueh was appointed to the Board on 1 January 2023

D. Executive directors’ interests in ordinary shares as at 30 June 2023

Scheme interests awarded, exercised and lapsed during the period

Employees, including executive directors, are not permitted to engage in any personal investment strategies with regards to their Company shares, including hedging against the share price of Company shares. The main features of the outstanding shares and awards are summarised below:

Award	Performance measures	Performance outcome	Accrues notional dividends?[1]	Tranche splits
2016-18	33% RoE 33% TSR 33% Strategic	27%	Yes	Tranche 1: 50% Tranches 2-5: 12.5%
2017-19		38%		5 equal tranches
2018-20		26%	No	
2019-21	33% RoTE 33% TSR 33% Strategic	23%		
2020-22		36.8%		
2021-23	30% RoTE 30% TSR 15% Sustainability 25% Strategic	To be assessed at the end of 2023		
2022-24		To be assessed at the end of 2024		
2023-25		To be assessed at the end of 2025		

1. 2016–18 and 2017–19 LTIP awards may receive dividend equivalent shares based on dividends declared between grant and vest. From 1 January 2017 remuneration regulations for European banks prohibited the award of dividend equivalent shares. Therefore, the number of shares awarded in respect of the 2018–20, 2019–21, 2020–22, 2021–23, 2022-24 and 2023-25 LTIP awards took into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall value of the award was maintained

The following table shows the changes in share interests.

	Changes in interests from 1 January to 30 June 2023									
	Date of grant	Share award price (£)	As at 1 January	Awarded[1]	Dividends awarded[2]	Vested/ exercised[3,4]	Lapsed	As at 30 June	Performance period end	Vesting date
B Winters[5]										
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

	Changes in interests from 1 January to 30 June 2023									
	Date of grant	Share award price (£)	As at 1 January	Awarded[1]	Dividends awarded[2]	Vested/ exercised[3,4]	Lapsed	As at 30 June	Performance period end	Vesting date
A Halford[4,5]										
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[6]		4.230	2,127	–	–	–	–	2,127	–	1 Feb 2026

1 For the 2023-25 LTIP awards granted to Bill Winters and Andy Halford on 13 March 2023, the values granted were: Bill Winters: £3.2 million; Andy Halford £2.1 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.

2 Dividend equivalent shares may be awarded on vesting for awards granted prior to 1 January 2018. On 31 March 2020, Standard Chartered announced that in response to the request from the PRA and as a consequence of the unprecedented challenges facing the world due to the COVID-19 pandemic, the Board decided to withdraw the recommendation to pay a final dividend for 2019. Dividend equivalent shares allocated to the 2016-18 and 2017-19 LTIP awards vesting in 2023 did not include any shares relating to the cancelled dividend.

3 Shares (before tax) were delivered to Bill Winters and Andy Halford from the vesting element of LTIP awards. The number of shares and the closing share price on the day before the shares were delivered were as follows:

- 2016-18 LTIP: 4 May 2023, 36,799 shares delivered to Bill Winters and 21,975 shares delivered to Andy Halford. Previous day closing share price: £6.114.
- 2017-19 LTIP: 13 March 2023, 49,470 shares delivered to Bill Winters and 30,628 shares delivered to Andy Halford. Previous day closing share price: £7.398.
- 2018-20 LTIP: 9 March 2023, 28,178 shares delivered to Bill Winters and 17,448 shares delivered to Andy Halford. Previous day closing share price: £7.874.
- 2019-21 LTIP: 13 March 2023, 30,604 shares delivered to Bill Winters and 19,571 shares delivered to Andy Halford. Previous day closing share price: £7.398.
- 2020-22 LTIP: 15 March 2023, 59,282 shares delivered to Bill Winters and 36,791 shares delivered to Andy Halford. Previous day closing share price: £6.968.

4 Andy Halford 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.

5 The unvested LTIP awards held by Bill Winters and Andy Halford are conditional rights. They do not have to pay towards these awards. Under these awards, shares are delivered on vesting or as soon as practicable thereafter.

6 The vesting date relates to the end of the savings contract and the start of the six month exercise window.

As at 30 June 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.

Shareholdings and share interests

The following table summarises the executive directors' shareholdings and share interests.

	Shares held beneficially[1,2,3]	Unvested share awards not subject to performance measures (net of tax)[4,5]	Total shares counting towards shareholding requirement	Shareholding requirement	Salary[3]	Value of shares counting towards shareholding requirement as a percentage of salary[1]	Unvested share awards subject to performance measures (before tax)
B Winters	2,583,045	228,083	2,811,128	250% salary	£2,517,000	763%	2,016,082
A Halford	1,136,418	142,389	1,278,807	200% salary	£1,609,000	543%	1,288,778

1 All figures are as of 30 June 2023 unless stated otherwise. The closing share price on 30 June 2023 was £6.83. 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 interested 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

E. Share price information

The middle market price of an ordinary share at the close of business on 30 June 2023 was 683.0 pence. The share price range during the first half of 2023 was 591.8 pence to 790.8 pence (based on the closing middle market prices).

F. Substantial shareholders

The Company and its shareholders have been granted partial exemption from the disclosure requirements under Part XV of the Securities and Futures Ordinance (SFO). As a result of this exemption, shareholders no longer have an obligation under Part XV of the SFO (other than Divisions 5, 11 and 12 thereof) to notify the Company of substantial shareholding interests, and the Company is no longer required to maintain a register of interests of substantial shareholders under section 336 of the SFO. The Company is, however, required to file with The Stock Exchange of Hong Kong Limited any disclosure of interests made in the UK.

G. Code for Financial Reporting Disclosures

The UK Finance Code for Financial Reporting Disclosure sets out five disclosure principles together with supporting guidance. The principles are that UK banks will: provide high-quality, meaningful and decision useful disclosures; review and enhance their financial instrument disclosures for key areas of interest; assess the applicability and relevance of good practice recommendations to their disclosures, acknowledging the importance of such guidance; seek to enhance the comparability of financial statement disclosures across the UK banking sector; and clearly differentiate in their annual reports between information that is audited and information that is unaudited.

The Group's interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the Code's principles.

H. Employees

The details regarding our remuneration policies, bonus schemes and training schemes have not materially changed from our 2022 Annual Report and Accounts and we will be updating on these in our 2023 Annual Report.

I. Employee headcount

The following table summarises the number of employees within the Group:

	Business[1]	Support services[2]	Total[3,4]
At 30 June 2023	**30,478**	**55,515**	**85,993**
At 31 December 2022	30,619	52,647	83,266

1 Business is defined as employees directly under the remit of the businesses

2 Support services include employees who support businesses' operationsor investments where costs are fully recharged to the businesses. Increase in support services in H1 2023 is mainly due to increase in businessdemand for investment resources and transfer of approximately 500 employees from CCIB business

3 Excludes 529 employees (headcount) from Digital Ventures entities (Autumn, TASConnect, Zodia Markets, Zodia Custody, Appro, Solv India, SolvKenya, Letsbloom, Myzoi and Tawi)

4 Includes employees operating in discontinued/restructured businesses

Shareholder information

Dividend and interest payment dates

Ordinary Shares	2023 interim dividend (cash only)
Results and dividend announced	28 July 2023
Ex-Dividend date	10 (UK) 9 (HK) August 2023
Record date	11 August 2023
Last date to amend currency election instructions for cash dividend*	18 September 2023
Dividend payment date	13 October 2023

* in either US dollars, sterling, or Hong Kong dollars

	2023 final dividend (provisional only)
Results and dividend announcement date	20 February 2024

Preference shares	Second half-yearly dividend
7 3/8 per cent Non-Cumulative Irredeemable preference shares of £1 each	2 October 2023
8 ¼ per cent Non-Cumulative Irredeemable preference shares of £1 each	2 October 2023
6.409 per cent Non-Cumulative preference shares of $5 each	31 July 2023 and 30 October 2023
7.014 per cent Non-Cumulative preference shares of $5 each	31 July 2023

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
Interim 2008	9 October 2008	25.67c/13.96133p/HK$1.995046	£14.00/$26.0148
Final 2008	15 May 2009	42.32c/28.4693p/HK$3.279597	£8.342/$11.7405
Interim 2009	8 October 2009	21.23c/13.25177p/HK$1.645304	£13.876/$22.799
Final 2009	13 May 2010	44.80c/29.54233p/HK$3.478306	£17.351/$26.252
Interim 2010	5 October 2010	23.35c/14.71618p/HK$1.811274/INR0.984124[1]	£17.394/$27.190
Final 2010	11 May 2011	46.65c/28.272513p/HK$3.623404/INR1.9975170[1]	£15.994/$25.649
Interim 2011	7 October 2011	24.75c/15.81958125p/HK$1.928909813/INR1.13797125[1]	£14.127/$23.140
Final 2011	15 May 2012	51.25c/31.63032125p/HK$3.9776083375/INR2.6667015[1]	£15.723/$24.634
Interim 2012	11 October 2012	27.23c/16.799630190p/HK$2.111362463/INR1.349803950[1]	£13.417/$21.041
Final 2012	14 May 2013	56.77c/36.5649893p/HK$4.4048756997/INR2.976283575[1]	£17.40/$26.28792
Interim 2013	17 October 2013	28.80c/17.8880256p/HK$2.233204992/INR1.6813[1]	£15.362/$24.07379
Final 2013	14 May 2014	57.20c/33.9211444p/HK$4.43464736/INR3.354626[1]	£11.949/$19.815
Interim 2014	20 October 2014	28.80c/17.891107200p/HK$2.2340016000/INR1.671842560[1]	£12.151/$20.207
Final 2014	14 May 2015	57.20c/37.16485p/HK$4.43329/INR3.514059[1]	£9.797/$14.374
Interim 2015	19 October 2015	14.40c/9.3979152p/HK$1.115985456/INR0.86139372[1]	£8.5226/$13.34383
Final 2015	No dividend declared	N/A	N/A
Interim 2016	No dividend declared	N/A	N/A
Final 2016	No dividend declared	N/A	N/A
Interim 2017	No dividend declared	N/A	N/A
Final 2017	17 May 2018	11.00c/7.88046p/HK$0.86293/INR0.653643340[1]	£7.7600/$10.83451
Interim 2018	22 October 2018	6.00c/4.59747p/HK$0.46978/INR0.3696175[1]	£6.7104/$8.51952
Final 2018	16 May 2019	15.00c/11.569905p/HK$1.176260/INR0.957691650[1]	N/A
Interim 2019	21 October 2019	7.00c/5.676776p/HK$0.548723/INR0.425028600[1]	N/A
Final 2019	Dividend withdrawn	N/A	N/A
Interim 2020	No dividend declared	N/A	N/A
Final 2020	25 February 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/3.675912/HK$0.313887	N/A
Final 2022	11 May 2023	14.00c/11.249168p/HK$1.09803	N/A

1 The INR dividend was 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

Further details regarding dividends can be found on our website at sc.com/shareholders

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 paid at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay. If you would like to receive more information, please visit our website at sc.com/shareholders or contact the shareholder helpline on 0370 702 0138.

Donating shares to ShareGift

Shareholders who have a small number of shares often find it uneconomical to sell them. An alternative is to consider donating them to the charity ShareGift (registered charity 1052686), which collects donations of unwanted shares until there are enough to sell and uses the proceeds to support UK charities. There is no implication for capital gains tax (no gain or loss) when you donate shares to charity, and UK taxpayers may be able to claim income tax relief on the value of their donation. Further information can be obtained from the Company's registrars or from ShareGift on 020 7930 3737 or from sharegift.org.

Bankers' Automated Clearing System (BACS)

Dividends can be paid straight into your bank or building society account. Please register online at investorcentre.co.uk or contact our registrar for a 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.

Chinese translation

If you would like a Chinese version of this Half Year Report, please contact: Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本半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 Half Year 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 Half Year Report electronically rather than by post, please register online at: investorcentre.co.uk. Then click on 'register' and follow the instructions. You will need to have your Shareholder or ShareCare reference number to hand. You can find this on your share certificate or ShareCare statement. Once you have registered and confirmed your email communication preference, you will receive future notifications via email enabling you to submit your proxy vote online. In addition, as a member of Investor Centre, you will be able to manage your shareholding online and submit dividend elections electronically and change your bank mandate or address information.

Important notices

Forward-looking statements

The information included in this document may contain 'forward-looking statements' based upon current expectations or beliefs as well as statements formulated with assumptions about future events. Forward-looking statements include, without limitation, projections, estimates, commitments, plans, approaches, ambitions and targets (including, without limitation, ESG commitments, ambitions and targets). Forward-looking statements often use words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'aim', 'continue' or other words of similar meaning. Forward-looking statements may also (or additionally) be identified by the fact that they do not relate only to historical or current facts. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Readers should not place reliance on, and are cautioned about relying on, any forward-looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to): changes in global, political, economic, business, competitive and market forces or conditions, or in future exchange and interest rates; changes in environmental, geopolitical, social or physical risks; legal, regulatory and policy developments, including regulatory measures addressing climate change and broader sustainability-related issues; the development of standards and interpretations, including evolving requirements and practices in Environmental, Social and Governance reporting; the ability of the Group, together with governments and other stakeholders to measure, manage, and mitigate the impacts of climate change and broader sustainability-related issues effectively; risks arising out of health crises and pandemics; risks of cyber-attacks, data, information or security breaches or technology failures involving the Group; changes in tax rates, future business combinations or dispositions; and other factors specific to the Group, including those identified in the financial statements of the Group. Any forward-looking statements contained in this document are based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be, nor should be interpreted as, a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise. Please refer to the Annual Report, this document, 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 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.

Caution regarding climate and environment related information

Some of the climate and environment related information in this document is subject to certain limitations, and therefore the reader should treat the information provided, as well as conclusions, projections and assumptions drawn from such information, with caution. The information may be limited due to a number of factors, which include (but are not limited to): a lack of reliable data; a lack of standardisation of data; and future uncertainty. The information includes externally sourced data that may not have been verified. Furthermore, some of the data, models and methodologies used to create the information is subject to adjustment which is beyond our control, and the information is subject to change without notice. This disclaimer does not apply to the Group's condensed consolidated interim financial statements and notes as set out in Note 1 – Statement of compliance.

Glossary

Absolute financed emissions
A measurement of our attributed share of our clients greenhouse gas emissions.

AT1 or Additional Tier 1 capital
Additional Tier 1 capital consists of instruments other than Common Equity Tier 1 that meet the Capital Requirements Regulation (as it forms part of UK domestic law) criteria for inclusion in Tier 1 capital.

Additional value adjustment
See Prudent valuation adjustment.

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

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

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

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

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

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

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

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 recently finalised the UK's version of the CRR II for implementation on 1 January 2022.

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

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

CGU or Cash-generating unit
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash shortfall
The difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive over the contractual life of the instrument.

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

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

CET1 or Common Equity Tier 1 capital
Common Equity Tier 1 capital consists of the common shares issued by the Group and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Diluted earnings per share (EPS)
Represents earnings divided by the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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

Early alert, purely and non-purely precautionary
A borrower's account which exhibits risks or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded to credit grade 12 or worse. When an account is on early alert, it is classified as either purely precautionary or non-purely precautionary. A purely precautionary account is one that exhibits early alert characteristics, but these do not present any imminent credit concern. If the symptoms present an imminent credit concern, an account will be considered for classification as non-purely precautionary.

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

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

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

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

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

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

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

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

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

ESG
Environmental, Social and Governance.

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

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

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

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

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

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

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

Green and Sustainable Product Framework
Sets out underlying eligible qualifying themes and activities that may be considered ESG .This has been developed with the support of external experts, has been informed by industry and supervisory principles and standards such as the Green Bond Principles and EU Taxonomy for sustainable activities.

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

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

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

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

IAS or International Accounting Standard
A standard that forms part of the International Financial Reporting Standards framework.

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

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

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

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

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

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

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

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

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

Loans and advances to banks
Amounts loaned to credit institutions including securities bought under Reverse repo.

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

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

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

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

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

Low returning clients
See 'Perennial sub-optimal clients'.

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

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

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

MREL or minimum requirement for own funds and eligible liabilities
A requirement under the Bank Recovery and Resolution Directive for EU resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks, implementing the FSB's Total Loss Absorbing Capacity (TLAC) standard. MREL is intended to ensure that there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensures the continuity of critical functions and avoids exposing taxpayers to loss.

Net asset value (NAV) per share
Ratio of net assets (total assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.

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

Net zero
The commitment to reaching net zero carbon emissions from our operations by 2025 and from our financing by 2050.

NII or Net interest income
The difference between interest received on assets and interest paid on liabilities.

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

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

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

Normalised items
See 'Underlying/Normalised' on page 38.

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

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

OTC or Over-the-counter derivatives
A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.

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

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

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

Pillar 1
The first pillar of the three pillars of the Basel framework which provides the approach to calculation of the minimum capital requirements for credit, market and operational risk. Minimum capital requirements are 8 per cent of the Group's risk-weighted assets.

Pillar 2
The second pillar of the three pillars of the Basel framework which requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.

Pillar 3
The third pillar of the three pillars of the Basel framework which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

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

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

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

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

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

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

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

Revenue-based carbon intensity
A measurement of the quantity of greenhouse gases emitted by our clients per USD of their revenue.

Regulatory consolidation
The regulatory consolidation of Standard Chartered PLC differs from the statutory consolidation in that it includes Ascenta IV, Olea Global Pte. Ltd., Seychelles International Mercantile Banking Corporation Limited., Partior Holdings Pte. Ltd. and all of the legal entities in the CurrencyFair 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, Letsbloom Pte. Ltd, SCV Research and Development Pte. Ltd., Standard Chartered Assurance Limited, Standard Chartered Isle of Man Limited, Pegasus Dealmaking Pte. Ltd., Solv Sdn. Bhd., Solvezy Technology Kenya Ltd, Solvezy Technology Ghana Ltd, Standard Chartered Botswana Education Trust, Standard Chartered Bancassurance Intermediary Limited, Standard Chartered Bank Insurance Agency (Proprietary) Limited, Standard Chartered Trading (Shanghai) Limited, Tawi Fresh Kenya Limited and, Structured and Repackaged Asset Holdings S.à r.l.

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

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

RoRWA or Return on risk-weighted assets
Profit before tax for year as a percentage of RWA. Profit may be statutory or underlying and is specified where used. See 'RWA' and 'Underlying earnings'.

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

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

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

Scope 1 emissions
Arise from the consumption of energy from direct sources during the use of property occupied by the Group. On-site combustion of fuels such as diesel, liquefied petroleum gas and natural gas is recorded using meters or, where metering is not available, collated from fuel vendor invoices. Emissions from the combustion of fuel in Group-operated transportation devices, as well as fugitive emissions, are excluded as being immaterial.

Scope 2 emissions
Arise from the consumption of indirect sources of energy during the use of property occupied by the Group. Energy generated off-site in the form of purchased electricity, heat, steam or cooling is collected as kilowatt hours consumed using meters or, where metering is not available, collated from vendor invoices. For leased properties we include all indirect and direct sources of energy consumed by building services (amongst other activities) within the space occupied by the Group. This can include base building services under landlord control but over which we typically hold a reasonable degree of influence. All data centre facilities with conditioning systems and hardware remaining under the operational control of the Group are included in the reporting. This does not include energy used at outsourced data centre facilities which are captured under Scope 3.

Scope 3 emissions
Occur as a consequence of the Group's activities but arising from sources not controlled by the Group. Business air travel data is collected as person kilometres travelled by seating class by employees of the Group. Data are drawn from country operations that have processes in place to gather accurate employee air travel data from travel management companies. Flights are categorised as short, medium or long haul trips. Emissions from other potential Scope 3 sources such as electricity transmission and distribution line losses are not currently accounted for on the basis that they cannot be calculated with an acceptable level of reliability or consistency. The Group does however capture Scope 3 emissions from outsourced data centres managed by third parties.

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

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

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

SICR or Significant increase in credit risk
Assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after considering the passage of time).

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

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

Stage 1
Assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

Stage 2
Assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3
Assets that are in default and considered credit-impaired (non-performing loans).

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

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

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

Sustainability Aspirations
A series of targets and metrics by which we aim to promote social and economic development, and deliver sustainable outcomes in the areas in which we can make the most material contribution to the delivery of the UN Sustainable Development Goals.

Sustainable Finance assets
Assets from clients whose activities are aligned with the Green and Sustainable Product Framework and/or from transactions for which the use of proceeds will be utilised directly to contribute towards eligible themes and activities set out within the Green and Sustainable Product Framework.

Sustainable Finance revenue
Revenue from clients whose activities are aligned with the Green and Sustainable Product Framework and/or from transactions for which proceeds will be utilised directly to contribute towards eligible themes and activities set out within the Green and Sustainable Product Framework and/or from approved 'labelled' transactions such as any transaction referred to as "green", "social", "sustainable", "SDG (sustainable development goal) aligned", "ESG", "transition", "COVID-19 facility" or "COVID-19 response" which have been approved by the Sustainable Finance Governance Committee.

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

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

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

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

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

UK bank levy
A levy that applies to certain UK banks and the UK operations of foreign banks. The levy is payable each year based on a percentage of the chargeable equities and liabilities on the Group's UK tax resident entities' balance sheets. Key exclusions from chargeable equities and liabilities include Tier 1 capital, insured or guaranteed retail deposits, repos secured on certain sovereign debt and liabilities subject to netting.

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

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

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

ViU or Value-in-Use
The present value of the future expected cash flows expected to be derived from an asset or CGU.

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

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

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