# Supplementary financial information

## Five-year summary[1]

| | 2018 $million | 2017 $million | 2016 $million | 2015 $million | 2014 $million |
|---|---|---|---|---|---|
| Operating profit before impairment losses and taxation | **3,142** | 4,008 | 3,849 | 4,116 | 7,289 |
| Impairment losses on loans and advances and other credit risk provisions | **(653)** | (1,362) | (2,791) | (4,976) | (2,141) |
| Other impairment | **(182)** | (179) | (612) | (855) | (1,161) |
| Profit/(loss) before taxation | **2,548** | 2,415 | 409 | (1,523) | 4,235 |
| Profit/(loss) attributable to shareholders | **1,054** | 1,219 | (247) | (2,194) | 2,613 |
| Loans and advances to banks[2] | **61,414** | 78,188 | 72,609 | 64,494 | 83,890 |
| Loans and advances to customers[2] | **256,557** | 282,288 | 252,719 | 257,356 | 284,695 |
| Total assets | **688,762** | 663,501 | 646,692 | 640,483 | 725,914 |
| Deposits by banks[2] | **29,715** | 30,945 | 32,872 | 28,727 | 44,407 |
| Customer accounts[2] | **391,013** | 370,509 | 338,185 | 337,606 | 399,028 |
| Shareholders' equity | **45,118** | 46,505 | 44,368 | 46,204 | 46,432 |
| Total capital resources[3] | **66,203** | 68,983 | 68,181 | 70,364 | 69,685 |
| **Information per ordinary share** | | | | | |
| Basic earnings/(loss) per share | **18.7c** | 23.5c | (14.5)c | (91.9)c | 97.3c |
| Underlying earnings/(loss) per share | **61.4c** | 47.2c | 3.4c | (6.6)c | 138.9c |
| Dividends per share[4] | **17.0c** | – | – | 13.71c | 81.85c |
| Net asset value per share | **1,319.3c** | 1,366.9c | 1,307.8c | 1,366.0c | 1,833.9c |
| Net tangible asset value per share | **1,167.7c** | 1,214.7c | 1,163.9c | 1,244.1c | 1,610.9c |
| Return on assets[5] | **0.3%** | 0.2% | 0.0% | (0.3)% | 0.4% |
| **Ratios** | | | | | |
| Statutory return on ordinary shareholders' equity[6] | **1.4%** | 1.7% | (1.1)% | (5.3)% | 5.5% |
| Statutory return on ordinary shareholders' tangible equity[7] | **1.6%** | 2.0% | (1.2)% | (5.9)% | 6.3% |
| Underlying return on ordinary shareholders' equity[6] | **4.6%** | 3.5% | 0.3% | (0.4)% | 7.8% |
| Underlying return on ordinary shareholders' tangible equity[7] | **5.1%** | 3.9% | 0.3% | (0.4)% | 9.0% |
| Statutory cost to income ratio | **78.8%** | 72.2% | 72.6% | 73.1% | 60.2% |
| Underlying cost to income ratio | **69.9%** | 70.8% | 72.2% | 67.8% | 58.9% |
| Capital ratios: | | | | | |
| (CET1)/Tier 1 capital[8] | **14.2%** | 13.6% | 13.6% | 12.6% | 10.5% |
| Total capital[8] | **21.6%** | 21.0% | 21.3% | 19.5% | 16.7% |

1 The amounts for the four financial years ended 2014 to 2017 are presented in line with IAS 39 and, therefore, not on a comparable basis to the current financial year presented in accordance with IFRS 9

2 Excludes amounts held at fair value through profit or loss

3 Shareholders' funds, non-controlling interests and subordinated loan capital

4 Dividend paid during the year per share

5 Represents profit attributable to shareholders divided by the total assets of the Group

6 Weighted average equity for 2018 is $44,636 million (2017: $44,420 million, 2016: $44,831 million, 2015: $44,363 million, 2014: $45,873 million)

7 Weighted average tangible equity for 2018 is $39,613 million (2017: $39,450, 2016: $40,166 million, 2015: $39,859 million, 2014: $39,952 million)

8 Unaudited

## Analysis of underlying performance by key market

The following tables provide information for key markets in which the Group operates. The numbers are prepared on a management view. Refer to Note 2 for details.

| | 31.12.18 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Hong Kong $million | Korea $million | China $million | Singapore $million | India $million | UAE $million | UK $million | US $million |
| **Operating income** | 3,752 | 1,009 | 821 | 1,547 | 949 | 637 | 819 | 667 |
| **Operating expenses** | (1,944) | (797) | (675) | (1,009) | (677) | (453) | (671) | (621) |
| **Operating profit before impairment losses and taxation** | 1,808 | 212 | 146 | 538 | 272 | 184 | 148 | 46 |
| Credit impairment | (57) | (1) | (30) | (115) | (130) | (196) | (51) | (36) |
| Other impairment | (109) | 1 | – | – | (1) | – | 17 | – |
| Profit from associates and joint ventures | – | – | 205 | – | – | – | – | – |
| **Underlying profit/(loss) before taxation** | 1,642 | 212 | 321 | 423 | 141 | (12) | 114 | 10 |
| **Total assets employed** | 153,372 | 51,306 | 30,272 | 81,882 | 29,886 | 19,847 | 136,967 | 48,706 |
| **Of which: loans and advances to customers including FVTPL** | 71,971 | 33,435 | 12,894 | 46,342 | 16,567 | 10,749 | 41,248 | 13,464 |
| **Total liabilities employed** | 139,332 | 45,347 | 27,158 | 80,200 | 20,554 | 13,679 | 148,041 | 42,301 |
| **Of which: customer accounts** | 116,999 | 36,894 | 21,801 | 58,415 | 16,306 | 10,517 | 93,096 | 16,218 |

| | 31.12.17 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Hong Kong $million | Korea $million | China $million | Singapore $million | India $million | UAE $million | UK $million | US $million |
| **Operating income** | 3,384 | 967 | 707 | 1,419 | 1,008 | 733 | 747 | 675 |
| **Operating expenses** | (1,872) | (777) | (652) | (1,016) | (658) | (524) | (612) | (641) |
| **Operating profit before impairment losses and taxation** | 1,512 | 190 | 55 | 403 | 350 | 209 | 135 | 34 |
| Credit impairment | (48) | (53) | (17) | (218) | (251) | (94) | (50) | (57) |
| Other impairment | (78) | (3) | – | – | (3) | – | (14) | (2) |
| Profit from associates and joint ventures | – | – | 229 | – | – | – | – | – |
| **Underlying profit/(loss) before taxation** | 1,386 | 134 | 267 | 185 | 96 | 115 | 71 | (25) |
| **Total assets employed** | 140,431 | 51,822 | 33,243 | 86,431 | 26,315 | 20,268 | 119,272 | 45,338 |
| **Of which: loans and advances to customers** | 67,292 | 34,891 | 12,899 | 45,495 | 16,515 | 11,328 | 34,694 | 10,092 |
| **Total liabilities employed** | 128,577 | 45,966 | 28,151 | 84,288 | 17,614 | 15,142 | 128,270 | 39,646 |
| **Of which: customer accounts** | 108,352 | 36,213 | 21,854 | 59,905 | 14,141 | 11,692 | 80,972 | 11,831 |

## Analysis of underlying performance by Retail Banking and Commercial Banking segments

### Retail Banking

| | 31.12.18 | | | | |
|---|---|---|---|---|---|
| | Greater China & North Asia $million | ASEAN & South Asia $million | Africa & Middle East $million | Europe & Americas $million | Total $million |
| **Operating income** | 2,886 | 1,352 | 765 | 38 | 5,041 |
| **Operating expenses** | (1,959) | (1,083) | (668) | (26) | (3,736) |
| **Operating profit before impairment losses and taxation** | 927 | 269 | 97 | 12 | 1,305 |
| Credit impairment | (72) | (135) | (60) | – | (267) |
| Other impairment | (5) | – | – | – | (5) |
| **Underlying profit before taxation** | 850 | 134 | 37 | 12 | 1,033 |
| **Restructuring** | (18) | (20) | (30) | – | (68) |
| **Statutory profit before taxation** | 832 | 114 | 7 | 12 | 965 |
| Loans and advances to customers including FVTPL | 67,718 | 27,812 | 5,595 | 510 | 101,635 |
| Customer accounts | 95,086 | 32,120 | 8,433 | 1,052 | 136,691 |

| | 31.12.17 | | | | |
|---|---|---|---|---|---|
| | Greater China & North Asia $million | ASEAN & South Asia $million | Africa & Middle East $million | Europe & Americas $million | Total $million |
| **Operating income** | 2,684 | 1,302 | 813 | 35 | 4,834 |
| **Operating expenses** | (1,839) | (1,085) | (638) | (23) | (3,585) |
| **Operating profit before impairment losses and taxation** | 845 | 217 | 175 | 12 | 1,249 |
| Credit impairment | (150) | (146) | (79) | – | (375) |
| Other impairment | (1) | – | – | – | (1) |
| **Underlying profit before taxation** | 694 | 71 | 96 | 12 | 873 |
| **Restructuring** | (9) | 2 | (12) | – | (19) |
| **Statutory profit before taxation** | 685 | 73 | 84 | 12 | 854 |
| Loans and advances to customers | 68,121 | 28,170 | 6,233 | 489 | 103,013 |
| Customer accounts | 88,850 | 30,544 | 8,950 | 1,192 | 129,536 |

### Commercial Banking

| | 31.12.18 | | | |
|---|---|---|---|---|
| | Greater China & North Asia $million | ASEAN & South Asia $million | Africa & Middle East $million | Total $million |
| **Operating income** | 584 | 523 | 284 | 1,391 |
| **Operating expenses** | (389) | (330) | (204) | (923) |
| **Operating profit before impairment losses and taxation** | 195 | 193 | 80 | 468 |
| Credit impairment | (23) | (73) | (148) | (244) |
| **Underlying profit/(loss) before taxation** | 172 | 120 | (68) | 224 |
| **Restructuring** | (7) | (3) | (2) | (12) |
| **Statutory profit/(loss) before taxation** | 165 | 117 | (70) | 212 |
| Loans and advances to customers including FVTPL | 13,926 | 9,118 | 4,227 | 27,271 |
| Customer accounts | 22,011 | 9,720 | 3,129 | 34,860 |

| | 31.12.17 | | | |
|---|---|---|---|---|
| | Greater China & North Asia $million | ASEAN & South Asia $million | Africa & Middle East $million | Total $million |
| **Operating income** | 527 | 504 | 302 | 1,333 |
| **Operating expenses** | (386) | (304) | (191) | (881) |
| **Operating profit before impairment losses and taxation** | 141 | 200 | 111 | 452 |
| Credit impairment | 12 | (110) | (69) | (167) |
| Other impairment | (3) | – | – | (3) |
| **Underlying profit before taxation** | 150 | 90 | 42 | 282 |
| **Restructuring** | (4) | (5) | (4) | (13) |
| **Statutory profit before taxation** | 146 | 85 | 38 | 269 |
| Loans and advances to customers | 14,179 | 9,439 | 4,490 | 28,108 |
| Customer accounts | 19,879 | 10,959 | 3,042 | 33,880 |

## Analysis of operating income by product and segment

The following tables provide a breakdown of the Group's underlying operating income by product and client segment.

| 31.12.18 | Corporate & Institutional Banking $million | Retail Banking $million | Commercial Banking $million | Private Banking $million | Central & other items $million | Total $million |
|---|---|---|---|---|---|---|
| Transaction Banking | **2,887** | **20** | **811** | **–** | **–** | **3,718** |
| Trade | **729** | **20** | **374** | **–** | **–** | **1,123** |
| Cash Management and Custody | **2,158** | **–** | **437** | **–** | **–** | **2,595** |
| Financial Markets | **2,328** | **–** | **284** | **–** | **–** | **2,612** |
| Foreign Exchange | **829** | **–** | **172** | **–** | **–** | **1,001** |
| Rates[1] | **527** | **–** | **28** | **–** | **–** | **555** |
| Commodities | **168** | **–** | **24** | **–** | **–** | **192** |
| Credit and Capital Markets[1] | **312** | **–** | **12** | **–** | **–** | **324** |
| Capital Structuring Distribution Group | **285** | **–** | **24** | **–** | **–** | **309** |
| Other Financial Markets | **207** | **–** | **24** | **–** | **–** | **231** |
| Corporate Finance | **1,325** | **–** | **98** | **–** | **–** | **1,423** |
| Lending and Portfolio Management | **315** | **–** | **203** | **–** | **–** | **518** |
| Wealth Management | **–** | **1,491** | **3** | **305** | **–** | **1,799** |
| Retail Products | **–** | **3,535** | **4** | **211** | **–** | **3,750** |
| CCPL and other unsecured lending | **–** | **1,310** | **–** | **–** | **–** | **1,310** |
| Deposits | **–** | **1,603** | **4** | **175** | **–** | **1,782** |
| Mortgage and Auto | **–** | **537** | **–** | **36** | **–** | **573** |
| Other Retail Products | **–** | **85** | **–** | **–** | **–** | **85** |
| Treasury | **–** | **–** | **–** | **–** | **1,223** | **1,223** |
| Other[2] | **5** | **(5)** | **(12)** | **–** | **(63)** | **(75)** |
| **Total underlying operating income** | **6,860** | **5,041** | **1,391** | **516** | **1,160** | **14,968** |

1 Following a reorganisation of certain product teams within Financial Markets, $46 million of income that was in H1 2018 reported within Credit and Capital Markets has been transferred to Rates during Q3 2018. Prior periods have not been restated.

2 Others includes group special asset management from 2018 onwards. Prior periods have not been restated

| 31.12.17 | Corporate & Institutional Banking $million | Retail Banking $million | Commercial Banking $million | Private Banking $million | Central & other items $million | Total $million |
|---|---|---|---|---|---|---|
| Transaction Banking | 2,564 | 18 | 747 | – | – | 3,329 |
| Trade | 793 | 18 | 386 | – | – | 1,197 |
| Cash Management and Custody | 1,771 | – | 361 | – | – | 2,132 |
| Financial Markets | 2,266 | – | 278 | – | – | 2,544 |
| Foreign Exchange | 779 | – | 164 | – | – | 943 |
| Rates | 503 | – | 32 | – | – | 535 |
| Commodities | 136 | – | 21 | – | – | 157 |
| Credit and Capital Markets | 365 | – | 11 | – | – | 376 |
| Capital Structuring Distribution Group | 254 | – | 25 | – | – | 279 |
| Other Financial Markets | 229 | – | 25 | – | – | 254 |
| Corporate Finance | 1,390 | – | 86 | – | – | 1,476 |
| Lending and Portfolio Management | 284 | – | 212 | – | – | 496 |
| Wealth Management | – | 1,438 | 4 | 299 | – | 1,741 |
| Retail Products | – | 3,376 | 6 | 201 | – | 3,583 |
| CCPL and other unsecured lending | – | 1,366 | 1 | – | – | 1,367 |
| Deposits | – | 1,245 | 6 | 168 | – | 1,419 |
| Mortgage and Auto | – | 692 | – | 32 | – | 724 |
| Other Retail Products | – | 73 | (1) | 1 | – | 73 |
| Treasury | – | – | – | – | 1,143 | 1,143 |
| Other | (8) | 2 | – | – | (17) | (23) |
| Total underlying operating income | 6,496 | 4,834 | 1,333 | 500 | 1,126 | 14,289 |

# Average balance sheets and yields and volume and price variances

## Average balance sheets and yield

The following tables set out the average balances and yields for the Group's assets and liabilities for the years ended 31 December 2018 and 31 December 2017. 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.

| | 31.12.18 | | | |
|---|---|---|---|---|
| | **Average non-interest earning balance $million** | **Average interest earning balance $million** | **Interest income $million** | **Gross yield %** |
| **Assets** | | | | |
| Cash and balances at central banks | **24,724** | **32,730** | **364** | **1.11** |
| Gross loans and advances to banks | **1,338** | **86,028** | **2,293** | **2.67** |
| Gross loans and advances to customers | **–** | **301,897** | **10,618** | **3.52** |
| Impairment provisions against loans and advances to banks and customers | **–** | **(5,701)** | **–** | **–** |
| Investment securities | **2,540** | **143,181** | **3,989** | **2.79** |
| Property, plant and equipment and intangible assets | **10,660** | **–** | **–** | **–** |
| Prepayments, accrued income and other assets | **78,361** | **–** | **–** | **–** |
| Total average assets | **117,623** | **558,135** | **17,264** | **3.09** |

| | 31.12.17 | | | |
|---|---|---|---|---|
| | Average non-interest earning balance $million | Average interest earning balance $million | Interest income $million | Gross yield % |
| **Assets** | | | | |
| Cash and balances at central banks | 37,194 | 37,539 | 287 | 0.76 |
| Gross loans and advances to banks | 5,483 | 82,743 | 1,955 | 2.36 |
| Gross loans and advances to customers | – | 282,912 | 8,928 | 3.16 |
| Impairment provisions against loans and advances to banks and customers | – | (6,342) | – | – |
| Investment securities | 2,450 | 130,839 | 3,265 | 2.50 |
| Property, plant and equipment and intangible assets | 9,916 | – | – | – |
| Prepayments, accrued income and other assets | 85,978 | – | – | – |
| Total average assets | 141,021 | 527,691 | 14,435 | 2.74 |

## Average balance sheets and yields and volume and price variances continued

### Average balance sheets and yield continued

| | 31.12.18 | | | |
|---|---|---|---|---|
| | Average non-interest bearing balance $million | Average interest bearing balance $million | Interest expense $million | Rate paid % |
| **Liabilities** | | | | |
| Deposits by banks | 6,320 | 34,497 | 811 | 2.35 |
| Customer accounts: | | | | |
| Current accounts and savings deposits | 38,909 | 178,454 | 1,667 | 0.93 |
| Time and other deposits | 8,660 | 201,349 | 4,097 | 2.03 |
| Debt securities in issue | 136 | 53,988 | 1,129 | 2.09 |
| Accruals, deferred income and other liabilities | 95,214 | – | – | – |
| Subordinated liabilities and other borrowed funds | – | 15,780 | 767 | 4.86 |
| Non-controlling interests | 48 | – | – | – |
| Shareholders' funds | 50,241 | – | – | – |
| Total average liabilities and shareholders' funds | 199,528 | 484,068 | 8,471 | 1.75 |
| Net yield | | | | 1.34 |
| Net interest margin | | | | 1.58 |

| | 31.12.17 | | | |
|---|---|---|---|---|
| | Average non-interest bearing balance $million | Average interest bearing balance $million | Interest expense $million | Rate paid % |
| **Liabilities** | | | | |
| Deposits by banks | 6,696 | 41,565 | 891 | 2.14 |
| Customer accounts: | | | | |
| Current accounts and savings deposits | 36,070 | 165,300 | 1,063 | 0.64 |
| Time and other deposits | 8,096 | 199,426 | 2,796 | 1.40 |
| Debt securities in issue | 581 | 51,914 | 756 | 1.46 |
| Accruals, deferred income and other liabilities | 84,881 | 22 | – | – |
| Subordinated liabilities and other borrowed funds | 841 | 17,205 | 748 | 4.35 |
| Non-controlling interests | 73 | – | – | – |
| Shareholders' funds | 49,903 | – | – | – |
| Total average liabilities and shareholders' funds | 187,141 | 475,432 | 6,254 | 1.32 |
| Net yield | | | | 1.42 |
| Net interest margin | | | | 1.55 |

## Volume and price variances

The following table analyses the estimated change in the Group's net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and changes in their respective interest rates for the years presented. Volume and rate variances have been determined based on movements in average balances and average exchange rates over the year and changes in interest rates on average interest-earning assets and average interest-bearing liabilities.

| | 31.12.18 versus 31.12.17 | | |
|---|---|---|---|
| | (Decrease)/increase in interest due to: | | Net increase/ (decrease) in interest |
| | Volume $million | Rate $million | $million |
| **Interest earning assets** | | | |
| Cash and unrestricted balances at central banks | (53) | 130 | 77 |
| Loans and advances to banks | 88 | 250 | 338 |
| Loans and advances to customers | 660 | 1,030 | 1,690 |
| Investment securities | 346 | 378 | 724 |
| Total interest earning assets | 1,041 | 1,788 | 2,829 |
| **Interest bearing liabilities** | | | |
| Subordinated liabilities and other borrowed funds | (69) | 88 | 19 |
| Deposits by banks | (166) | 86 | (80) |
| Customer accounts: | | | |
| Current accounts and savings deposits | 124 | 482 | 606 |
| Time and other deposits | 39 | 1,260 | 1,299 |
| Debt securities in issue | 43 | 330 | 373 |
| Total interest bearing liabilities | (29) | 2,246 | 2,217 |

| | 31.12.17 versus 31.12.16 | | |
|---|---|---|---|
| | (Decrease)/increase in interest due to: | | Net increase/ (decrease) in interest |
| | Volume $million | Rate $million | $million |
| **Interest earning assets** | | | |
| Cash and unrestricted balances at central banks | (52) | 126 | 74 |
| Loans and advances to banks | 129 | 544 | 673 |
| Loans and advances to customers | 485 | (306) | 179 |
| Investment securities | 112 | 387 | 499 |
| Total interest earning assets | 674 | 751 | 1,425 |
| **Interest bearing liabilities** | | | |
| Subordinated liabilities and other borrowed funds | (131) | 44 | (87) |
| Deposits by banks | (13) | 410 | 397 |
| Customer accounts: | | | |
| Current accounts and savings deposits | 121 | 90 | 211 |
| Time and other deposits | 272 | 189 | 461 |
| Debt securities in issue | (142) | 198 | 56 |
| Total interest bearing liabilities | 107 | 931 | 1,038 |

## Convenience translation of selected financial statements into Indian Rupees

In compliance with regulation 71(3) read with schedule IV part B of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) regulations, 2015, as amended, the Consolidated financial statements (pages 365 to 370) are presented in Indian rupees (INR) using a US dollar/Indian rupee exchange rate of 69.7923 as at 31 December 2018 as published by the Reserve Bank of India. Amounts have been translated using the said exchange rate including totals and sub-totals and any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

## Consolidated income statement (translated to INR)

For the year ended 31 December 2018

| | 31.12.18 Rs.million | 31.12.17 Rs.million |
|---|---|---|
| Interest income | 1,204,894 | 1,007,452 |
| Interest expense | (591,211) | (436,481) |
| **Net interest income** | 613,684 | 570,971 |
| Fees and commission income | 281,193 | 275,121 |
| Fees and commission expense | (37,478) | (30,011) |
| **Net fee and commission income** | 243,715 | 245,111 |
| Net trading income | 117,460 | 106,573 |
| Other operating income | 57,299 | 84,100 |
| **Operating income** | 1,032,158 | 1,006,754 |
| Staff costs | (493,711) | (471,656) |
| Premises costs | (55,136) | (57,439) |
| General administrative expenses | (204,212) | (140,073) |
| Depreciation and amortisation | (59,812) | (57,858) |
| **Operating expenses** | (812,871) | (727,026) |
| **Operating profit before impairment losses and taxation** | 219,287 | 279,728 |
| Credit impairment | (45,574) | (95,057) |
| Other impairment | | |
| Goodwill | – | (22,334) |
| Other | (12,702) | (12,493) |
| Profit from associates and joint ventures | 16,820 | 18,704 |
| **Profit before taxation** | 177,831 | 168,548 |
| Taxation | (100,432) | (80,052) |
| **Profit for the year** | 77,400 | 88,496 |
| | | |
| **Profit attributable to:** | | |
| Non-controlling interests | 3,839 | 3,420 |
| Parent company shareholders | 73,561 | 85,077 |
| **Profit for the year** | 77,400 | 88,496 |
| | Rupees | Rupees |
| **Earnings per share:** | | |
| Basic earnings per ordinary share | 13.0 | 16.4 |
| Diluted earnings per ordinary share | 12.9 | 16.2 |

## Consolidated statement of comprehensive income (translated to INR)

For the year ended 31 December 2018

| | 31.12.18 Rs.million | 31.12.17 Rs.million |
|---|---|---|
| **Profit for the year** | **77,400** | 88,496 |
| **Other comprehensive (loss)/income** | | |
| **Items that will not be reclassified to income statement:** | **26,661** | (16,611) |
| Own credit gains/(losses) on financial liabilities designated at fair value through profit or loss | **27,498** | (17,378) |
| Equity instruments at fair value through other comprehensive income | **2,513** | – |
| Actuarial (losses)/gains on retirement benefit obligations | **(1,326)** | 2,233 |
| Taxation relating to components of other comprehensive income | **(2,024)** | (1,466) |
| | | |
| **Items that may be reclassified subsequently to income statement:** | **(82,983)** | 106,922 |
| Exchange differences on translation of foreign operations: | | |
| Net (losses)/gains taken to equity | **(102,036)** | 114,250 |
| Net gains/(losses) on net investment hedges | **19,681** | (20,100) |
| Share of other comprehensive income/(loss) from associates and joint ventures | **2,303** | (70) |
| Debt instruments at fair value through other comprehensive income/available-for-sale investments: | | |
| Net valuation (losses)/gains taken to equity | **(8,933)** | 25,753 |
| Reclassified to income statement | **2,164** | (16,262) |
| Cash flow hedges: | | |
| Net gains taken to equity | **2,373** | 2,443 |
| Reclassified to income statement | **489** | 768 |
| Taxation relating to components of other comprehensive income | **977** | 140 |
| **Other comprehensive (loss)/income for the year, net of taxation** | **(56,322)** | 90,311 |
| **Total comprehensive income for the year** | **21,077** | 178,808 |
| | | |
| **Total comprehensive income attributable to:** | | |
| Non-controlling interests | **2,373** | 3,490 |
| Parent company shareholders | **18,704** | 175,318 |
| Total comprehensive income for the year | **21,077** | 178,808 |

## Consolidated balance sheet (translated to INR)

As at 31 December 2018

| | 31.12.18 Rs.million | 31.12.17 Rs.million |
|---|---|---|
| **Assets** | | |
| Cash and balances at central banks | **4,013,825** | 4,108,254 |
| Financial assets held at fair value through profit or loss | **6,081,143** | 1,923,755 |
| Derivative financial instruments | **3,183,995** | 3,282,402 |
| Loans and advances to banks[1] | **4,286,224** | 5,456,920 |
| Loans and advances to customers[2] | **17,905,703** | 19,701,529 |
| Investment securities | **8,786,920** | 8,167,444 |
| Other assets | **2,470,717** | 2,337,344 |
| Current tax assets | **34,338** | 34,268 |
| Prepayments and accrued income | **174,830** | 161,011 |
| Interests in associates and joint ventures | **161,011** | 161,011 |
| Goodwill and intangible assets | **352,870** | 349,869 |
| Property, plant and equipment | **452,952** | 503,272 |
| Deferred tax assets | **73,073** | 82,146 |
| Assets classified as held for sale | **92,684** | 38,037 |
| **Total assets** | **48,070,284** | 46,307,261 |
| | | |
| **Liabilities** | | |
| Deposits by banks | **2,073,878** | 2,159,723 |
| Customer accounts | **27,289,697** | 25,858,675 |
| Repurchase agreements and other similar secured borrowing | **97,779** | 2,776,547 |
| Financial liabilities held at fair value through profit or loss | **4,236,393** | 1,160,855 |
| Derivative financial instruments | **3,294,825** | 3,357,079 |
| Debt securities in issue | **3,242,132** | 3,236,897 |
| Other liabilities | **2,673,673** | 2,460,667 |
| Current tax liabilities | **47,180** | 26,242 |
| Accruals and deferred income | **376,390** | 383,369 |
| Subordinated liabilities and other borrowed funds | **1,046,954** | 1,198,753 |
| Deferred tax liabilities | **39,293** | 28,196 |
| Provisions for liabilities and charges | **92,824** | 12,772 |
| Retirement benefit obligations | **27,847** | 31,755 |
| Liabilities included in disposal groups held for sale | **17,239** | – |
| **Total liabilities** | **44,556,102** | 42,691,531 |
| | | |
| **Equity** | | |
| Share capital and share premium account | **496,293** | 495,316 |
| Other reserves | **828,993** | 891,038 |
| Retained earnings | **1,823,603** | 1,859,337 |
| **Total parent company shareholders' equity** | **3,148,889** | 3,245,691 |
| Other equity instruments | **346,240** | 346,240 |
| **Total equity excluding non-controlling interests** | **3,495,129** | 3,591,931 |
| Non-controlling interests | **19,053** | 23,799 |
| **Total equity** | **3,514,182** | 3,615,730 |
| **Total equity and liabilities** | **48,070,284** | 46,307,261 |

1 Reverse repurchase agreements and other similar secured lending balances held at amortised cost of Rs.266,258 million (31 December 2017: Rs.1,444,282 million) has been included with loans and advances to banks

2 Reverse repurchase agreements and other similar secured lending balances held at amortised cost of Rs.219,916 million (31 December 2017: Rs.2,343,695 million) has been included with loans and advances to customers

## Condensed consolidated interim statement of changes in equity (translated to INR)

For the year ended 31 December 2018

| | Share capital and share premium account Rs.million | Capital and merger reserves[1] Rs.million | Own credit adjustment reserve Rs.million | Available-for-sale reserve Rs.million | Fair value through other comprehensive income reserve – debt Rs.million | Fair value through other comprehensive income reserve – equity Rs.million | Cash flow hedge reserve Rs.million | Translation reserve Rs.million | Retained earnings Rs.million | Parent company shareholders' equity Rs.million | Other equity instruments Rs.million | Non-controlling interests Rs.million | Total Rs.million |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2017 | 494,897 | 1,195,472 | 20,170 | (279) | – | – | (5,932) | (405,144) | 1,797,361 | 3,096,545 | 277,006 | 22,403 | 3,395,954 |
| Profit after tax for the year | – | – | – | – | – | – | – | – | 85,077 | 85,077 | – | 3,420 | 88,497 |
| Other comprehensive (loss)/income | – | – | (16,401) | 6,072 | – | – | 2,792 | 94,289 | 3,490[2] | 90,241 | – | 70 | 90,311 |
| Distributions | – | – | – | – | – | – | – | – | – | – | – | (3,559) | (3,559) |
| Shares issued, net of expenses | 419 | – | – | – | – | – | – | – | – | 419 | – | – | 419 |
| Other equity instruments issued, net of expenses | – | – | – | – | – | – | – | – | – | – | 69,234 | – | 69,234 |
| Net own shares adjustment | – | – | – | – | – | – | – | – | 698 | 698 | – | – | 698 |
| Share option expense, net of taxation | – | – | – | – | – | – | – | – | 8,724 | 8,724 | – | – | 8,724 |
| Dividends[3] | – | – | – | – | – | – | – | – | (31,058) | (31,058) | – | – | (31,058) |
| Other movements[4] | – | – | – | – | – | – | – | – | (4,955) | (4,955) | – | 1,466[5] | (3,490) |
| As at 31 December 2017 | 495,316 | 1,195,472 | 3,769 | 5,793 | – | – | (3,141) | (310,855) | 1,859,337 | 3,245,691 | 346,240 | 23,799 | 3,615,730 |
| IFRS 9 reclassifications[6] | – | – | – | (5,793) | (9,143) | 3,141 | – | – | 11,795 | – | – | – | – |
| IFRS 9 re-measurements[6] | – | – | – | – | – | 279 | – | – | 2,164 | 2,443 | – | – | 2,443 |
| Expected credit loss, net | – | – | – | – | 4,536 | – | – | – | (74,957)[7] | (70,420) | – | (558) | (70,979) |
| Tax impact | – | – | – | – | (768) | 349 | – | – | 12,493 | 12,074 | – | – | 12,074 |
| Impact of IFRS 9 on share of joint ventures and associates, net of tax | – | – | – | – | – | (70) | – | – | (3,559) | (3,629) | – | – | (3,629) |
| IFRS 9 transition adjustments | – | – | – | (5,793) | (5,374) | 3,699 | – | – | (52,065) | (59,533) | – | (558) | (60,091) |
| As at 1 January 2018 | **495,316** | **1,195,472** | **3,769** | **–** | **(5,374)** | **3,699** | **(3,141)** | **(310,855)** | **1,807,272** | **3,186,158** | **346,240** | **23,241** | **3,555,639** |
| Profit after tax for the year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **73,561** | **73,561** | **–** | **3,839** | **77,400** |
| Other comprehensive income/(loss) | **–** | **–** | **24,986** | **–** | **(5,863)** | **4,676** | **2,443** | **(80,819)** | **(279)[2]** | **(54,857)** | **–** | **(1,466)** | **(56,322)** |
| Distributions | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(6,770)** | **(6,770)** |
| Shares issued, net of expenses | **977** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **977** | **–** | **–** | **977** |
| Net own shares adjustment | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **70** | **70** | **–** | **–** | **70** |
| Share option expense, net of taxation | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **11,027** | **11,027** | **–** | **–** | **11,027** |
| Dividends[3] | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(68,047)** | **(68,047)** | **–** | **–** | **(68,047)** |
| Other movements | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **209[8]** | **209** |
| As at 31 December 2018 | **496,293** | **1,195,472** | **28,754** | **–** | **(11,237)** | **8,375** | **(698)** | **(391,674)** | **1,823,603** | **3,148,889** | **346,240** | **19,053** | **3,514,182** |

1 Includes capital reserve of Rs.349 million, capital redemption reserve of Rs.907 million and merger reserve of Rs.1,194,216 million

2 Comprises actuarial gain/(loss), net of taxation and share from associates and joint ventures Rs.(279) million (31 December 2017: Rs.3,490 million)

3 Comprises dividends paid net of scrip Rs.37,618 million (31 December 2017: Rs.nil) and dividends on preference shares classified as equity and Additional Tier 1 securities Rs.30,429 million (31 December 2017: Rs.31,058 million) (refer Note 11)

4 Other movements of Rs.(4,955) million is mainly due to issue of shares by Nepal to its non-controlling interests including premium (Rs.1,326 million) as the adjustment to the carrying value of the Group's share of the issue. This is offset by other equity adjustments of Rs.(6,281) million

5 Other movements of Rs.1,466 million relates to issue of shares by Nepal to its non-controlling interests including premium (Rs.838 million) as the increase in non-controlling interest. The remaining Rs.628 million relates to an acquisition

6 As per Note 41 Transition to IFRS 9 Financial Instruments

7 The Group's initial estimate of credit impairment provisions on adoption of IFRS 9 was Rs.469,004 million. Following refinement of the Group's expected loss models, the estimate of the opening credit impairment provisions has been revised down by Rs.15,494 million to Rs.453,510 million, and the net expected credit loss of Rs.(90,451) million adjusted against retained earnings has similarly decreased by Rs.15,494 million to Rs.74,957 million

8 Mainly due to additional share capital issued by Angola subscribed by its non-controlling interests without change in shareholding percentage

## Cash flow statement (translated to INR)

For the year ended 31 December 2018

| | Group | | Company | |
|---|---|---|---|---|
| | **31.12.18 Rs.million** | 31.12.17 Rs.million | **31.12.18 Rs.million** | 31.12.17 Rs.million |
| **Cash flows from operating activities:** | | | | |
| Profit before taxation | **177,831** | 168,548 | **55,136** | 14,447 |
| Adjustments for non-cash items and other adjustments included within income statement | **183,903** | 226,197 | **16,192** | 42,922 |
| Change in operating assets | **(895,924)** | (950,920) | **4,257** | 32,035 |
| Change in operating liabilities | **2,363,097** | 406,121 | **(32,244)** | 40,131 |
| Contributions to defined benefit schemes | **(9,980)** | (9,980) | **–** | – |
| UK and overseas taxes paid | **(53,740)** | (63,860) | **–** | (977) |
| **Net cash from/(used in) operating activities** | **1,765,187** | (223,894) | **43,341** | 128,557 |
| **Cash flows from investing activities:** | | | | |
| Purchase of property, plant and equipment | **(11,934)** | (11,516) | **–** | – |
| Disposal of property, plant and equipment | **5,932** | 2,024 | **–** | – |
| Acquisition of investment in subsidiaries, associates, and joint ventures, net of cash acquired | **–** | (3,071) | **–** | (69,792) |
| Dividends received from subsidiaries, associates and joint ventures | **4,676** | 140 | **72,235** | 27,359 |
| Disposal of subsidiaries | **489** | – | **–** | – |
| Purchase of investment securities | **(19,289,754)** | (18,507,941) | **–** | – |
| Disposal and maturity of investment securities | **18,423,981** | 18,237,845 | **43,341** | 198,908 |
| **Net cash (used in)/from investing activities** | **(866,611)** | (282,519) | **115,576** | 156,474 |
| **Cash flows from financing activities:** | | | | |
| Issue of ordinary and preference share capital, net of expenses | **977** | 419 | **977** | 419 |
| Exercise of share options | **628** | 698 | **628** | 698 |
| Purchase of own shares | **(558)** | – | **(558)** | – |
| Issue of Additional Tier 1 capital, net of expenses | **–** | 69,234 | **–** | 69,234 |
| Gross proceeds from issue of subordinated liabilities | **34,896** | – | **34,896** | – |
| Interest paid on subordinated liabilities | **(42,015)** | (51,856) | **(35,385)** | (24,637) |
| Repayment of subordinated liabilities | **(146,354)** | (208,260) | **(33,082)** | (87,171) |
| Proceeds from issue of senior debts | **681,592** | 159,964 | **317,695** | 104,758 |
| Repayment of senior debts | **(490,640)** | (290,476) | **(219,218)** | (225,918) |
| Interest paid on senior debts | **(35,385)** | (62,534) | **(24,776)** | (57,579) |
| (Repayment to)/investment from non-controlling interests | **–** | 1,466 | **–** | – |
| Dividends paid to non-controlling interests and preference shareholders | **(37,199)** | (34,617) | **(30,429)** | (31,058) |
| Dividends paid to ordinary shareholders | **(37,618)** | – | **(37,618)** | – |
| **Net cash (used in) financing activities** | **(71,677)** | (415,962) | **(26,870)** | (251,252) |
| **Net increase/(decrease) in cash and cash equivalents** | **826,899** | (922,375) | **132,047** | 33,779 |
| Cash and cash equivalents at beginning of the period | **6,088,052** | 6,768,248 | **1,096,716** | 1,062,937 |
| Effect of exchange rate movements on cash and cash equivalents | **(110,202)** | 242,179 | **–** | – |
| **Cash and cash equivalents at end of the period** | **6,804,749** | 6,088,052 | **1,228,763** | 1,096,716 |

## Company balance sheet (translated to INR)

As at 31 December 2018

| | 31.12.18 Rs.million | 31.12.17 Rs.million |
|---|---|---|
| **Non-current assets** | | |
| Investments in subsidiary undertakings | **2,432,471** | 2,432,471 |
| **Current assets** | | |
| Derivative financial instruments | **628** | 4,885 |
| Investment securities | **805,194** | 848,605 |
| Amounts owed by subsidiary undertakings | **1,228,763** | 1,096,716 |
| Taxation | **838** | 209 |
| **Total current assets** | **2,035,423** | 1,950,415 |
| **Current liabilities** | | |
| Derivative financial instruments | **78,726** | 34,338 |
| Other creditors | **28,127** | 28,264 |
| Taxation | **–** | – |
| **Total current liabilities** | **106,853** | 62,602 |
| **Net current assets** | **1,928,570** | 1,887,813 |
| **Total assets less current liabilities** | **4,361,041** | 4,320,284 |
| **Non-current liabilities** | | |
| Debt securities in issue | **1,200,567** | 1,128,472 |
| Subordinated liabilities and other borrowed funds | **937,729** | 968,857 |
| **Total non-current liabilities** | **2,138,296** | 2,097,330 |
| **Total assets less liabilities** | **2,222,745** | 2,222,954 |
| **Equity** | | |
| Share capital and share premium account | **496,293** | 495,316 |
| Other reserves | **1,195,472** | 1,195,472 |
| Retained earnings | **184,740** | 185,927 |
| **Total shareholders' equity** | **1,876,505** | 1,876,714 |
| Other equity instruments | **346,240** | 346,240 |
| **Total equity** | **2,222,745** | 2,222,954 |

## Company statement of changes in equity (translated to INR)

For the year ended 31 December 2018

| | Share capital and share premium account Rs.million | Capital and merger reserve[1] Rs.million | Retained earnings Rs.million | Other equity instruments Rs.million | Total Rs.million |
|---|---|---|---|---|---|
| At 1 January 2017 | 494,897 | 1,195,472 | 192,906 | 277,006 | 2,160,281 |
| Profit for the year | – | – | 14,656 | – | 14,656 |
| Shares issued, net of expenses | 419 | – | – | – | 419 |
| Other equity instruments issued, net of expenses | | – | – | 69,234 | 69,234 |
| Net own shares adjustment | – | – | 698 | – | 698 |
| Share option expense | – | – | 8,724 | – | 8,724 |
| Dividends[2] | – | – | (31,058) | – | (31,058) |
| At 31 December 2017 | **495,316** | **1,195,472** | **185,926** | **346,240** | **2,222,954** |
| Profit for the year | **–** | **–** | **55,764** | **–** | **55,764** |
| Shares issued, net of expenses | **977** | **–** | **–** | **–** | **977** |
| Net own shares adjustment | **–** | **–** | **70** | **–** | **70** |
| Share option expense | **–** | **–** | **11,027** | **–** | **11,027** |
| Dividends[2] | **–** | **–** | **(68,047)** | **–** | **(68,047)** |
| At 31 December 2018 | **496,293** | **1,195,472** | **184,740** | **346,240** | **2,222,745** |

1 Includes capital reserve of Rs.349 million, capital redemption reserve of Rs.907 million and merger reserve of Rs.1,194,216 million

2 Comprises dividends paid net of scrip Rs.37,618 million (31 December 2017: Rs.nil) and dividends on preferences shares classified as equity and Additional Tier 1 securities Rs.30,429 million (31 December 2017: Rs.31,058 million)

## Summary of significant differences between Indian GAAP and IFRS

The condensed consolidated interim financial statements of the Group for the year ended 31 December 2018 with comparatives as at 31 December 2017 are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations as adopted by the European Union.

IFRS differs in certain significant respects from Indian Generally Accepted Accounting Principles (GAAP). Such differences involve methods for measuring the amounts shown in the financial statements of the Group, as well as additional disclosures required by Indian GAAP.

Set out below are descriptions of certain accounting differences between IFRS and Indian GAAP that could have a significant effect on profit or loss attributable to parent company shareholders for the period ended 31 December 2018 and 31 December 2017 and total parent company shareholders' equity as at the same dates. This section does not provide a comprehensive analysis of such differences. In particular, this description considers only those Indian GAAP pronouncements for which adoption or application is required in financial statements for years ended on or prior to 31 December 2018. The Group has not quantified the effect of differences between IFRS and Indian GAAP, nor prepared consolidated financial statements under Indian GAAP, nor undertaken a reconciliation of IFRS and Indian GAAP financial statements. Had the Group undertaken any such quantification or preparation or reconciliation, other potentially significant accounting and disclosure differences may have come to its attention which are not identified below. Accordingly, the Group does not provide any assurance that the differences identified below represent all the principal differences between IFRS and Indian GAAP relating to the Group. Furthermore, no attempt has been made to identify future differences between IFRS and Indian GAAP. In addition, no attempt has been made to identify all differences between IFRS and Indian GAAP that may affect the financial statements as a result of transaction or events that may occur in the future.

In making an investment decision, potential investors should consult their own professional advisers for an understanding of the differences between IFRS and Indian GAAP and how those differences may have affected the financial results of the Group. The summary does not purport to be complete and is subject to and qualified in its entirety by reference to the pronouncements of the International Accounting Standards Board (IASB), together with the pronouncements of the Indian accounting profession.

## Changes in accounting policy

### IFRS (IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

Changes in accounting policy are applied retrospectively. Comparatives are restated and the effect of period(s) not presented is adjusted against opening retained earnings of the earliest year presented. Policy changes made on the adoption of a new standard are made in accordance with that standard's transitional provisions.

### Indian GAAP (AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies)

The cumulative amount of the change is included in the income statement for the period in which the change is made except as specified in certain standards (transitional provision) where the change during the transition period resulting from adoption of the standard has to be adjusted against opening retained earnings and the impact disclosed.

Where a change in accounting policy has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such an amount is not ascertainable, this fact should be indicated.

## Functional and presentation currency

### IFRS (IAS 21 The Effects of Changes in Foreign Exchange Rates)

An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency.

Monetary assets and liabilities are translated at the closing rate at the date of that statement of financial position. Income statement items are translated at the exchange rate at the date of transaction or at average rates. The functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Group is US dollars.

### Indian GAAP (AS 11 The Effects of Changes in Foreign Exchange Rates)

There is no concept of functional or presentation currency. Entities in India have to prepare their financial statements in Indian rupees.

A foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- Foreign currency monetary items should be reported using the closing rate
- Non-monetary items which are carried in terms of historical cost denominated in a foreign currency should be reported using the exchange rate at the date of the transaction
- Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency should be reported using the exchange rates that existed when the values were determined

## Consolidation

### IFRS (IFRS 10 Consolidated Financial Statements)

Entities are consolidated when the Group controls an entity. The Group controls an entity when it is exposed to or has rights to direct relevant activities, or has the right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. This also includes entities where control is not derived through voting rights such as structured entities.

### Indian GAAP (AS 21 Consolidated Financial Statements)

Guidance is based on the power through the ability to govern the financial and operating policies of an entity so as to obtain benefits while not taking into consideration potential voting rights.

No specific guidance is given by Indian GAAP on consolidation of structured entities.

## Business combinations

### IFRS (IFRS 3 Business Combinations)

All business combinations are treated as acquisitions. Assets, liabilities and contingent liabilities acquired are measured at their fair values with the excess over this fair value when compared with the acquisition cost recognised as goodwill.

For acquisitions occurring on or after 1 January 2004, IFRS 3 requires that, when assessing the value of the assets of an acquired entity, certain identifiable intangible assets must be recognised and, if considered to have a finite life, amortised through the income statement over an appropriate period.

Adjustments to provisional fair values are permitted provided those adjustments are made within 12 months from the date of acquisition, with a corresponding adjustment to goodwill. After re-assessment of respective fair values of net assets acquired, any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised immediately in the income statement.

The Group's policy for non-controlling interests is generally not to recognise non-controlling interests at their fair value, but to recognise them based on their proportionate share of the fair value of the identifiable net assets acquired.

### Indian GAAP (AS 14 Accounting for Amalgamations)

Treatment of a business combination depends on whether the acquired entity is held as a subsidiary, whether it is an amalgamation or whether it is an acquisition of a business. For an entity acquired and held as a subsidiary, the business combination is accounted for as an acquisition. The assets and liabilities acquired are incorporated at their existing carrying amounts.

For an amalgamation of an entity, either pooling of interests or acquisition accounting may be used. The assets and liabilities amalgamated are incorporated at their existing carrying amounts or, alternatively, if acquisition accounting is adopted, the consideration can be allocated to individual identifiable assets (which may include intangible assets) and liabilities on the basis of their fair values.

Adjustments to the value of acquired or amalgamated balances are not permitted after initial recognition. Any excess of acquirer's interest in the net fair values of acquirer's identifiable assets is recognised as capital reserve, which is neither amortised nor available for distribution to shareholders. However, in case of an amalgamation accounted under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation. Minority interests arising on the acquisition of a subsidiary are recognised at their share of the historical book value.

## Goodwill

### IFRS (IFRS 3 Business Combinations and IAS 38 Intangible Assets)

IFRS 3 requires that goodwill arising on all acquisitions by the Group and associated undertakings is capitalised but not amortised and is subject to an annual review for impairment. Goodwill is tested annually for impairment. Any impairment losses recognised may not be reversed in subsequent accounting periods.

### Indian GAAP (AS 14 Accounting for Amalgamations and AS 26 Intangible Assets)

Goodwill arising on amalgamations is capitalised and amortised over useful life not exceeding five years, unless a longer period can be justified. For goodwill arising on acquisition of a subsidiary or a business, there is no specific guidance. In practice, there is either no amortisation or amortisation not exceeding 10 years. Goodwill is reviewed for impairment whenever an indicator of impairment exists. Impairment losses recognised may be reversed under exceptional circumstances only in subsequent accounting periods through the income statement.

## Acquired and internally generated intangible assets

### IFRS (IAS 38 Intangible Assets)

Intangible assets are recognised if they are deemed separable and arise from contractual or other legal rights. Assets with a finite useful life are amortised on a systematic basis over their useful life. An asset with an indefinite useful life should be tested for impairment annually.

### Indian GAAP (AS 26 Intangible Assets)

Intangible assets are capitalised if specific criteria are met and are amortised over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortised over a period exceeding 10 years should be reviewed at least at each financial year end even if there is no indication that the asset is impaired.

## Property, plant and equipment

### IFRS (IAS 16 Property, Plant and Equipment, IAS 23 Borrowing Costs)

The Group's policy is to hold all property, plant, aviation, shipping and equipment fixed assets at cost less depreciation and consequently tangible fixed assets are not subject to revaluation. Fixed assets are, however, subject to impairment testing.

Foreign exchange gains or losses relating to the procurement of property, plant and equipment can be capitalised as part of the asset. Depreciation is recorded over the asset's estimated useful life. Borrowing costs that are directly attributable to the acquisition or construction of an asset must be capitalised as part of that asset.

## Property, plant and equipment
continued

### Indian GAAP (AS 10 Fixed Assets, AS 16 Borrowing Cost and AS 6 Depreciation Accounting)

Fixed assets are recorded at historical costs or revalued amounts. Relevant borrowing costs are capitalised if certain criteria in AS 16 are met. Depreciation is recorded over the asset's useful life. Schedule II (Part C) of the Companies Act 2013 and Banking Regulations prescribe minimum rates of depreciation and these are typically used as the basis for determining useful life.

## Recognition and measurement of financial instruments

### IFRS -IFRS 9 Financial Instruments

Classification and measurement

*Accounting policy*

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

### Financial assets held at amortised cost and fair value through other comprehensive income

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

Whether financial assets are held at amortised cost or at FVOCI depends on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows.

The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

Financial assets that have SPPI characteristics and which are held within a business model whose objective is to hold financial assets to collect contractual cash flows ('hold to collect') are recorded at amortised cost.

Conversely, financial assets that have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ('hold to collect and sell') are classified as FVOCI.

### Equity instruments designated as FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition at FVOCI on an instrument-by-instrument basis. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss, even on derecognition.

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

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

### Mandatorily classified at fair value through profit or loss

Financial assets and liabilities that are mandatorily held at fair value through profit or loss include:

- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term
- Hybrid financial assets that contain one or more embedded derivatives
- Financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics
- Equity instruments that have not been designated as held at FVOCI
- Financial liabilities that constitute contingent consideration in a business combination

### Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ('accounting mismatch').

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

### Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

### Financial guarantee contracts and loan commitments

Financial guarantee contracts and loan commitments issued at below market interest rates are initially recognised as liabilities at fair value and subsequently at the higher of the expected credit loss provision, and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

## Recognition and measurement of financial instruments continued

### Fair value of financial assets and liabilities

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

### Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at FVOCI are initially recognised on the trade-date (the date on which the Group commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on the settlement date (the date on which cash is advanced to the borrowers).

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

### Subsequent measurement

#### Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method. Foreign exchange gains and losses are recognised in the income statement.

#### Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in income. Changes in expected credit losses are recognised in the profit or loss and are accumulated in a separate component of equity.

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity.

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the net trading income line in the income statement unless the instrument is part of a cash flow hedging relationship. Contractual interest income on financial assets held at fair value through profit or loss is recognised as interest income in a separate line in the income statement.

#### Financial liabilities designated at fair value through profit or loss

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

### Indian GAAP (AS 13 Investments)

AS 13 requires investments to be categorised as follows:

- Current investments, which are those readily realisable and intended to be held for less than one year, are carried at the lower of cost and fair value, with changes in fair value taken directly to profit or loss
- Long-term investments, which are those investments not classified as current, are carried at cost unless there is a permanent diminution in value, in which case a provision for diminution is required to be made by the entity

For investments, the Reserve Bank of India (RBI) outlines similar classifications to IFRS, but the classification criteria and measurement requirements differ from those set out in IFRS. Financial liabilities are usually carried at cost. There is no ability to designate instruments at fair value.

## Derivatives

### IFRS (IFRS 9/IAS 39 Financial Instruments: Recognition and Measurement)

IFRS 9 requires that all derivatives be recognised on-balance sheet at fair value. Changes in the fair value of derivatives that are not hedges are reported in the income statement. Changes in the fair value of derivatives that are designated as hedges are either offset against the change in fair value of the hedged asset or liability through earnings, or recognised directly in equity until the hedged item is recognised in earnings, depending on the nature of the hedge. The ineffective portion of the hedge's change in fair value is immediately recognised in earnings. A derivative may only be classified as a hedge if an entity meets stringent qualifying criteria in respect of documentation and hedge effectiveness.

The Group continues to apply the hedge accounting requirements of IAS 39 rather than the requirements of IFRS 9.

### Indian GAAP

Foreign exchange contracts held for trading or speculative purposes are carried at fair value, with gains and losses recognised in the income statement. In the absence of specific guidance, equity options are carried at the lower of cost or market value.

For banks, there are guidelines prescribed by RBI on measurement and accounting of interest rate swaps and forward rate agreements entered into for hedging purposes.

## Impairment of financial assets

Under IFRS 9 the impairment of financial assets is as follows:

### Measurement

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking.

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). For less material Retail Banking loan portfolios, the Group has adopted simplified approaches based on historical roll rates or loss rates.

## Impairment of financial assets continued

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement. As a practical expedient, the Group may also measure credit impairment on the basis of an instrument's fair value using an observable market price.

Cash shortfalls are discounted using the effective interest rate on the financial instrument as calculated at initial recognition, or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

| Instruments | Location of expected credit loss provisions |
|---|---|
| Financial assets held at amortised cost | Loss provisions: netted against gross carrying value |
| Financial assets held at FVOCI – Debt instruments | Other comprehensive income (FVOCI expected credit loss reserve) |
| Loan commitments | Provisions for liabilities and charges |
| Financial guarantees | Provisions for liabilities and charges |

## Recognition

### 12 months expected credit losses (stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

### Significant increase in credit risk (stage 2)

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

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in credit risk is primarily based on 30 days past due.

### Credit-impaired (or defaulted) exposures (stage 3)

Financial assets that are credit-impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit-impaired.

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

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

### Indian GAAP (AS 13 Investments)

Long-term investments are written down when there is a decline in fair value which is deemed to be other than temporary.

Impairments may be reversed through the income statement in subsequent periods if the investment rises in value or the reasons for the impairment no longer exist.

In accordance with RBI regulations, in respect of available-for- sale investments, impairments are required to be reversed through Investment Reserve Account (equity reserve) if the investment rises in value or the reasons for impairment no longer exist.

For loans and advances, the RBI regulations stipulate minimum provision based on days past due. Additionally, RBI regulations require banks to hold provisions in respect of standard assets and for specific country risk exposures.

### Derecognition of financial instruments – IFRS 9

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

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for equity instruments elected FVOCI (see above) and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

## Recognition continued

### Derecognition of financial instruments – IFRS 9 continued

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 per cent.

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

### IFRS – classification debt/equity

The substance of a financial instrument, rather than its legal form, governs its classification. A financial instrument is classified as a liability where there is a contractual obligation to deliver either cash or another financial asset to the holder of that instrument, regardless of the manner in which the contractual obligation will be settled. Preference shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

### Indian GAAP

Classification is based on the legal form rather than substance.

## Provisions for liabilities and charges

### IFRS (IAS 37 Provisions, Contingent Liabilities and Contingent Assets)

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, discounted using a pre-tax market discount rate if the effect is material.

### Indian GAAP (AS 29 Provisions, Contingents Liabilities and Contingent Assets)

Provisions are recognised and measured on a similar basis to IFRS, except that there is no requirement for discounting the provision or liability.

## Pension obligations

### IFRS (IAS 19 Employee Benefits)

For defined contribution plans, contributions are charged to operating expenses. For funded defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. For unfunded defined benefit plans the liability recognised at the balance sheet date is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on high-quality corporate bonds. Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The net interest expense on the net defined liability for the year is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payment. Net interest expense and other expense related to defined benefit plans are recognised in the income statement.

### Indian GAAP (AS 15 Employee Benefits)

The discount rate to be used for determining defined benefit obligations is established by reference to market yields at the balance sheet date on government bonds. The expected return on plan assets is based on market expectation for the returns over the entire life of the related obligation. Actuarial gains or losses are recognised immediately in the statement of income.

## Share-based compensation

### IFRS (IFRS 2 Share-based Payments)

IFRS 2 requires that all share-based payments are accounted for using a fair value method. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For equity-settled awards, the total amount to be expensed over the vesting period must be determined by reference to the fair value of the options granted (determined using an option pricing model), excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions must be included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled awards must be revalued at each balance sheet date on an intrinsic value basis (being the difference between the market price of the share at the measurement date and the exercise price) with any changes in fair value charged or credited to staff costs in the income statement.

### Indian GAAP

Entities may either follow the intrinsic value method or the fair value method for determining the costs of benefits arising from share-based compensation plans. Although the fair value approach is recommended, entities may use the intrinsic value method and provide fair value disclosures.

Deferred tax is not recognised as it is not considered to represent a timing difference.

Entities are also permitted the option of recognising the related compensation cost over the service period for the entire award (that is, over the service period of the last separately vesting portion of the award), provided that the amount of compensation cost recognised at any date at least equals the fair value of the vested portion of the award at that date.

## Deferred taxation

### IFRS (IAS 12 Income Taxes)

Deferred tax is determined based on temporary differences, being the difference between the carrying amount and tax base of assets and liabilities, subject to certain exceptions.

Deferred tax assets are recognised if it is probable (more likely than not) that sufficient future taxable profits will be available to utilise to deferred tax assets.

### Indian GAAP (AS 22 Accounting for Taxes on Income)

Deferred tax is determined based on timing differences, being the difference between accounting income and taxable income for a period that is capable of reversal in one or more subsequent periods.

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

## Interest income and expense

### IFRS (IFRS 9)

Interest income and expense is recognised in the income statement using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

### Indian GAAP (IAS 9 Revenue Recognition)

As per IAS 9, interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In the absence of a specific effective interest rate requirement, premiums and discounts are usually amortised on a straight-line basis over the term of the instrument.

## Dividends

### IFRS (IAS 10 Events After the Reporting Date)

Dividends to holders of equity instruments, when proposed or declared after the balance sheet date, should not be recognised as a liability on the balance sheet date. A company, however, is required to disclose the amount of dividends that were proposed or declared after the balance sheet date but before the financial statements were authorised for issue.

### Indian GAAP

Accounting and disclosure of dividends is similar to IFRS with effect from 1 April 2016.

# Supplementary people information

| Global[1] | 2018 | 2017 | % change |
|---|---|---|---|
| Full-time equivalent (FTE) | **85,336** | 85,931 | (0.7) |
| Headcount (year end) | **85,402** | 86,021 | (0.7) |
| Employed workers | **82,827** | 82,838 | 0.0 |
| Fixed-term workers | **2,575** | 3,183 | (19.1) |
| Non-employed workers | **12,064** | 15,043 | (19.8) |
| Headcount (12-month average) | **86,269** | 86,794 | (0.6) |
| | | | |
| Male | | | |
| FTE | **46,139** | 46,634 | (1.1) |
| Headcount | **46,153** | 46,658 | (1.1) |
| Female | | | |
| FTE | **39,198** | 39,297 | (0.3) |
| Headcount | **39,249** | 39,363 | (0.3) |
| | | | |
| Nationalities | **125** | 125 | 0.0 |

| Position type | 2018 | 2017 | % change |
|---|---|---|---|
| Executive and non-executive director (Board and Management Team) | **13** | 13 | 0.0 |
| Female executive and non-executive director | **4** | 4 | 0.0 |
| | | | |
| Senior management (Bands 1–2) | **258** | 255 | 1.2 |
| Female senior management | **53** | 43 | 23.3 |
| | | | |
| Middle management (Bands 3–4) | **3,836** | 3,635 | 5.5 |
| Female middle management | **1,082** | 956 | 13.2 |
| | | | |
| Rest of headcount | **81,308** | 82,131 | (1.0) |
| Female rest of headcount | **38,114** | 38,364 | (0.7) |

| Employment type | 2018 | 2017 | % change |
|---|---|---|---|
| Business FTE | **38,598** | 40,594 | (4.9) |
| Business headcount | **38,621** | 40,636 | (5.0) |
| Female business headcount | **19,586** | 20,219 | (3.1) |
| | | | |
| Support services FTE | **46,739** | 45,337 | 3.1 |
| Support services headcount | **46,781** | 45,385 | 3.1 |
| Female support services headcount | **19,663** | 19,144 | 2.7 |

| Region | 2018 | 2017 | % change |
|---|---|---|---|
| Greater China & Northeast Asia (GCNA) FTE | **20,757** | 20,428 | 1.6 |
| GCNA headcount | **20,771** | 20,451 | 1.6 |
| GCNA female headcount | **13,128** | 12,894 | 1.8 |
| | | | |
| ASEAN & Southeast Asia (ASA) FTE | **47,350** | 47,794 | (0.9) |
| ASA headcount | **47,371** | 47,814 | (0.9) |
| ASA female headcount | **18,748** | 18,981 | (1.2) |
| | | | |
| Africa & Middle East (AME) FTE | **13,182** | 13,928 | (5.4) |
| AME headcount | **13,184** | 13,941 | (5.4) |
| AME female headcount | **5,594** | 5,831 | (4.1) |
| | | | |
| Europe & Americas (EA) FTE | **4,047** | 3,782 | 7.0 |
| EA headcount | **4,076** | 3,815 | 6.8 |
| EA female headcount | **1,779** | 1,657 | 7.4 |

| Age | 2018 | 2017 | % change |
|---|---|---|---|
| < 30 years FTE | **20,812** | 22,890 | (9.1) |
| < 30 years headcount | **20,819** | 22,898 | (9.1) |
| < 30 years female headcount | **10,962** | 11,856 | (7.5) |
| | | | |
| 30–50 years FTE | **58,652** | 57,639 | 1.8 |
| 30–50 years headcount | **58,692** | 57,696 | 1.7 |
| 30–50 years female headcount | **25,647** | 25,128 | 2.1 |
| | | | |
| > 50 years FTE | **5,872** | 5,402 | 8.7 |
| > 50 years headcount | **5,891** | 5,427 | 8.5 |
| > 50 years female headcount | **2,640** | 2,379 | 11.0 |

| Talent management | 2018 | 2017 | % change |
|---|---|---|---|
| Global voluntary turnover rate (%) | **13.2** | 13.0 | 1.5 |
| Global turnover rate (%) | **16.4** | 17.3 | (5.2) |
| | | | |
| Male (%) | **16.7** | 16.9 | (1.3) |
| Female (%) | **16.0** | 17.6 | (8.9) |
| | | | |
| GCNA (%) | **16.5** | 18.2 | (9.1) |
| ASA (%) | **17.7** | 17.7 | (0.1) |
| AME (%) | **12.3** | 14.9 | (17.4) |
| EA (%) | **13.9** | 15.2 | (8.3) |
| | | | |
| < 30 years (%) | **23.9** | 24.2 | (1.2) |
| 30–50 years (%) | **13.7** | 14.4 | (5.0) |
| > 50 years (%) | **14.6** | 16.7 | (12.7) |
| | | | |
| Average tenure (years) – Male | **6.4** | 6.2 | 4.5 |
| Average tenure (years) – Female | **6.7** | 6.5 | 3.7 |
| | | | |
| Roles filled internally (%) | **42.4** | 37.5 | 13.1 |
| of which filled by females (%) | **41.0** | 44.5 | (7.9) |
| | | | |
| Employees with completed performance appraisal[2] (%) | **99.7** | 99.9 | (0.2) |
| Absenteeism rate[3] (%) | **1.38** | 1.35 | 2.2 |

| Learning | 2018 | 2017 | % change |
|---|---|---|---|
| Employees receiving training (%) | **95.6** | 95.7 | (0.1) |
| Employees receiving training excluding mandatory learning (%) | **82.7** | 89.2 | (7.3) |
| Senior management (%) | **94.9** | 92.6 | 2.5 |
| Management (%) | **97.7** | 97.2 | 0.5 |
| | | | |
| Average number of training days per employee (including mandatory learning) | **2.88** | 3.17 | (9.1) |
| Average cost of training per employee[4] | **751** | 640 | 17.3 |

1 For all metrics expressed as a percentage, percentage change means percentage point change

2 Employees with completed performance appraisal numbers are based on 30 September 2018 eligible population

3 Absenteeism rate excludes Korea

4 Average cost of training per employee was updated in 2018 to include in-business headcount performing training roles

# Supplementary sustainability information

## Contributing to sustainable economic growth

### Environmental and social risk management

| Employees trained in environmental and social risk management | 2018 | 2017 | 2016 |
|---|---|---|---|
| Employees trained[1] | **1,308** | 568 | 118 |

1 Employees targeted for training are those in client-facing roles and relevant support teams. Higher training numbers in 2018 are due to the roll-out of the revised environmental and social risk framework in Commercial Banking and targeted training on topics such as modern slavery.

### Equator Principles

| | Project finance mandates | | | Project-related corporate loans | | | Project advisory mandates |
|---|---|---|---|---|---|---|---|
| | Cat A[1] | Cat B[2] | Cat C[3] | Cat A | Cat B | Cat C | |
| Total 2016 | 7 | 6 | – | – | – | – | 2 |
| Total 2017 | 1 | 9* | 1 | 1 | 2 | – | 1 |
| **Total 2018** | **4** | **7** | **–** | **–** | **–** | **–** | **3** |
| **2018** | | | | | | | |
| Sector | | | | | | | |
| Mining | – | – | – | – | – | – | – |
| Infrastructure | 1 | 3 | – | – | – | – | 1 |
| Oil & gas | 1 | 2 | – | – | – | – | 2 |
| Renewables | 1 | – | – | – | – | – | – |
| Telecoms | – | – | – | – | – | – | – |
| Power | 1 | 2 | – | – | – | – | – |
| Other | – | – | – | – | – | – | – |
| **Region** | | | | | | | |
| Greater China | – | – | – | – | – | – | – |
| North East Asia | – | – | – | – | – | – | – |
| South Asia | – | 2 | – | – | – | – | – |
| ASEAN | – | 1 | – | – | – | – | 1 |
| MENAP | 2 | 2 | – | – | – | – | 1 |
| Africa | 1 | 1 | – | – | – | – | 1 |
| Americas | – | 1 | – | – | – | – | – |
| Europe | 1 | – | – | – | – | – | – |
| Designation[4] | | | | | | | |
| Designated | 1 | 2 | – | – | – | – | – |
| Non-designated | 3 | 5 | – | – | – | – | – |
| Independent review | | | | | | | |
| Yes | 4 | 6 | – | – | – | – | – |
| No | – | 1 | – | – | – | – | – |

1 'Cat A' or Category A are projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented

2 'Cat B' or Category B are projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures

3 'Cat C' or Category C are projects with minimal or no adverse environmental and social risks and/or impacts

4 Designation is split into designated and non-designated countries. Designated countries are deemed by the Equator Principles to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. Non-designated countries are countries that are not found on the list of designated countries. The list of countries can be found at www.equator-principles.com

* Restated from 2017. Details of the revised 2017 data are available in our EP submission and at www.sc.com/en/equator-principles-reporting-2017

## Being a responsible company

### Environment

| | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|
| | **Measured** | **Scaled Up** | Measured | Scaled Up | Measured | Scaled Up |
| Offices reporting | **174** | – | 188 | – | 189 | – |
| Net internal area of occupied property ($m^2$) | **822,623** | **1,185,929** | 814,886 | 1,194,363 | 840,510 | 1,237,043 |
| Green lease clause inclusion[1] (%) | **78** | **–** | 76 | – | 71 | – |
| Occupied net internal area where data is collected (%) | **69** | **–** | 85 | – | 72 | – |
| Full-time employees (FTE)[2] | **62,420** | **85,402** | 64,648 | 86,021 | 58,699 | 86,693 |
| Annual operating income from 1 October to 30 September ($m) | **–** | **14,958** | – | 14,614 | – | 12,515 |
| **Greenhouse gas emissions – Absolute (tonnes $CO_2$eq/year)** | | | | | | |
| Scope 1 emissions (combustion of fuels) | **4,467** | **8,584** | 5,870 | 7,922 | 6,312 | 13,562 |
| Scope 2 emissions (purchased electricity) | **104,267** | **139,366** | 113,908 | 180,014 | 136,570 | 186,553 |
| Scope 1 & 2 emissions | **108,734** | **147,950** | 119,777 | 187,936 | 142,882 | 200,115 |
| Scope 3 emissions without distance uplift (air travel) | **62,113** | **62,113** | 59,179 | 59,179 | 49,393 | 52,056 |
| Scope 3 emissions with distance uplift (air travel) | **67,704** | **67,704** | 64,505 | 64,505 | 53,839 | 56,741 |
| Scope 1, 2 & 3 emissions | **170,847** | **210,063** | 178,956 | 247,115 | 192,275 | 252,171 |
| Scope 3 emissions[3] (Global Data Centre) | **–** | **21,523** | – | 23,904 | – | 22,653 |
| **Greenhouse gas emissions – Intensity** | | | | | | |
| Scope 1 & 2 emissions/$m^2$ (kg $CO_2$eq/$m^2$/year) | **132** | **125** | 147 | 157 | 170 | 162 |
| Scope 1 & 2 emissions/FTE (tonnes $CO_2$eq/FTE/year) | **1.74** | **1.73** | 1.85 | 2.18 | 2.43 | 2.31 |
| Scope 3 emissions/FTE without distance uplift (tonnes $CO_2$eq/FTE/year) | **1.00** | **0.73** | 0.69 | 0.69 | 0.57 | 0.60 |
| Scope 3 emissions/FTE with distance uplift (tonnes $CO_2$eq/FTE/year) | **1.08** | **0.79** | 0.75 | 0.75 | 0.62 | 0.65 |
| Scope 1, 2 & 3 emissions/$m^2$ (kg $CO_2$eq/$m_2$/year) | **208** | **177** | 220 | 207 | 229 | 204 |
| Scope 1, 2 & 3 emissions/FTE (tonnes $CO_2$eq/FTE/year) | **2.74** | **2.46** | 2.77 | 2.87 | 3.28 | 2.91 |
| Scope 1 & 2 emissions/$m operating income (tonnes $CO_2$eq/$m/year) | **–** | **9.89** | – | 12.86 | – | 15.99 |
| Scope 1, 2 & 3 emissions/$m operating income (tonnes $CO_2$eq/$m/year) | **–** | **14.04** | – | 16.91 | – | 20.15 |
| **Environmental resource efficiency** | | | | | | |
| Energy | | | | | | |
| Indirect non-renewable energy consumption[4] (GWh/year) | **162** | **224** | 168 | 277 | 185 | 245 |
| Indirect renewable energy consumption[5] (GWh/year) | **17** | **17** | 21 | 19 | 23 | 20 |
| Direct non-renewable energy consumption[6] (GWh/year) | **18** | **31** | 24 | 32 | 26 | 47 |
| Direct renewable energy consumption[7] (GWh/year) | **–** | **–** | – | – | – | – |
| On-site renewable energy consumption[8] (MWh/year) | **458** | **458** | 330 | 330 | 247 | 247 |
| Energy consumption (GWh/year) | **198** | **272** | 213 | 327 | 234 | 312 |
| Energy consumption/FTE (kWh/FTE/year) | **3,167** | **3,187** | 3,291 | 3,807 | 3,986 | 3,599 |
| Energy consumption/$m^2$ (kWh/$m^2$/year) | **240** | **230** | 261 | 274 | 278 | 252 |
| Water | | | | | | |
| Water consumption (ML/year) | **605** | **916** | 649 | 1,149 | 917 | 1,181 |
| Water consumption/FTE ($m^3$/FTE/year) | **10** | **11** | 10 | 13 | 16 | 14 |
| Water consumption/$m^2$ (kL/$m^2$/year) | **0.74** | **0.77** | 0.80 | 0.96 | 1.09 | 0.95 |
| Paper[9] | | | | | | |
| Print paper consumption (ktonnes/year) | **1.05** | **1.49** | 1.62 | 1.89 | – | – |
| Print paper consumption/FTE (kg/FTE/year) | **17.70** | **–** | 21.97 | – | – | – |
| Waste[10] | | | | | | |
| Waste (ktonnes/year) | **5.1** | **–** | 4.8 | – | 5 | – |
| Waste/FTE (kg/FTE/year) | **81** | **–** | 74 | – | 85 | – |
| Waste reused or recycled (%) | **46** | **–** | 24 | – | 38 | – |
| Retired IT equipment reused or recycled (ktonnes/year) | **0.19** | **–** | 0.19 | – | 0.15 | – |

1 Percentage of green lease clause inclusion in all new and renewed leases within the reporting year. Refer to the eco-efficiency criteria for more information

2 For environmental reporting purposes, full time employees (FTE) refers to the Group's headcount at 31 December 2018

3 Scope 3 emissions calculated from total energy consumption from our outsourced global data centres

4 Indirect non-renewable energy refers to purchased electricity from non-renewable sources

5 Indirect renewable energy refers to purchased electricity from off-site renewable sources

6 Direct non-renewable energy refers to the gross calorific values of fuels consumed on-site

7 Direct renewable energy refers to the gross calorific values of renewable fuels consumed on-site

8 On-site renewable energy refers to renewable energy generated and consumed on-site

9 New methodology to measure paper consumption, introduced in 2017, resulted in 2016 data no longer being representative. It is, therefore, not shown

10 We are reviewing our methodology for measured and scaled-up waste. Scaled-up waste data is not representative and is therefore not shown

## Additional notes on environment data

The emissions within our inventory correspond to a reporting period of 1 October 2017 to 30 September 2018. This is to allow sufficient time for independent assurance to be gained prior to the publication of results. Accordingly, the operating income used in this inventory corresponds to the same period rather than the calendar year used in financial reporting. This is consistent with international carbon reporting practice.

We use measured data to calculate our energy and water use across our properties, which we then scale up to reflect the portion of the portfolio we do not gather measurements from.

Measured data is collected from Global Environment Management System (GEMS) properties, defined as all properties that are over 10,000 square feet for energy and water. For paper and business travel, it is defined per full-time employee.

Scaled-up data represents measured data taken from a sample of branches, which is then extrapolated to reflect the Group's total property footprint in energy and water. For paper and business travel, it is defined per full-time employee (as at the end of the reporting period).

Carbon abatement benefit from indirect renewable energy is not taken into account.

Total energy use is normalised to reflect periods of vacancy in certain sites during the reporting period.

Net internal areas used for water use intensity do not include sites that have reported zero water consumption in demised areas.

Warehouses, empty land, car parks, unoccupied sites for business continuity purposes, residential properties, space occupied by automated teller machines, vaults and space sub-let to tenants are excluded from this extrapolation.

Scope 3 emissions are drawn from reliable data collected from 30 countries, based on seating class and distance flown.

As we operate largely outside of the UK, all flights domestic or international with flight distance of less than 463km, labelled by the Department for Business, Energy & Industrial Strategy (DBEIS) as domestic flights have been classified as short haul. All flights with distance flown ranging from 463 to 1,108km, labelled by DBEIS as short haul have been classified as medium haul.

The Carbon Trust is our independent third-party assurance provider for greenhouse gas (GHG) emissions. In 2018, our measured Scope 1 and Scope 2 emissions were assured by the Carbon Trust, ensuring the accuracy and credibility of our reporting.

+ Read our Carbon Emission Criteria at sc.com/environmentcriteria

+ Review our Independent Assurance Report at sc.com/environmentalassurance

### Financial crime prevention

| | **2018** | 2017 | 2016 |
|---|---|---|---|
| Staff completing anti-money laundering (AML) e-learning | **99.9** | 99.2 | 97.7 |
| Staff completing anti-bribery and corruption (ABC) e-learning | **99.9** | 99.3 | 97.9 |
| Staff completing sanctions e-learning | **99.9** | 99.6 | 97.9 |

## Investing in communities

### Community expenditure

| | **2018 $million** | 2017 $million | 2016[3] $million |
|---|---|---|---|
| Cash contributions | **22.9** | 22.1 | 21.3 |
| Employee time (non-cash item) | **18.8** | 18.1 | 17.3 |
| Gifts in kind (non-cash item)[1] | **0.1** | 0.1 | – |
| Management costs | **4.5** | 4.5 | 4.7 |
| **Total (direct investment by the Group)** | **46.3** | 44.8 | 43.3 |
| | | | |
| Leverage[2] | **2.9** | 5.0 | 9.6 |
| **Total (incl. leverage)** | **49.2** | 49.8 | 52.9 |
| **Percentage of prior year operating profit (PYOP)** | **2.04** | 12.18 | – |

1 Gifts in kind comprises all non-monetary donations

2 Leverage data relates to the proceeds from staff and other fundraising activity

3 PYOP for 2016 was not meaningful based on 2015 operating profit

# Shareholder information

## Dividend and interest payment dates

| Ordinary shares | Final dividend |
|---|---|
| Results and dividend announced | 26 February 2019 |
| Ex-dividend date | 7 March (UK) 6 March (HK) 2019 |
| Record date for dividend | 8 March 2019 |
| Last date to amend currency election instructions for cash dividend | 16 April 2019 |
| Dividend payment date | 16 May 2019 |

| Preference shares | 1st half-yearly dividend | 2nd half-yearly dividend |
|---|---|---|
| 73/8 per cent Non-cumulative irredeemable preference shares of £1 each | 1 April 2019 | 1 October 2019 |
| 81/4 per cent Non-cumulative irredeemable preference shares of £1 each | 1 April 2019 | 1 October 2019 |
| 6.409 per cent Non-cumulative redeemable preference shares of $5 each | 30 January, 30 April 2019 | 30 July, 30 October 2019 |
| 7.014 per cent Non-cumulative redeemable preference shares of $5 each | 30 January 2019 | 30 July 2019 |

## Annual General Meeting

The Annual General Meeting (AGM) details are as follows:

### Date and time
Wednesday 8 May 2019
11.00am London time
(6.00pm Hong Kong time)

### Location
etc. venues
200 Aldersgate
St Paul's
London EC1A 4HD

Details of the business to be transacted at the AGM are included in the Notice of AGM.

+ Details of voting at the Company's AGM and of proxy votes cast can be found on the Company's website at sc.com/investors

## Interim results

The interim results will be announced to the London Stock Exchange, The Stock Exchange of Hong Kong Limited, BSE Limited (Bombay Stock Exchange) and the National Stock Exchange of India Limited and put on the Company's website.

## Country-by-country reporting

In accordance with the requirements of the Capital Requirements (country-by-country reporting) Regulations 2013, the Group will publish additional country-by-country information in respect of the year ended 31 December 2018, on or before 31 December 2019. We have also published our approach to tax and tax policy.

+ This information will be available on the Group's website at sc.com

## ShareCare

ShareCare is available to shareholders on the Company's UK register who have a UK address and bank account, and 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 receive any dividend at the same time as everyone else. ShareCare is free to join and there are no annual fees to pay.

+ If you would like to receive more information, please visit our website at sc.com/shareholders or contact the shareholder helpline on 0370 702 0138

## Previous dividend payments (unadjusted for the impact of the 2015/2010/2008 Rights Issues)

| Dividend and financial year | Payment date | Dividend per ordinary share | Cost of one new ordinary share under share dividend scheme |
|---|---|---|---|
| Final 2006 | 11 May 2007 | 50.21c/25.17397p/HK$3.926106 | £14.2140/$27.42591 |
| Interim 2007 | 10 October 2007 | 23.12c/11.39043p/HK$1.794713 | £15.2560/$30.17637 |
| Final 2007 | 16 May 2008 | 56.23c/28.33485p/HK$4.380092 | £16.2420/$32.78447 |
| 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 | £7.7600/$10.83451 |
| Interim 2018 | 22 October 2018 | 6.00c/4.59747p/HK$0.46978/INR0.3696175 | £6.7104/$8.51952 |

1 The INR dividend is per Indian Depository Receipt

## 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 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

If you hold Indian Depository Receipts and you have enquiries, please contact Karvy Fintech Private Limited, Karvy Selenium Tower B, Plot 31-32, Financial District, Nanakramguda, Hyderabad 500032, India.

## Chinese translation

If you would like a Chinese version of the 2018 Annual Report and Accounts, please contact Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

本年報之中文譯本可向香港中央證券登記有限公司索取，地址為香港灣仔皇后大道東183號合和中心17M樓。

Shareholders on the Hong Kong branch register who have asked to receive corporate communications in either Chinese or English can change this election by contacting Computershare.

If there is a dispute between any translation and the English version of this Annual Report and Accounts, the English text shall prevail.

## Electronic communications

If you hold your shares on the UK register and in future you would like to receive the Annual Report and Accounts 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 when you log on. You can find this on your share certificate or ShareCare statement. Once registered you can also submit your proxy vote and dividend election electronically, and change your bank mandate or address information.

## Forward-looking statements

This document may contain 'forward-looking statements' that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue' or other words of similar meaning. By their very nature, such 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.

Recipients 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, market and regulatory forces or conditions, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group. Any forward-looking statement contained in this document is 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 a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. 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.

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.

# Major awards 2018

## BANKING AWARDS

### The Banker

**The Banker Transaction Banking Awards 2018**

- Global Transaction Bank of the Year
- Best Transaction Bank for Supply Chain Finance
- Best Transaction Bank for Payments

### Asiamoney

**New Silk Road Finance Awards**

- Best Overall International Bank for BRI
- Best Regional Bank of the Year for BRI – Middle East & Africa
- Best International Bank in the Region for BRI – South East Asia
- Best Bank for Infrastructure/Project Finance in the Region – South East Asia
- Best International Bank in the Region for BRI – South Asia
- Best Bank for BRI-related Financing in the Region – South Asia

### Global Finance Stars of China

- Best Foreign Bank for One Belt, One Road

### GlobalRMB China Capital Markets Awards

- Best offshore renminbi bond house
- Best bank for ABS
- Best bank for securities services

### Global Finance

**Best Treasury & Cash Management Provider Awards**

- Best Treasury API (Systems & Services)
- Best Bank for Working Capital Optimization
- Best Bank for Liquidity Management

**Best Trade Finance Provider Awards**

- Best Bank for Trade Finance in Frontier Markets

**Best Supply Chain Finance Provider Awards**

- Best Supply Chain Finance Provider – Bank

**World's Best Sub-custodian Banks**

- Best Sub-custodian Bank – Asia Pacific
- Best Sub-custodian Bank – Ghana
- Best Sub-custodian Bank – Hong Kong
- Best Sub-custodian Bank – India
- Best Sub-custodian Bank – Indonesia
- Best Sub-custodian Bank – Jordan
- Best Sub-custodian Bank – Kenya
- Best Sub-custodian Bank – Mauritius
- Best Sub-custodian Bank – Pakistan
- Best Sub-custodian Bank – Vietnam

### Euromoney

**Awards for Excellence**

- Best Investment Bank in Africa
- Best Bank for Transaction Services in the Middle East

### Fimetrix

**Distinguished Provider**

- Distinguished Provider of Transaction Banking Services for USD
- Distinguished Provider of Transaction Banking Services for EUR
- Distinguished Provider of Transaction Banking Services for USD-EUR

### Global Custodian

**Global Custodian's Leaders in Custody**

- Network Management Team Winners – Bank Network Team

**Global Custodian Agent Bank in Frontier Markets Survey 2018**

- Global Outperformer – Jordan
- Global Outperformer – Kenya
- Global Outperformer – Sri Lanka
- Global Outperformer – Vietnam

**Global Custodian Agent Banks in Major Markets Survey 2018**

- Hong Kong – Global Outperformer
- Korea – Global Outperformer

**Global Custodian Agent Banks in Emerging Markets Survey 2018**

- China – Global Outperformer
- India – Global Outperformer
- Qatar – Global Outperformer
- Taiwan – Global Outperformer
- Thailand – Global Outperformer
- UAE – Global Outperformer

### The Asset

**Asset Servicing, Institutional Investor and Insurance Awards**

- Best in Asset Servicing – Asia
- Best Bond Connect Custodian – China
- Best Subcustodian (Subcustody) – Bangladesh
- Best Subcustodian (Subcustody) – Bahrain
- Best Subcustodian (Subcustody) – Oman
- Best Subcustodian (Subcustody) – Jordan
- Best Subcustodian (Subcustody) – Pakistan
- Best Subcustodian (Domestic Custody) – Indonesia
- Best Subcustodian (Domestic Custody) – Vietnam
- Best Custody Specialist – Africa
- Mandates of the Year – Best Subcustody Mandate (Manulife) – Asia

**Treasury, Trade, Supply Chain and Risk Management Awards**

- Best in Treasury & Cash Management – North Asia
- Best in Treasury & Cash Management – South Asia
- Best in Treasury & Working Capital in Bangladesh for MNCs/LLCs – Bangladesh
- Best in Treasury & Working Capital in Bangladesh for SMEs – Bangladesh
- Best Service Provider (Cash Management) – Bangladesh

## BANKING AWARDS CONTINUED

Best Service Provider (Trade Finance) – Bangladesh

Best Service Provider (Risk Management) – Bangladesh

Best Service Provider (E-Solutions Partner) – Bangladesh

Best Service Provider (Cash Management) – India

Best Service Provider (Supply Chain Solutions) – India

Best in Treasury and Working Capital (MNCs) – China

Best Service Provider (Transaction Bank) – Hong Kong

Best Service Provider (Cash Management) – Hong Kong

Best Service Provider (Supply Chain) – Hong Kong

Best Service Provider (Liquidity Management) – Hong Kong

Best Renminbi Bank – Hong Kong

Best in Treasury and Working Capital (MNCs/LLCs) – South Korea

Best in Treasury and Working Capital (SMEs) – South Korea

Best Service Provider (Transaction Bank) – South Korea

Best Service Provider (Trade Finance) – South Korea

Best Service Provider (Liquidity Management) – South Korea

Best Service Provider (Cash Management) – South Korea

Best Service Provider (E-Solutions Partner) – Pakistan

Best Renminbi Bank – Taiwan

Best Service Provider (Supply Chain) – Taiwan

Best Renminbi Bank – Singapore

Best Service Provider (Structured Trade Finance) – Singapore

Best in Treasury & Cash Management – MENA

Best in Working Capital & Trade Finance – MENA

Best Renminbi Bank – Asia

Best in Treasury and Working Capital (MNCs/LLCs) – Asia

Best Specialist Bank (Liquidity Management) – Asia

## HR AWARDS

2018 Bloomberg Gender-Equality Index

Standard Chartered was recognised as one of 104 companies on the Bloomberg Gender Equality Index for the third consecutive year. The index is used by investors to compare reputation, value and performance of companies across the gender-equality space.

### HR Asia Award 2018

**Vietnam Chapter**

Best company to work for in Asia

### BENCHMARK Wealth Awards

**Wealth Asia Media: Academy of the Year**

Private Bank Academy – Gold Award

### HR Metrics

**Diversity Hub Diversity and Inclusion awards**

Best Practices in D&I Vision

Best Practices in D&I Benefits

Best Practices in D&I Social Responsibility

Progressive Practices in D&I Communication

Progressive Practices in D&I Sustainability

### CFA Charter Awards

**Nigeria for outstanding achievements**

Career progression for women (firms with more than 500 employees)

Work-life balance (firms with more than 500 employees)

## SUSTAINABILITY INDICES

FTSE4Good

We were listed in the FTSE4Good Index. The FTSE4Good measures the performance of companies that meet globally recognised corporate responsibility standards.

CDP DRIVING SUSTAINABLE ECONOMIES

We participate in the CDP Climate questionnaire.

## SUSTAINABILITY AWARDS

2019 sustainable business awards

**Sustainable Business Awards**

Special Recognition – Best Strategy and Sustainability Management

Community Chest AWARD

**Community Chest Awards**

Charity Platinum

**People's Association Community Spirit Awards**

Community Partnership Merit Award

# Glossary

### 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 (CRR) 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.

### Advances-to-deposits/customer advances-to-deposits (ADR) ratio
The ratio of total loans and advances to customers relative to total customer accounts. 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.

### 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 will be 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 28 countries and territories.

### Basic underlying earnings per share (EPS)
Represents the underlying 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 IV or Capital Requirements Directive IV
A capital adequacy legislative package adopted by EU member states. CRD IV comprises the recast Capital Requirements Directive and the Capital Requirements Regulation (CRR). The package implements the Basel III framework together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014.

### Capital-lite income
Comprises of income 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.

### CRE or 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.

### Constant currency
Constant currency change is derived by applying a simple translation of the previous period functional currency number in each entity using the current average and period end US dollar exchange rates to the income statement and balance sheet respectively.

### 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.

### CIR or Cost to income ratio
Represents the proportion of total operating expenses to total operating income. Underlying CIR represents the proportion of total underlying expenses to total underlying operating income.

### 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.

### Cover ratio
The ratio of impairment provisions for each stage to the gross loan exposure for each stage. For stage 3, the cover ratio is also presented as the ratio of impairment provisions plus the realisable value of collateral to the gross loan exposure.

### Cover ratio (after collateral)
Represents the extent to which non-performing loans are covered by both impairment provisions, and collateral held against the exposure.

### 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 transferrable certificates of indebtedness of the Group to the bearer of the certificate. These are liabilities of the Group and include certificates of deposits.

### DTA or 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.

### DTL or 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 underlying earnings per share (EPS)
Represents the underlying earnings divided by the diluted weighted average number of 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 28 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.

### 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'.

### Free deliveries
A transaction where a bank takes receipt of a debt or equity security, a commodity or foreign exchange without making immediate payment, or where a bank delivers a debt or equity security, a commodity or foreign exchange without receiving immediate payment.

### Free funds
Free funds include equity capital, retained reserves, current year unremitted profits and capital injections net of proposed dividends. It does not include debt capital instruments, unrealised profits or losses or any non-cash items.

### 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 EU, the G-SIB framework is implemented via CRD IV 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. The G-SIB buffer has been phased in by 1 January 2019. In the EU, the G-SIB buffer is implemented via CRD IV as Global Systemically Important Institutions (G-SII) buffer requirement.

### Interest rate risk
The risk of an adverse impact on the Group's income statement due to changes in interest rates.

### IRB approach 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.

### IMA or 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 IV/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 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.

### Liquid asset ratio
Ratio of total liquid assets to total assets. Liquid assets comprise cash (less restricted balances), net interbank, treasury bills and debt securities less illiquid securities.

### 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
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.

### Loan loss rate
Loan loss rate is total credit impairment for loans and advances to customers over average loans and advances to customers

### Loans 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.

### 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.

### NII or Net interest income
The difference between interest received on assets and interest paid on liabilities.

### NIM or Net interest margin
Net interest income divided by average interest earning assets.

### 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.

### 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.

### 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 earnings'.

### 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.

### 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.

### 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.

### 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.

### RoE or Return on equity
Represents the ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders' equity for the reporting period. Underlying return on equity represents the ratio above using underlying earnings. See 'Underlying earnings'.

### 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'.

### RoTE or Return on tangible equity
Represents the ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Underlying return on tangible equity represents the ratio above using underlying earnings. See 'Underlying earnings'.

### RWA or Risk-weighted assets
A measure of a bank's assets adjusted for their associated risks, expressed as a percentage of an exposure value in accordance with the applicable standardised or IRB approach provisions.

### Risks-not-in-VaR (RNIV)
A framework for identifying and quantifying marginal types of market risk that are not captured in the Value at Risk (VaR) measure for any reason, such as being a far-tail risk or the necessary historical market data not being available.

### Roll rate
Uses a matrix that gives average loan migration rate from delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.

### Secured (fully and partially)
A secured loan is a loan in which the borrower pledges an asset as collateral for a loan which, in the event that the borrower defaults, the Group is able to take possession of. All secured loans are considered fully secured if the fair value of the collateral is equal to or greater than the loan at the time of origination. All other secured loans are considered to be partly secured.

### Securitisation
Securitisation is a process by which credit exposures are aggregated into a pool, which is used to back new securities. Under traditional securitisation transactions, assets are sold to a structured entity (SE) 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 after 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).

### Sovereign exposures
Exposures to central governments and central government departments, central banks and entities owned or guaranteed by the aforementioned.

### Stage 1
Assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

### Stage 2
Assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

### Stage 3
Assets that are in default and considered credit-impaired (non-performing loans).

### Standardised approach
In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

### Structured note
An investment tool which pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

### Subordinated liabilities
Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

### Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

### Tier 1 capital ratio
Tier 1 capital as a percentage of risk-weighted assets.

### Tier 2 capital
Tier 2 capital comprises qualifying subordinated liabilities and related share premium accounts.

### TLAC or Total loss absorbing capacity
An international standard for TLAC issued by the FSB, which requires G-SIBs to have sufficient loss-absorbing and recapitalisation capacity available in resolution, to minimise impacts on financial stability, maintain the continuity of critical functions and avoid exposing public funds to loss.

### TSR or Total shareholder return
The total return of the Group's equity (share price growth and dividends) to investors.

### 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 consolidated balance sheet date. 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.

### Underlying earnings
The Group's statutory performance adjusted for restructuring and other items representing profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period, and items which management and investors would ordinarily identify separately when assessing performance period-by-period. A reconciliation between underlying and statutory performance is contained in Note 2 to the financial statements.

### 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'.