



**Standard Chartered Bank
(Hong Kong) Limited**

**Condensed Consolidated
Interim Financial Statements (unaudited)**

For the period ended
30 June 2022

Standard Chartered Bank (Hong Kong) Limited

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The directors are pleased to announce the unaudited consolidated interim results of Standard Chartered Bank (Hong Kong) Limited (the "Bank") and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2022.

2022 First Half Results

Profit before taxation decreased by HK\$3,024 million from HK\$9,182 million to HK\$6,158 million. Net interest income increased by 9 per cent to HK\$12,473 million. Net fee and commission income decreased by 16 per cent over the corresponding period in 2021. Total operating income decreased by HK\$160 million to HK\$24,140 million.

Operating expenses decreased by HK\$17 million over the corresponding period to HK\$15,804 million. Total impairments increased by HK\$3,061 million over the corresponding period.

Profit after taxation was HK\$4,983 million, a decrease of HK\$2,432 million over HK\$7,415 million recorded in the first half of 2021.

Condensed consolidated income statement (unaudited) For the period ended 30 June 2022

(Expressed in millions of Hong Kong dollars)

	Note	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Interest income	3	17,988	16,005
Interest expense	4	(5,515)	(4,603)
Net interest income		12,473	11,402
Fee and commission income		5,810	6,774
Fee and commission expense		(1,133)	(1,194)
Net fee and commission income	5	4,677	5,580
Net trading income	6	5,163	4,749
Other operating income	7	1,827	2,569
		11,667	12,898
Total operating income		24,140	24,300
Staff costs		(7,403)	(7,314)
Premises and equipment		(2,299)	(2,299)
Others		(6,102)	(6,208)
Operating expenses	8	(15,804)	(15,821)
Operating profit before impairment		8,336	8,479
Credit impairment	9	(3,368)	(220)
Other impairment	10	(42)	(129)
Operating profit after impairment		4,926	8,130
Share of profit of an associate		1,232	1,052
Profit before taxation		6,158	9,182
Taxation	11	(1,175)	(1,767)
Profit after taxation		4,983	7,415
Profit/(loss) attributable to:			
– Non-controlling interests		(109)	(117)
– Equity shareholders of the Bank		5,092	7,532
Profit after taxation		4,983	7,415

The notes on pages 7 to 30 form part of these condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income (unaudited) For the period ended 30 June 2022

(Expressed in millions of Hong Kong dollars)

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Profit after taxation	4,983	7,415
Other comprehensive income:		
<u>Items that will not be reclassified to the income statement:</u>	346	984
Own credit adjustment:		
– Changes in own credit adjustment on financial liabilities designated at fair value through profit or loss	392	(22)
– Related tax effect	(90)	4
Defined benefit plans:		
– Remeasurement of retirement benefit obligations	66	332
– Related tax effect	(45)	(62)
Equity securities at fair value through other comprehensive income:		
– Changes in fair value recognised during the period	23	732
<u>Items that may be reclassified subsequently to the income statement:</u>	(3,060)	(260)
Debt securities at fair value through other comprehensive income:		
– Changes in fair value recognised during the period	(3,807)	(1,581)
– Changes in fair value transferred to the income statement on disposal	(75)	(525)
– Transfer to the income statement on fair value hedged items attributable to hedged risk	1,630	1,429
– Expected credit loss	(18)	(3)
– Share of impact from an associate	(639)	18
– Related tax effect	310	116
Cash flow hedges:		
– Changes in fair value recognised during the period	(606)	314
– Transfer to the income statement on termination of hedging derivatives	51	28
– Related tax effect	94	(56)
Exchange differences	(3,049)	(78)
Other comprehensive (loss)/income for the period, net of tax	(5,763)	646
Total comprehensive (loss)/income	(780)	8,061
Total comprehensive (loss)/income attributable to:		
– Non-controlling interests	(109)	(117)
– Equity shareholders of the Bank	(671)	8,178
Total comprehensive (loss)/income	(780)	8,061

The notes on pages 7 to 30 form part of these condensed consolidated interim financial statements.

Condensed consolidated statement of financial position as at 30 June 2022 (unaudited)*(Expressed in millions of Hong Kong dollars)*

	Note	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Assets			
Cash and balances at central banks		87,472	83,419
Loans and advances to banks	13	75,722	112,146
Hong Kong SAR Government certificates of indebtedness		56,751	56,791
Financial assets at fair value through profit or loss	14	239,877	215,747
Investment securities	15	456,900	476,792
Loans and advances to customers	16	1,146,631	1,196,483
Amounts due from immediate holding company		411	–
Amounts due from fellow subsidiaries		239,362	185,689
Interest in an associate		14,778	14,902
Property, plant and equipment	18	35,706	33,883
Goodwill and intangible assets		10,516	9,948
Current tax assets		689	958
Deferred tax assets		1,213	1,304
Other assets	19	85,977	91,197
Total assets		2,452,005	2,479,259
Liabilities			
Hong Kong SAR currency notes in circulation		56,751	56,791
Deposits by banks		52,634	50,352
Customer accounts	21	1,693,671	1,820,815
Financial liabilities at fair value through profit or loss	22	160,206	112,258
Debt securities in issue	23	35,963	42,987
Amounts due to immediate holding company		43,491	43,279
Amounts due to fellow subsidiaries		123,800	82,074
Current tax liabilities		636	30
Deferred tax liabilities		1,115	1,022
Other liabilities	24	99,328	86,183
Total liabilities		2,267,595	2,295,791
Equity			
Share capital		65,025	65,025
Reserves		100,211	101,345
Shareholders' equity		165,236	166,370
Other equity instruments	25	18,689	16,733
Non-controlling interests		485	365
Total equity		184,410	183,468
Total equity and liabilities		2,452,005	2,479,259

The notes on pages 7 to 30 form part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity (unaudited)

For the period ended 30 June 2022

(Expressed in millions of Hong Kong dollars)

	Share capital HK\$'M	Own credit adjustment reserve HK\$'M	Cash flow hedge reserve HK\$'M	FVOCI reserve – Debt HK\$'M	FVOCI reserve – Equity HK\$'M	Exchange reserve HK\$'M	Other reserves HK\$'M	Retained profits HK\$'M	Sub-total instruments HK\$'M	Other equity instruments HK\$'M	Non- controlling interests HK\$'M	Total HK\$'M
At 1 January 2021	65,025	(55)	(356)	1,223	189	(5,845)	10,938	91,705	162,824	16,733	442	179,999
Total comprehensive income	-	(18)	286	(546)	732	(78)	-	7,802	8,178	-	(117)	8,061
Dividend paid ¹	-	-	-	-	-	-	-	(486)	(486)	-	-	(486)
Movement in respect of share-based compensation plans	-	-	-	-	-	-	-	49	49	-	-	49
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	164	164
Transfer from retained profits	-	-	-	-	-	-	893	(893)	-	-	-	-
At 30 June 2021	65,025	(73)	(70)	677	921	(5,923)	11,831	98,177	170,565	16,733	489	187,787
Total comprehensive income	-	88	(19)	(186)	(667)	(233)	32	(711)	(1,696)	-	(124)	(1,820)
Dividend paid ¹	-	-	-	-	-	-	-	(2,535)	(2,535)	-	-	(2,535)
Movement in respect of share-based compensation plans	-	-	-	-	-	-	-	36	36	-	-	36
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from retained profits	-	-	-	-	-	-	(30)	30	-	-	-	-
At 31 December 2021	65,025	15	(89)	491	254	(6,156)	11,833	94,997	166,370	16,733	365	183,468
Issuance of other equity instruments, net of expenses	-	-	-	-	-	-	-	-	-	1,956	-	1,956
Total comprehensive income	-	302	(461)	(2,599)	23	(3,049)	-	5,113	(671)	-	(109)	(780)
Dividend paid ¹	-	-	-	-	-	-	-	(468)	(468)	-	-	(468)
Movement in respect of share-based compensation plans	-	-	-	-	-	-	-	5	5	-	-	5
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	229	229
Transfer from retained profits	-	-	-	-	-	-	764	(764)	-	-	-	-
At 30 June 2022	65,025	317	(550)	(2,108)	277	(9,205)	12,597	98,883	165,236	18,689	485	184,410

¹ During the six months ended 30 June 2022, there were no dividends declared and paid in respect of Class A, B, C and D ordinary shares (year ended 31 December 2021: HK\$0.40 per share totalling HK\$2,090 million). Dividends of HK\$164 million (year ended 31 December 2021: HK\$328 million), HK\$233 million (year ended 31 December 2021: HK\$504 million), HK\$21 million (year ended 31 December 2021: HK\$nil) and HK\$50 million (year ended 31 December 2021: HK\$99 million) were paid in respect of the US\$900 million floating rate undated Additional Tier 1 Capital Securities, the US\$1,000 million fixed rate undated Additional Tier 1 Capital Securities, the US\$250 million floating rate undated Additional Tier 1 Capital Securities and the US\$250 million 5% perpetual non-cumulative subordinated capital securities classified as equity, respectively.

The notes on pages 7 to 30 form part of these condensed consolidated interim financial statements.

Condensed consolidated cash flow statement (unaudited) For the period ended 30 June 2022

(Expressed in millions of Hong Kong dollars)

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Operating activities:		
Profit before taxation	6,158	9,182
Adjustments for non-cash items and other adjustments included within income statement	3,756	1,975
Change in operating assets	(62,857)	28,827
Change in operating liabilities	66,054	(15,058)
Income tax refund/(paid)	98	(3,043)
Net cash generated from operating activities	13,209	21,883
Investing activities:		
Payment for purchase of property, plant and equipment	(3,936)	(226)
Payment for purchase of intangible assets	(1,495)	(1,271)
Proceeds from disposal of property, plant and equipment	1,281	2,451
Net cash (used in)/generated from investing activities	(4,150)	954
Financing activities:		
Issuance of other equity instrument	1,956	–
Issuance of subordinated liabilities	9,909	20,882
Contribution from non-controlling interest	229	164
Dividend paid to shareholders of the Bank	(468)	(486)
Payment of lease liabilities	(724)	(725)
Interest paid on subordinated liabilities	(48)	(507)
Payment for redemption of subordinated liabilities	(7,318)	(12,404)
Net cash generated from financing activities	3,536	6,924
Net increase in cash and cash equivalents	12,595	29,761
Cash and cash equivalents at 1 January	182,216	204,162
Effect of foreign exchange	(5,801)	(390)
Cash and cash equivalents at 30 June	189,010	233,533

The notes on pages 7 to 30 form part of these condensed consolidated interim financial statements.

Notes to condensed consolidated interim financial statements (unaudited)

(Expressed in millions of Hong Kong dollars)

1. Principal activities

Standard Chartered Bank (Hong Kong) Limited (the “Bank”) is a licensed bank registered under the Hong Kong Banking Ordinance. The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) are the provision of banking and related financial services.

2. Significant accounting policies

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and International Accounting Standard (“IAS”) 34 Interim Financial Reporting, issued by the International Accounting Standards Board (“IASB”).

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34/IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgement made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2021.

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and International Financial Reporting Standards (“IFRSs”).

The condensed consolidated interim financial statements are unaudited.

(b) Basis of preparation

The accounting policies applied in preparing these condensed consolidated interim financial statements are materially consistent with those applied in preparing the consolidated financial statements for the year ended 31 December 2021. None of the other revised accounting standards, which became effective from 1 January 2022, have a material impact on the condensed consolidated interim financial statements.

(c) Basis of consolidation

The Group had subordinated and senior debt in issue which are traded in various stock exchanges. Consequently, the Group is required to prepare consolidated financial statements in accordance with HKFRS 10/IFRS 10 “Consolidated Financial Statements”.

These condensed consolidated interim financial statements cover the consolidated positions of the Group unless otherwise stated and include the attributable share of the results and reserves of its associates.

3. Interest income

	6 months ended 30 June 2022 HK\$’M	6 months ended 30 June 2021 HK\$’M
Interest income arising from financial assets:		
– amortised cost	16,008	13,901
– measured at fair value through other comprehensive income	1,980	2,104
	17,988	16,005

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***4. Interest expense**

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Interest expense arising from financial liabilities measured at amortised cost	5,455	4,536
Interest expenses on lease liabilities	60	67
	5,515	4,603

5. Net fee and commission income

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Fee and commission income	5,810	6,774
Of which		
– Financial instruments that are not fair valued through profit or loss	1,285	1,340
– Trust and other fiduciary activities	643	1,018
Fee and commission expense	(1,133)	(1,194)
Of which		
– Financial instruments that are not fair valued through profit or loss	(350)	(300)
– Trust and other fiduciary activities	(171)	(262)
Net fee and commission income	4,677	5,580

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Transaction Banking	727	695
Financial Markets	1,069	980
Wealth Management	2,326	3,110
Retail Products	508	664
Others	47	131
Net fee and commission income	4,677	5,580

6. Net trading income

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Net gains on instruments held for trading	4,628	4,708
Net gains non-trading financial assets mandatorily at fair value through profit or loss	12	148
Net gain/(losses) on financial instruments designated at fair value through profit or loss	523	(107)
	5,163	4,749

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***7. Other operating income**

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Rental income from operating lease assets	1,521	1,669
Dividend income from financial assets at fair value through other comprehensive income	9	5
Net gains on disposal of debt securities at fair value through other comprehensive income	75	524
Net gains on disposal and write-off of fixed assets	217	245
Net losses on disposal of financial instruments measured at amortised cost	(78)	(1)
Net gains/(losses) on revaluation of investment properties (note 18)	4	(1)
Others	79	128
	1,827	2,569

8. Operating expenses

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Staff costs		
– contributions to defined contribution plans	339	309
– expense in respect of the defined benefits plan	122	140
– net share-based payment expenses	83	76
– salaries and other staff costs	6,859	6,789
Depreciation (note 18)	1,603	1,695
Premises and equipment expense, excluding depreciation	696	604
Amortisation of other intangible assets	538	428
Auditor's remuneration	34	35
Others	5,530	5,745
	15,804	15,821

9. Credit impairment

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Net expected credit loss charges/(releases) on:		
– loans and advances to banks	9	(9)
– loans and advances to customers	3,366	293
– debt securities at amortised cost	5	6
– debt securities at fair value through other comprehensive income	(19)	(3)
– loan commitments and financial guarantees	7	(67)
	3,368	220

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

10. Other impairment

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Charges for property, plant and equipment (note 18)	(4)	128
Charges for assets held for sale	41	–
Others	5	1
	42	129

11. Taxation

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Hong Kong profits tax	–	581
Overseas taxation	797	425
Deferred taxation	378	761
	1,175	1,767

12. Segmental reporting

The Group's segmental reporting is in accordance with HKFRS IFRS 8 Operating Segments and is reported consistently with the internal performance framework and as presented to the Group's Management Team.

As part of the ongoing execution of its refreshed strategy, the Group has expanded and reorganised its reporting structure with the creation of a third client segment, Ventures, effective on 1 January 2022. Ventures included the Group's majority-owned digital bank, Mox Bank Limited. This change requires comparative periods to be restated.

Following the above change, the Group has three reportable business segments: Corporate, Commercial & Institutional Banking ("CCIB"); Consumer, Private and Business Banking ("CPBB") and Ventures.

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

Geographical segments

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

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

12. Segmental reporting (continued)

(a) Segment results, assets and liabilities

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

Client segments

	6 months ended 30 June 2022				
	Corporate, Commercial & Institutional Banking ^{1,2} HK\$'M	Consumer, Private & Business Banking HK\$'M	Ventures HK\$'M	Central & Other Items HK\$'M	Consolidated Total HK\$'M
Operating income					
– Net interest income	3,989	7,692	25	539	12,245
– Other operating income	7,630	4,477	23	474	12,604
	11,619	12,169	48	1,013	24,849
Operating expenses	(6,082)	(8,568)	(344)	(380)	(15,374)
Operating profit before impairment	5,537	3,601	(296)	633	9,475
Impairment charges	(2,478)	(832)	(22)	23	(3,309)
Share of profit of an associate	–	–	–	1,232	1,232
Profit before taxation	3,059	2,769	(318)	1,888	7,398
At 30 June 2022					
Segment assets	941,463	686,824	5,714	689,497	2,323,498
Segment liabilities	1,088,288	903,628	5,605	146,204	2,143,725
	6 months ended 30 June 2021 (restated)				
	Corporate, Commercial & Institutional Banking ^{1,2} HK\$'M	Consumer, Private & Business Banking HK\$'M	Ventures HK\$'M	Central & Other Items HK\$'M	Consolidated Total HK\$'M
Operating income					
– Net interest income	3,895	6,791	(14)	658	11,330
– Other operating income	7,111	6,174	(5)	579	13,859
	11,006	12,965	(19)	1,237	25,189
Operating expenses	(5,785)	(8,332)	(318)	(265)	(14,700)
Operating profit before impairment	5,221	4,633	(337)	972	10,489
Impairment charges	(322)	(205)	(1)	5	(523)
Share of profit of an associate	–	–	–	1,052	1,052
Profit before taxation	4,899	4,428	(338)	2,029	11,018
At 31 December 2021 (restated)					
Segment assets	911,641	716,139	4,575	743,412	2,375,767
Segment liabilities	1,129,651	907,929	5,576	157,885	2,201,041

¹ Operating expenses in the Corporate, Commercial & Institutional Banking segment included depreciation charges of HK\$760 million for commercial aircraft leased to customers under operating leases (30 June 2021: HK\$738 million).

² The Group has decided to exit the vessels leasing business, the Corporate, Commercial & Institutional Banking segment does not include results for commercial vessels leased to customers amounting to profit before taxation of HK\$760 million (30 June 2021: losses HK\$738 million). The results of vessels leasing business are included in reconciliation presented in Note 12(b).

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

12. Segmental reporting (continued)

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

Geographical segments

	6 months ended 30 June 2022				Consolidated Total HK\$'M
	Hong Kong HK\$'M	Mainland China HK\$'M	Taiwan HK\$'M	Korea HK\$'M	
Operating income					
– Net interest income	6,411	2,132	701	3,001	12,245
– Other operating income	7,166	2,553	1,122	1,763	12,604
	13,577	4,685	1,823	4,764	24,849
Operating expenses ¹	(7,905)	(3,238)	(1,343)	(2,888)	(15,374)
Operating profit before impairment	5,672	1,447	480	1,876	9,475
Impairment charges	(2,404)	(781)	(52)	(72)	(3,309)
Share of profit of an associate	–	1,232	–	–	1,232
Profit before taxation	3,268	1,898	428	1,804	7,398
At 30 June 2022					
Segment assets	1,330,365	302,483	172,868	517,782	2,323,498
Segment liabilities	1,263,310	263,945	171,696	444,774	2,143,725
	6 months ended 30 June 2021				Consolidated Total HK\$'M
	Hong Kong HK\$'M	Mainland China HK\$'M	Taiwan HK\$'M	Korea HK\$'M	
Operating income					
– Net interest income	5,471	2,368	668	2,823	11,330
– Other operating income	8,823	2,045	1,310	1,681	13,859
	14,294	4,413	1,978	4,504	25,189
Operating expenses ¹	(7,527)	(2,825)	(1,343)	(3,005)	(14,700)
Operating profit before impairment	6,767	1,588	635	1,499	10,489
Impairment charges	(452)	(188)	53	64	(523)
Share of profit of an associate	–	1,052	–	–	1,052
Profit before taxation	6,315	2,452	688	1,563	11,018
At 31 December 2021					
Segment assets	1,378,574	295,538	176,888	524,767	2,375,767
Segment liabilities	1,298,047	277,831	169,817	455,346	2,201,041

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***12. Segmental reporting (continued)****(b) Reconciliation of reportable segment operating income, profit before taxation, assets and liabilities**

	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Operating Income		
Reportable segment revenue	24,849	25,189
Income relating to financial market products	(1,460)	(1,165)
Cost of free funds	622	499
Others	129	(223)
Total operating income	24,140	24,300
	6 months ended 30 June 2022 HK\$'M	6 months ended 30 June 2021 HK\$'M
Profit before taxation		
Reportable segment profit before taxation	7,398	11,018
Income relating to financial market products	(1,460)	(1,165)
Cost of free funds	622	499
Reallocation of impairment charges	(82)	209
Restructuring	(47)	(1)
Others	(273)	(1,378)
Profit before taxation	6,158	9,182
	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Assets		
Reportable segment assets	2,323,498	2,330,492
Assets of group companies not included in consolidated total assets	(3,593)	(7,185)
Amounts due from fellow subsidiaries	264,939	222,857
Others	(132,839)	(66,905)
Total Assets	2,452,005	2,479,259
	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Liabilities		
Reportable segment liabilities	2,143,725	2,147,539
Liabilities of group companies not included in consolidated total liabilities	(1,310)	(1,389)
Amounts due to immediate holding company and fellow subsidiaries	150,481	148,681
Others	(25,301)	960
Total Liabilities	2,267,595	2,295,791

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***12. Segmental reporting (continued)****(b) Reconciliation of reportable segment operating income, profit before taxation, assets and liabilities (continued)**

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

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

13. Loans and advances to banks**(a) Loans and advances to banks**

	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Loans and advances to banks		
– maturing one month	38,331	75,929
– maturing one month to one year	36,905	34,898
– maturing one year to five years	600	1,424
	75,836	112,251
Less: Expected credit loss provision (note 17)	(114)	(105)
	75,722	112,146

(b) Impaired loans and advances to banks

	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Gross impaired loans and advances to banks	179	178
Less:		
Stage 3 expected credit loss provision (note 17)	(99)	(88)
	80	90
<i>Gross impaired loans and advances to banks as a % of gross loans and advances to banks</i>	0.24%	0.16%

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

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***14. Financial assets at fair value through profit or loss**

	At 30 June 2022			
	Trading assets HK\$'M	Non-trading financial assets mandatorily at fair value through profit or loss HK\$'M	Financial assets designated at fair value through profit or loss HK\$'M	Total HK\$'M
Debt securities:				
– Treasury bills	17,611	–	–	17,611
– Certificates of deposit held	5,006	–	–	5,006
– Other debt securities	92,320	915	591	93,826
	114,937	915	591	116,443
Equity securities	5,636	293	–	5,929
Loans and advances to customers and banks	25,011	17,977	–	42,988
Positive fair values of trading derivatives	74,517	–	–	74,517
	220,101	19,185	591	239,877

	At 31 December 2021			
	Trading assets HK\$'M	Non-trading financial assets mandatorily at fair value through profit or loss HK\$'M	Financial assets designated at fair value through profit or loss HK\$'M	Total HK\$'M
Debt securities:				
– Treasury bills	16,419	–	–	16,419
– Certificates of deposit held	7,810	–	–	7,810
– Other debt securities	88,818	754	1,256	90,828
	113,047	754	1,256	115,057
Equity securities	9,264	330	–	9,594
Loans and advances to customers and banks	24,768	31,893	–	56,661
Positive fair values of trading derivatives	34,435	–	–	34,435
	181,514	32,977	1,256	215,747

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***15. Investment securities**

	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
At fair value through other comprehensive income		
Debt securities		
– Treasury bills	90,160	47,172
– Certificates of deposit held	46,186	47,463
– Other debt securities	203,602	286,470
	339,948	381,105
Equity shares	1,607	1,265
	341,555	382,370
At amortised cost		
– Treasury bills	1,148	2,456
– Certificates of deposit held	4,353	–
– Other debt securities	109,872	91,989
Less: Expected credit loss provision (note 17)	(28)	(23)
	115,345	94,422
	456,900	476,792

16. Loans and advances to customers**(a) Loans and advances to customers**

	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Gross Loans and advances to customers	1,152,352	1,198,251
Trade bills	2,461	4,480
	1,154,813	1,202,731
Less: Expected credit loss provision (note 17)	(8,182)	(6,248)
	1,146,631	1,196,483

(b) Impaired loans and advances to customers

	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Gross impaired Loans and advances to customers	8,633	9,160
Less:		
Stage 3 expected credit loss provision (note 17)	(5,029)	(3,523)
	3,604	5,637
<i>Gross impaired loans and advances to customers as a % of gross loans and advances to customers</i>	0.75%	0.76%
Fair value of collateral held against the covered portion of impaired loans and advances to customers	3,516	3,077
Covered portion of impaired loans and advances to customers	1,849	2,008
Uncovered portion of impaired loans and advances to customers	6,784	7,152

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

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***17. Analysis of expected credit loss provisions on financial instruments by stage**

	At 30 June 2022			
	Stage 1 HK\$'M	Stage 2 HK\$'M	Stage 3 HK\$'M	Total HK\$'M
Expected credit loss provision on:				
Loans and advances to banks (note 13)	15	-	99	114
Loans and advances to customers (note 16)	1,980	1,173	5,029	8,182
Debt securities at amortised cost (note 15)	28	-	-	28
Debt securities at fair value through other comprehensive income ¹	26	-	-	26
Loan commitments and financial guarantees (note 24)	216	26	-	242
	2,265	1,199	5,128	8,592

	At 31 December 2021			
	Stage 1 HK\$'M	Stage 2 HK\$'M	Stage 3 HK\$'M	Total HK\$'M
Expected credit loss provision on:				
Loans and advances to banks (note 13)	13	4	88	105
Loans and advances to customers (note 16)	1,608	1,117	3,523	6,248
Debt securities at amortised cost (note 15)	23	-	-	23
Debt securities at fair value through other comprehensive income ¹	45	-	-	45
Other assets	-	-	2	2
Loan commitments and financial guarantees (note 24)	172	63	-	235
	1,861	1,184	3,613	6,658

¹ These instruments are held at fair value on the statement of financial position. The corresponding expected credit loss provision is held within FVOCI reserve – Debt.

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

18. Property, plant and equipment

	Buildings and leasehold land held for own use HK\$'M	Equipment furniture & fixtures HK\$'M	Operating lease assets as lessor HK\$'M	Operating lease assets as lessee HK\$'M	Investment properties HK\$'M	Total HK\$'M
Cost or valuation:						
At 1 January 2022	8,598	3,740	29,147	7,770	560	49,815
Additions	140	58	3,738	303	-	4,239
Disposals and write-offs	(162)	(96)	(605)	(135)	-	(998)
Reclassifications	(62)	62	-	-	-	-
Fair value adjustments (note 7)	-	-	-	-	4	4
Exchange adjustment	(384)	(172)	199	(191)	-	(548)
At 30 June 2022	8,130	3,592	32,479	7,747	564	52,512
Representing:						
Cost	8,130	3,592	32,479	7,747	-	51,948
Valuation	-	-	-	-	564	564
	8,130	3,592	32,479	7,747	564	52,512
Accumulated depreciation and impairment:						
At 1 January 2022	2,804	2,810	6,769	3,549	-	15,932
Charge for the period (note 8)	112	162	760	569	-	1,603
Impairments (note 10)	-	-	-	(4)	-	(4)
Attributable to assets sold or written off	(45)	(96)	(206)	(110)	-	(457)
Exchange adjustment	(104)	(129)	46	(81)	-	(268)
At 30 June 2022	2,767	2,747	7,369	3,923	-	16,806
Net Book Value						
At 30 June 2022	5,363	845	25,110	3,824	564	35,706

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***18. Property, plant and equipment (continued)**

	Buildings and leasehold land held for own use HK\$'M	Equipment furniture & fixtures HK\$'M	Operating lease assets as lessor HK\$'M	Operating lease assets as lessee HK\$'M	Investment properties HK\$'M	Total HK\$'M
Cost or valuation:						
At 1 January 2021	9,082	3,475	34,651	5,718	597	53,523
Additions	510	335	-	2,278	-	3,123
Disposals and write-offs	(535)	(105)	(5,677)	(261)	(46)	(6,624)
Reclassifications	(69)	59	-	-	10	-
Transfers to assets held for sale	(60)	-	-	-	-	(60)
Elimination of accumulated depreciation on revalued property	(6)	-	-	-	-	(6)
Fair value adjustments	-	-	-	-	(1)	(1)
Exchange adjustment	(324)	(24)	173	35	-	(140)
At 31 December 2021	8,598	3,740	29,147	7,770	560	49,815
Representing:						
Cost	8,598	3,740	29,147	7,770	-	49,255
Valuation	-	-	-	-	560	560
	8,598	3,740	29,147	7,770	560	49,815
Accumulated depreciation and impairment:						
At 1 January 2021	2,787	2,604	6,240	2,292	-	13,923
Charge for the year	224	322	1,462	1,368	-	3,376
Impairments	-	1	(1)	25	-	25
Attributable to assets sold or written off	(130)	(102)	(967)	(176)	-	(1,375)
Attributable to transfers to assets held for sale	(20)	-	-	-	-	(20)
Elimination of accumulated depreciation on revalued property	6	-	-	-	-	6
Exchange adjustment	(63)	(15)	35	40	-	(3)
At 31 December 2021	2,804	2,810	6,769	3,549	-	15,932
Net Book Value						
At 31 December 2021	5,794	930	22,378	4,221	560	33,883

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***19. Other assets**

	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Prepayments and accrued income	6,399	6,484
Sundry debtors	14,599	8,920
Acceptances and endorsements	11,992	14,638
Unsettled trades and others	51,766	59,315
Assets held for sale ¹	1,221	1,840
	85,977	91,197

¹ As at 30 June 2022, assets held for sale included vessels.
As at 31 December 2021, assets held for sale mainly included vessels and property.

20. Investments in subsidiaries

The principal subsidiaries of the Bank are Standard Chartered Bank (China) Limited, Standard Chartered NEA Limited, Standard Chartered Bank (Korea) Limited, Standard Chartered Bank (Taiwan) Limited, Mox Bank Limited, Standard Chartered Leasing Group Limited, Pembroke Aircraft Leasing Holdings Limited and Marina Leasing Limited.

21. Customer accounts

	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Current accounts	378,144	416,512
Savings accounts	870,543	983,778
Time and other deposits	444,984	420,525
	1,693,671	1,820,815

22. Financial liabilities at fair value through profit or loss

	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Trading liabilities		
– Short position in securities	36,248	28,926
– Negative fair values of derivatives	77,263	39,967
	113,511	68,893
Financial liabilities designated at fair value through profit or loss:		
– Structured deposits from banks and customers	29,019	28,189
– Debt securities issued	5,654	6,748
– Liabilities under sale and repurchase agreement	12,022	8,428
	46,695	43,365
	160,206	112,258

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***23. Debt securities in issue**

	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Certificates of deposit	4,665	10,912
Other debt securities in issue	31,298	32,075
	35,963	42,987

24. Other liabilities

	At 30 June 2022 HK\$'M	At 31 December 2021 HK\$'M
Accruals and deferred income	8,714	9,151
Provision for liabilities and charges	400	549
Acceptances and endorsements	11,992	14,638
Expected credit loss provision on loan commitments and financial guarantees (note 17)	242	235
Lease liabilities	4,056	4,433
Unsettled trades and others	73,924	57,177
	99,328	86,183

25. Shareholders' equity

The Hong Kong Monetary Authority ("HKMA") requires the Group to maintain a minimum level of impairment allowance for loans and advances to customers which is in excess of the expected credit loss provision required under Hong Kong Financial Reporting Standards. Of the retained earnings as at 30 June 2022 an amount of HK\$2,291 million (31 December 2021: HK\$2,953 million) has been reserved for this purpose.

26. Capital commitments and contingencies**(a) Capital commitments**

Capital commitments outstanding at 30 June 2022 in respect of property, plant and equipment purchases not provided for in the consolidated financial statements were HK\$130 million (31 December 2021: HK\$155 million).

(b) Contingencies

The Group receives legal claims against it arising in the normal course of business. The Group considers none of these matters as material. Where appropriate the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation.

27. Material related-party transactions

There were no significant changes to the nature of the related party transactions described in the 2021 consolidated financial statements that have a material effect on the financial position or performance of the Group during the six months ended 30 June 2022. All related party transactions that took place in the six months ended 30 June 2022 were similar in nature to those disclosed in the 2021 consolidated financial statements.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***28. Ultimate and immediate holding company**

The Bank's ultimate and immediate holding company is SC PLC, a company registered in England and Wales. SC PLC has listings on the London Stock Exchange and the Stock Exchange of Hong Kong.

29. Financial instruments**(a) Valuation of financial instruments carried at fair value**

Valuation of financial assets and liabilities held at fair value are subject to a review independent of the business by Valuation Control. For those financial assets and liabilities whose fair value is determined by reference to externally quoted prices or market observable pricing inputs to valuation models, an assessment is made against external market data and consensus services. Financial instruments held at fair value in the consolidated statement of financial position have been classified into a valuation hierarchy that reflects the significance of the inputs used in the fair value measurements.

Valuation methodologies

The valuation hierarchy is set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted price in an active market for identical assets and liabilities	Directly or indirectly observable inputs other than unadjusted quoted prices included within Level 1 that are observable ¹	Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs) (see note 29 (a)(i))

¹ These included valuation models such as discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. These models incorporate assumptions and inputs that other market participants would use in their valuations, such as discount rates, default rates, credit spreads and option volatilities. These inputs need to be directly or indirectly observable in order to be classified as level 2.

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy set out above:

	At 30 June 2022			
	Level 1 HK\$'M	Level 2 HK\$'M	Level 3 HK\$'M	Total HK\$'M
Financial assets at fair value through profit or loss:				
– Trading assets	58,864	160,532	705	220,101
– Non-trading financial assets mandatorily at fair value through profit or loss	143	13,993	5,049	19,185
– Financial assets designated at fair value through profit or loss	–	591	–	591
Investment securities at fair value through other comprehensive income	186,288	154,167	1,100	341,555
Amounts due from immediate holding company				
– Positive fair values of derivatives	–	411	–	411
Amounts due from fellow subsidiaries				
– Positive fair values of derivatives	33	75,511	9	75,553
– Debt securities	–	80	5,211	5,291
Total assets measured at fair value	245,328	405,285	12,074	662,687
Financial Liabilities at fair value through profit or loss:				
– Trading liabilities	33,443	80,030	38	113,511
– Financial liabilities designated at fair value through profit or loss	–	42,193	4,502	46,695
Amounts due to fellow subsidiaries				
– Negative fair values of derivatives	30	67,249	29	67,308
Total liabilities measured at fair value	33,473	189,472	4,569	227,514

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)**

	At 31 December 2021			
	Level 1 HK\$'M	Level 2 HK\$'M	Level 3 HK\$'M	Total HK\$'M
Financial assets at fair value through profit or loss:				
– Trading assets	65,441	114,758	1,315	181,514
– Non-trading financial assets mandatorily at fair value through profit or loss	203	25,801	6,973	32,977
– Financial assets designed at fair value through profit or loss	–	1,256	–	1,256
Investment securities at fair value through other comprehensive income	170,938	210,645	787	382,370
Amounts due from fellow subsidiaries				
– Positive fair values of derivatives	50	36,846	4	36,900
– Debt securities	–	2	5,198	5,200
Total assets measured at fair value	236,632	389,308	14,277	640,217
Financial Liabilities at fair value through profit or loss:				
– Trading liabilities	28,061	40,832	–	68,893
– Financial liabilities designated at fair value through profit or loss	–	40,327	3,038	43,365
Amounts due to immediate holding company				
– Negative fair values of derivatives	–	422	–	422
Amounts due to fellow subsidiaries				
– Negative fair values of derivatives	42	34,794	20	34,856
Total liabilities measured at fair value	28,103	116,375	3,058	147,536

There were no significant transfers between level 1 and level 2 instruments during 2021 and 2022.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)****(i) Valuation of financial instruments with significant unobservable inputs**

The movements during the period for level 3 financial assets and liabilities are as follows:

Financial assets

	Financial assets at fair value through profit or loss HK\$'M	Financial assets at fair value through other comprehensive income HK\$'M	Amount due from fellow subsidiaries HK\$'M	Total Level 3 assets HK\$'M
At 1 January 2022	8,288	787	5,202	14,277
Total gains recognised in the consolidated income statement				
– Net trading income	115	–	–	115
Total gains/(losses) recognised in other comprehensive income				
– Net change in fair value	–	(53)	13	(40)
Purchases	846	366	4	1,216
Sales	(1,528)	–	–	(1,528)
Settlements	(1,267)	–	(1)	(1,268)
Transferred into level 3 ¹	7	–	2	9
Transferred out of level 3 ¹	(707)	–	–	(707)
At 30 June 2022	5,754	1,100	5,220	12,074
Total gains recognised in the consolidated income statement relating to assets held at 30 June 2022				
– Net trading income	85	–	–	85

¹ Transfers into/(out of) level 3 during the period relate to financial instruments where the valuation parameters became unobservable/ (observable) during the period.

Financial liabilities

	Financial liabilities at fair value through profit or loss HK\$'M	Amounts due to fellow subsidiaries HK\$'M	Total Level 3 Liabilities HK\$'M
At 1 January 2022	3,038	20	3,058
Total gains recognised in the consolidated income statement			
– Net trading income	(313)	–	(313)
Issuance	3,863	31	3,894
Settlements	(2,048)	(19)	(2,067)
Transferred out of level 3 ¹	–	(3)	(3)
At 30 June 2022	4,540	29	4,569
Total gains recognised in the consolidated income statement relating to liabilities held at 30 June 2022			
Net trading income	(266)	–	(266)

¹ Transfer out of level 3 during the period relate to financial instruments where the valuation parameters became observable during the period.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)****(i) Valuation of financial instruments with significant unobservable inputs (continued)****Financial assets**

	Financial assets at fair value through profit or loss HK\$'M	Financial assets at fair value through other comprehensive income HK\$'M	Amount due from fellow subsidiaries HK\$'M	Total Level 3 assets HK\$'M
At 1 January 2021	2,840	978	–	3,818
Total gains recognised in the consolidated income statement				
– Net trading income	111	–	5	116
Total gains recognised in other comprehensive income				
– Net change in fair value	–	7	13	20
Purchases	7,403	230	1	7,634
Sales	(3,198)	(2)	–	(3,200)
Settlements	(1,167)	–	–	(1,167)
Transferred into level 3 ¹	2,446	–	5,185	7,631
Transferred out of level 3 ¹	(150)	(426)	(2)	(578)
Other movement	3	–	–	3
At 31 December 2021	8,288	787	5,202	14,277
Total gains recognised in the consolidated income statement relating to assets held at 31 December 2021				
– Net trading income	140	–	4	144

¹ Transfers into/(out of) level 3 during the year relate to financial instruments where the valuation parameters became unobservable/(observable) during the year.

Financial liabilities

	Financial liabilities at fair value through profit or loss HK\$'M	Amounts due to fellow subsidiaries HK\$'M	Total Level 3 Liabilities HK\$'M
At 1 January 2021	1,623	–	1,623
Total (gains)/losses recognised in the consolidated income statement			
– Net trading income	(65)	18	(47)
Issuance	5,301	5	5,306
Settlements	(3,861)	(7)	(3,868)
Transferred into level 3 ¹	40	4	44
At 31 December 2021	3,038	20	3,058
Total (gains)/losses recognised in the consolidated income statement relating to liabilities held at 31 December 2021			
– Net trading income	(69)	18	(51)

¹ Transfers into level 3 during the year relate to financial instruments where the valuation parameters became unobservable during the year.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)****(i) Valuation of financial instruments with significant unobservable inputs (continued)**

The following table presents the key valuation techniques used to measure the fair value of level 3 financial instruments which are held at fair value, the significant unobservable inputs and the range of values for those inputs and the weighted average of those inputs.

Type of instruments	Principal valuation technique	Significant unobservable inputs	Range ¹	Weighted average ²	
Debt securities	Discounted cash flows	Price/Yield	3.30% to 7.10% (2021: 0.50% to 5.10%)	3.50% (2021: 0.80%)	
Loans and advances to customers and banks	Discounted cash flows	Recovery rates	90.00% to 100.00% (2021: 79.70% to 100%)	95.60% (2021: 86.50%)	
		Price/Yield	1.30% to 4.00% (2021: 0.20% to 10.90%)	2.80% (2021: 2.20%)	
		Repo curve	0.40% to 4.90% (2021: 0.30% to 3.00%)	3.10% (2021: 2.40%)	
		Credit spread	1.00% (2021: NA)	1.00% (2021: NA)	
Equity shares	Discounted cash flows	Discount rates	9.10% to 12.60% (2021: 9.00% to 12.80%)	9.70% (2021: 9.70%)	
		Comparable pricing/Yield	Price-Book multiple	0.39x to 1.22x (2021: 0.44x to 1.12x)	1.19x (2021: 1.07x)
			Liquidity discount	9.30% to 29.50% (2021: 7.90% to 29.20%)	12.10% (2021: 8.90%)
Debt securities issued	Discounted cash flows	Credit spreads	0.50% to 2.40% (2021: 0.70% to 11.50%)	1.60% (2021: 2.70%)	
Structured bank deposits	Discounted cash flows	Credit spreads	0.30% to 2.40% (2021: 0.40% to 3.00%)	1.00% (2021: 1.40%)	
Structured customer deposits	Discounted cash flows	Credit spreads	1.00% to 2.41% (2021: 1.00% to 2.00%)	1.29% (2021: 1.20%)	
Derivatives	Discounted cash flows	Credit spreads	0.30% to 2.40% (2021: 0.50% to 3.00%)	1.30% (2021: 1.00%)	
		Interest rate curves	1.50% to 3.10% (2021: NA)	2.50% (2021: NA)	
	Internal pricing model	Equity-Equity correlation	15.00% to 99.00% (2021: 8.00% to 96.00%)	69.00% (2021: 70.00%)	
		Equity-Foreign exchange correlation	-70.00% to -85.00% (2021: -70.00% to 85.00%)	-21.00% (2021: -33.00%)	
	Option pricing model	Bond option implied volatility	18.00% to 30.00% (2021: 25.00% to 30.00%)	24.00% (2021: 26.70%)	

¹ The ranges of values shown represent the highest and lowest used in the valuation of the level 3 financial instruments as at 30 June 2022 and 31 December 2021. The ranges of values used are reflective of the underlying characteristics of these level 3 financial instruments based on the market conditions at the reporting date. However, these ranges of values may not represent the uncertainty in fair value measurements of these level 3 financial instruments.

² Weighted average for non-derivative financial instruments have been calculated by weighting inputs by the relative fair value.

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

29. Financial instruments (continued)

(a) Valuation of financial instruments carried at fair value (continued)

(i) Valuation of financial instruments with significant unobservable inputs (continued)

The following section describes the significant unobservable inputs identified in the above valuation technique table.

Yield

Yield is the interest rate that is used to discount the future cash flows in a discounted cash flow model. An increase in the yield, in isolation, would result in a decrease in a fair value measurement.

Recovery rates

Recovery rates are the expectation of the rate of recovery resulting from the liquidation of a particular loan. As the probability of default increases for a given instrument, the valuation of that instrument will increasingly reflect its expected recovery level assuming default. An increase in the recovery rate, in isolation, would result in a favourable movement in the fair value of the loan.

Credit spreads

Credit spreads represent the additional yield that a market participant would demand for taking exposures to the credit risk of an instrument. An increase in credit spread, in isolation, would result in a decrease in fair value measurement.

Discount rates

Discount rates is applied to discount future dividend in the discounted cash flow model. An increase in the discount rate, in isolation, would result in decrease in a fair value measurement.

Repo Curve

Repo Curve is the term structure of repo rates on repos and reverse repos at particular point in time.

Price-Book (P/B) Multiple

Price-Book Multiple is the ratio of the market value of equity to the book value of equity. An increase in P/B multiple will result in a favourable movement in the fair value of the unlisted firm.

Liquidity discount

Liquidity discount in the valuation of unlisted investments reflect the fact that these investments are not actively traded. An increase in liquidity discount will result in an unfavourable movement in the fair value of the unlisted firm.

Equity-Equity correlation and Equity-Foreign Exchange correlation

Correlation is the measure of how movement in one variable influences the movement in another variable. An equity-equity correlation is the correlation between two equity instruments while an equity-foreign exchange correlation refers to the correlation between equity instrument and foreign exchange instrument.

Volatility

Volatility represents an estimate of how much a particular instrument, parameter or index will change in value over time. Generally, the higher the volatility, the more expensive the option will be.

Interest rate curves

Interest rate curves is the term structure of interest rates and measure of future interest rates at a particular point in time.

Notes to condensed consolidated interim financial statements (unaudited) (continued)

(Expressed in millions of Hong Kong dollars)

29. Financial instruments (continued)

(a) Valuation of financial instruments carried at fair value (continued)

(ii) Sensitivities in respect of the fair values of level 3 assets and liabilities

Where the fair value of financial instruments are measured using valuation techniques that incorporate one or more significant inputs which are based on unobservable market data, we apply a 10 per cent increase or decrease on the values of these unobservable parameter inputs, to generate a range of reasonably possible alternative valuations in accordance with the requirements of HKFRS 7/IFRS 7, Financial Instruments: Disclosures. The percentage shift is determined by statistical analysis performed on a set of reference prices, which included certain equity indices, credit indices and volatility indices, based on the composition of our level 3 financial instruments. Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters. This level 3 sensitivity analysis assumes a one-way market move and does not consider offsets for hedges.

	At 30 June 2022					
	Held at fair value through profit or loss			Held at fair value through other comprehensive income		
	Net exposure	Favourable	Unfavourable	Net exposure	Favourable	Unfavourable
		changes	changes		changes	changes
HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	
Debt securities	288	316	260	5,211	5,217	5,207
Loans and advances to customers and banks	5,136	5,144	5,043	-	-	-
Equity shares	293	323	264	1,100	1,206	993
Positive fair value of derivatives	46	49	41	-	-	-
Debt securities issued	(201)	(201)	(201)	-	-	-
Structured bank deposits	(2,002)	(2,002)	(2,002)	-	-	-
Structured customer deposits	(2,298)	(2,120)	(2,477)	-	-	-
Negative fair value of derivatives	(68)	(63)	(70)	-	-	-
	1,194	1,446	858	6,311	6,423	6,200

	At 31 December 2021					
	Held at fair value through profit or loss			Held at fair value through other comprehensive income		
	Net exposure	Favourable	Unfavourable	Net exposure	Favourable	Unfavourable
		changes	changes		changes	changes
HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	
Debt securities	290	319	261	5,198	5,202	5,194
Loans and advances to customers	7,480	7,607	7,334	-	-	-
Equity shares	329	363	297	787	862	711
Positive fair value of derivatives	193	197	188	-	-	-
Debt securities issued	(315)	(315)	(315)	-	-	-
Structured bank deposits	(2,035)	(2,034)	(2,035)	-	-	-
Structured customer deposits	(688)	(688)	(688)	-	-	-
Negative fair values of derivatives	(20)	(19)	(20)	-	-	-
	5,234	5,430	5,022	5,985	6,064	5,905

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***29. Financial instruments (continued)****(a) Valuation of financial instruments carried at fair value (continued)****(ii) Sensitivities in respect of the fair values of level 3 assets and liabilities (continued)**

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

Financial instruments	Fair value changes	At 30	At 31
		June 2022	December 2021
		HK\$'M	HK\$'M
Held at fair value through profit or loss	Possible increase	252	196
	Possible decrease	336	212
Held at fair value through other comprehensive income	Possible increase	112	79
	Possible decrease	111	80

(b) Valuation of financial instruments carried at amortised cost

All financial instruments carried at amortised cost are stated at amounts not materially different from their fair value as at 30 June 2022 and 31 December 2021, except for subordinated liabilities.

The following table summarises the carrying amounts and fair values (including the valuation hierarchy) of subordinated liabilities. The values in the table below are stated as at 30 June 2022 and 31 December 2021 and may be different from the actual amounts that will be received on the settlement or maturity of the subordinated liabilities.

	At 30 June 2022		At 31 December 2021	
	Carrying amount HK\$'M	Fair value Level 2 HK\$'M	Carrying amount HK\$'M	Fair value Level 2 HK\$'M
Amount due to immediate holding company: subordinated liabilities	47,854	45,686	48,101	48,146

30. Share based payments

SC PLC operates a number of share-based arrangements for its directors and employees.

2021 Standard Chartered Share Plan (the '2021 Plan') and 2011 Standard Chartered Share Plan (the '2011 Plan')

The 2021 Plan was approved by shareholders in May 2021 and is the SC PLC's main share plan, replacing the 2011 Plan for new awards, Jun 2021. It may be used to deliver various types of share awards, previously granted under the 2011 Plan:

(i) Long Term Incentive Plan ('LTIP')

These are awards granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: total shareholder return ('TSR'); return on equity ('RoE') and return on tangible equity ('RoTE') (in the case of both 'RoE' and 'RoTE', with a Common Equity Tier 1 ('CET 1') underpin); strategic measures; earnings per share ('EPS') growth; and return on risk-weighted assets ('RoRWA'). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway requirement that results in the award lapsing if not met.

(ii) Deferred share awards

Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables SC PLC to meet regulatory requirements relating to deferral levels, and is in line with market practice.

Notes to condensed consolidated interim financial statements (unaudited) (continued)*(Expressed in millions of Hong Kong dollars)***30. Share based payments (continued)****(iii) Restricted shares**

Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables SC PLC to meet regulatory requirements relating to buy-to buy-outs, and is in line with market practice. In line with similar plans operated by the Group's competitors, restricted share awards are not subject to an annual limit and do not have any performance measures.

Under the 2021 Plan and 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2021 Plan during which new awards can be made is ten years. The 2011 Plan has expired and no further awards will be granted under this plan.

2001 Performance Share Plan (2001 PSP)

SC PLC's previous plan for delivering performance shares was the 2001 PSP. There are no outstanding vested awards under this plan. This plan is closed and no further awards will be granted under this plan.

2013 Sharesave Plan

Under the 2013 Sharesave Plan, employees may open a savings contract. Within a maturity period of six months after the third anniversary, employees may save up to £250 per month over three years to purchase ordinary shares in the Company at a discount of up to 20 percent 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 2013 Sharesave Plan and no grant price is payable to receive an option. In some countries in which the Group operates, it is not possible to operate Sharesave plans, typically due to securities law and regulatory restrictions. In these countries, where possible, the Group offers an equivalent cash-based plan to its employees.

The 2013 Sharesave Plan was approved by shareholders of SC PLC in May 2013 and all future Sharesave invitations are made under this plan. The remaining life of the 2013 Sharesave Plan is two years.

Valuation of share awards

Details of the valuation models used in determining the fair values of share awards granted under the SC PLC's share plans are detailed in the Group's consolidated financial statements for the year ended 31 December 2021.

Reconciliation of share award movements for the period to 30 June 2022

	LTIP	Deferred/ Restricted shares	PSP	2013 Sharesave	Weighted average Sharesave exercise price (£)
Outstanding at 1 January 2022	636,266	5,762,132	867	8,008,671	3.97
Granted	163,351	3,745,948	-	-	-
Lapsed	(149,467)	(96,710)	(349)	(928,892)	4.36
Exercised	(18,814)	(2,240,663)	(518)	(800,108)	5.12
Outstanding at 30 June 2022	631,336	7,170,707	-	6,279,671	3.77
Exercisable at 30 June 2022	-	353,058	-	20,206	
Range of exercise prices (£)	-	-	-	3.14 – 5.13	
Weighted average contractual remaining life (years)	8.48	8.62	-	1.89	

By order of the Board

Saleem Razvi
Executive Director and Chief Financial Officer, Asia

Hong Kong
29 July 2022