



Pillar 3 Disclosures
30 June 2018

Driving commerce and prosperity through our unique diversity



Contents

Tables

Standard Chartered PLC (SC PLC) is headquartered in London where it is authorised by the UK's Prudential Regulation Authority (PRA), and Standard Chartered PLC Group and Standard Chartered Bank are regulated by the Financial Conduct Authority (FCA) and the PRA. Within this document 'the Group' refers to Standard Chartered PLC together with its subsidiary undertakings. The regions of Greater China, North East (NE) Asia, South Asia, ASEAN, and MENAP, are defined in the Glossary. Throughout this document unless specified the disclosures are at Group level. Throughout this document, unless another currency is specified, the word 'dollar' or symbol $ means United States dollar. Throughout this document IRB refers to internal ratings based models. The Group does not use the Foundation IRB approach.

1. Introduction

1.1 Purpose and basis of preparation

The Pillar 3 Disclosures comprise detailed information on the underlying drivers of risk-weighted assets (RWA), capital, leverage and liquidity ratios as at 30 June 2018 in accordance with the European Union's (EU) Capital Requirements Regulation (CRR) and the Prudential Regulation Authority's (PRA) Rulebook.

The disclosures have been prepared in line with the disclosure templates introduced by the European Banking Authority's (EBA) guidelines on disclosure requirements (EBA/GL/2016/11) published in December 2016.

This report presents the half yearly Pillar 3 disclosures of Standard Chartered PLC ('the Group') as at 30 June 2018 and should be read in conjunction with the Group's Half Year Report.

The information presented in this Pillar 3 report is not required to be, and has not been, subjected to external audit.

1.2 Highlights

- The Group's capital and leverage position is managed within the Board-approved risk appetite. The Group is well capitalised with low leverage and high levels of loss-absorbing capacity
- The Group is well capitalised with an end point Common Equity Tier 1 (CET1) ratio of 14.2 per cent that is well ahead of the current requirement of 9.1 per cent and the current expected 2019 minimum requirement of 10.1 per cent
- The Group is not highly leveraged and its UK leverage ratio of 5.8 per cent is well ahead of the current known 2019 leverage requirement of 3.7 per cent
- The Group continues to manage its balance sheet proactively, with a particular focus on the efficient management of RWA

1.3 Verification

Whilst the 30 June 2018 Pillar 3 Disclosures are not required to be externally audited, this document has been verified internally in accordance with the Group's policies on disclosure and its financial reporting and governance processes. Controls comparable to those for the Group's Half Year Report have been applied to confirm compliance with PRA regulations.

Items excluded on the grounds of materiality are quantitative disclosures of specialised lending exposures where the simple risk-weight approach is used, non-deducted participations in insurance undertakings, composition of collateral for exposures to derivatives and securities financing transactions, off-balance sheet collateral received, effect on the RWAs of credit derivatives used as CRM techniques, and RWA flow statements of CCR exposures under the IMM.

In relation to the regulatory consolidation of the Group, the Group's significant subsidiaries, the approach to Interest Rate Risk in the Banking Book risk management, and the risk management of other risk types, there have been no material change compared to the information disclosed within the Group's Pillar 3 Disclosures 2017. Please refer to the following sections in our Pillar 3 Disclosures 2017 for further detail:

- Regulatory Consolidation: Table 2: Regulatory Consolidation on page 5
- Credit risk: Section 3 on page 23
- Market risk: Section 4 on page 76
- Interest rate risk in the banking book: Section 5 on page 82
- Significant Subsidiaries: Section 1.7 on page 6

Table 1: Key metrics for the Group (KM1)

	30.06.18 $million	31.03.18 $million	31.12.17 $million
Available capital amounts[1]			
Common Equity Tier 1 (CET1)	**38,512**	38,813	38,162
Common Equity Tier 1 (CET1) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**38,110**	38,411	N/A
Tier 1	**45,204**	45,522	44,861
Tier 1 as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**44,802**	45,120	N/A
Total capital	**58,019**	59,817	58,758
Total capital as IFRS 9 or analogous ECLs transitional arrangements had not been applied	**57,617**	59,415	N/A
Risk-weighted assets amounts			
Total risk-weighted assets (RWA)	**271,867**	280,205	279,748
Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**272,012**	280,350	N/A
Risk-based capital ratios as a percentage of RWA[1]			
Common Equity Tier 1 ratio	**14.2%**	13.9%	13.6%
Common Equity Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**14.0%**	13.7%	N/A
Tier 1 ratio	**16.6%**	16.2%	16.0%
Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**16.5%**	16.1%	N/A
Total capital ratio	**21.3%**	21.3%	21.0%
Total capital ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**21.2%**	21.2%	N/A
Additional CET1 buffer requirements as a percentage of RWA[1]			
Capital conservation buffer requirement (2.5% from 2019)	**1.90%**	1.90%	1.25%
Countercyclical buffer requirement	**0.3%**	0.2%	0.2%
Bank G-SIB and/or D-SIB additional requirements	**0.8%**	0.8%	0.5%
Total of bank CET1 specific buffer requirements	**3.0%**	2.9%	1.9%
CET1 available after meeting the bank's minimum capital requirements	**7.9%**	7.7%	7.5%
UK leverage ratio			
Total UK leverage ratio exposure measure	**743,552**	742,013	717,344
UK leverage ratio	**5.8%**	5.9%	6.0%
UK leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**5.8%**	5.8%	N/A
Liquidity Coverage Ratio			
Total HQLA	**142,423**	143,252	144,280
Total net cash outflow	**95,016**	96,571	97,438
LCR ratio	**150.0%**	148.4%	148.2%

1 Capital requirements are presented using transitional positions

Standard Chartered applies the transitional arrangements to accounting provisions recognised after 1 January 2018 under IFRS 9, as permitted by Regulation (EU) 2017/2395 of the European Parliament and of the Council, including paragraph 4 of that regulation that introduces the transitional arrangement.

Under this approach, the balance of expected credit loss (ECL) provisions in excess of the regulatory defined expected loss (EL) and additional ECL on standardised portfolios, net of related tax, are phased into the CET1 capital base over five years. The proportion phased in for the balance at each reporting period is: 2018, 5 per cent; 2019, 15 per cent; 2020, 30 per cent; 2021, 50 per cent; and 2022, 75 per cent. From 2023 onwards there is no transitional relief.

The application of the transitional relief results in a negligible effect on the CET1 ratio as the capital impact of ECL on the standardised portfolio, net of tax, has been largely offset. As there is no capital impact from additional provisions on advanced IRB portfolios, the related deferred tax asset continues to be recognised in full in CET1.

2. Capital

2.1 Capital management

The Group's capital and leverage positions are managed within the Board-approved risk appetite. The Group is well capitalised with low leverage and high levels of loss-absorbing capacity.

2.2 Capital resources

All capital instruments included in the capital base meet the requirements set out in the CRR for their respective tier of capital, except for those that are subject to a grandfathering period. Grandfathered capital instruments will be fully phased out of their respective tier of capital by 1 January 2022.

Table 2 summarises the consolidated capital position of the Group.

Table 2: Reconciliation between financial total equity and regulatory CET1 before regulatory adjustments

	30.06.18 $million	31.12.17 $million
Total equity per balance sheet (financial view)	51,488	51,807
Regulatory adjustments	1,015	696
Total equity per balance sheet (regulatory view)	52,503	52,503
Foreseeable dividend net of scrip	(453)	(399)
Other equity instruments (included in AT1)	(6,454)	(6,455)
Non-controlling interests	(352)	(286)
Common Equity Tier 1 capital before regulatory adjustments	45,244	45,363

2.2 Capital resources continued

Table 3: Capital base

	30.06.18 Transitional position $million	30.06.18 End point adjustment $million	30.06.18 End point position $million	31.12.17 Transitional position $million
Common Equity Tier 1 (CET1) capital: instruments and reserves				
Capital instruments and the related share premium accounts	5,607	–	5,607	5,603
Of which: Share premium accounts	3,957	–	3,957	3,957
Retained earnings[1]	25,849	–	25,849	25,316
Accumulated other comprehensive income (and other reserves)	11,989	–	11,989	12,766
Non-controlling interests (amount allowed in consolidated CET1)	695	–	695	850
Independently reviewed interim and year-end profits/(loss)[2]	1,557	–	1,557	1,227
Foreseeable dividends net of scrip[3]	(453)	–	(453)	(399)
Common Equity Tier 1 capital before regulatory adjustments	45,244	–	45,244	45,363
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments	(496)	–	(496)	(574)
Intangible assets	(4,991)	–	(4,991)	(5,112)
Deferred tax assets that rely on future profitability	(129)	–	(129)	(125)
Fair value reserves related to gains or losses on cash flow hedges	(1)	–	(1)	45
Negative amounts resulting from the calculation of expected loss amounts	(683)	–	(683)	(1,142)
Gains or losses on liabilities at fair value resulting from changes in own credit	(188)	–	(188)	(53)
Defined-benefit pension fund assets	(39)	–	(39)	(40)
Fair value gains and losses from own credit risk related to derivative liabilities	(83)	–	(83)	(59)
Exposure amounts which could qualify for risk weight of 1250%	(122)	–	(122)	(141)
Of which: securitisation positions	(109)	–	(109)	(125)
Of which: free deliveries	(13)	–	(13)	(16)
Total regulatory adjustments to Common Equity Tier 1 capital	(6,732)	–	(6,732)	(7,201)
Common Equity Tier 1 capital	38,512	–	38,512	38,162
Additional Tier 1 (AT1) capital: instruments				
Capital Instruments and the related share premium accounts	6,712	(1,752)	4,960	6,719
Of which: classified as equity under applicable accounting standards	6,454	(1,494)	4,960	6,455
Of which: classified as liabilities under applicable accounting standards	258	(258)	–	264
Additional Tier 1 (AT1) capital before regulatory adjustments	6,712	(1,752)	4,960	6,719
Additional Tier 1 capital: regulatory adjustments				
Direct and indirect holdings by an institution of own Additional Tier 1 (AT1) instruments and subordinated loans	(20)	–	(20)	(20)
Total regulatory adjustments to Additional Tier 1 capital	(20)	–	(20)	(20)
Additional Tier 1 capital	6,692	(1,752)	4,940	6,699
Tier 1 capital (T1 = CET1 + AT1)	45,204	(1,752)	43,452	44,861
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts	12,170	–	12,170	12,668
Qualifying items and the related share premium accounts subject to phase out from T2	247	(247)	–	647
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third parties	428	–	428	612
Tier 2 capital before regulatory adjustments	12,845	(247)	12,598	13,927
Tier 2 capital: regulatory adjustments				
Direct and indirect holdings by an institution of own Tier 2 instruments and subordinated loans	(30)	–	(30)	(30)
Total regulatory adjustments to Tier 2 capital	(30)	–	(30)	(30)
Tier 2 capital	12,815	(247)	12,568	13,897
Total capital (TC = T1 + T2)	58,019	(1,999)	56,020	58,758
Total risk-weighted assets[4]	271,867	–	271,867	279,748

2.2 Capital resources continued

Table 4: Capital ratios and buffers

	30.06.18 Transitional position $million	30.06.18 End point adjustment $million	30.06.18 End point position $million	31.12.17 Transitional position $million
Amounts below the thresholds for deduction (before risk weighting)				
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	436	–	436	641
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,684	–	1,684	1,818
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	1,153	–	1,153	1,105
Risk-weighted assets				
Credit risk	222,722	–	222,722	225,727
Credit valuation adjustment risk	476	–	476	503
Operational risk	28,050	–	28,050	30,478
Market risk	20,619	–	20,619	23,040
Total risk-weighted assets[4]	271,867	–	271,867	279,748
Capital ratios				
Common Equity Tier 1 capital	14.2%	0.0%	14.2%	13.6%
Tier 1 capital	16.6%	(0.6)%	16.0%	16.0%
Total capital	21.3%	(0.7)%	20.6%	21.0%
Capital buffers				
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirement, plus systematic risk buffer, plus systematically important intuition buffer expressed as a percentage of risk exposure amount.)	9.1%	1.0%	10.1%	8.1%
Of which: capital conservation buffer requirement	1.90%	0.60%	2.50%	1.25%
Of which: countercyclical buffer requirement	0.27%	0.10%	0.37%	0.17%
Of which systematic risk buffer requirement	0.0%	0.0%	0.0%	0.0%
Of which: Global systematically important institution (G-SII) or Other Systematically important institution (O-SII) buffer	0.8%	0.2%	1.0%	0.5%
Common Equity Tier 1 available to meet buffers (as percentage of risk exposure amount)	7.9%	(0.2)%	7.7%	7.4%

1 Retained earnings under CRD IV include the effect of regulatory consolidation adjustments

2 Independently reviewed interim and year-end profits are in accordance with regulatory consolidation rules

3 Foreseeable dividends as at H1 2018 represent ordinary dividends and preference dividends payable during the next six months in 2018. The ordinary dividends are reduced by any scrip dividends payable at H1 2018

4 The risk-weighted assets are not subject to Audit

CET1 capital increased by $0.4 billion, as profits after tax were offset in part by distributions and FX translation. Tier 2 capital reduced by $1.1 billion to $12.8 billion as redemptions and the impact of the liability management exercise more than offset the new issuance of $0.5 billion of Tier 2 in the period.

2.3 Capital requirements

The Group currently estimates that its expected CET1 requirement for 2019 is 10.1 per cent, comprising:

- A minimum Pillar 1 CET1 requirement of 4.5 per cent
- A Pillar 2A CET1 requirement of around 1.7 per cent (subject to ongoing PRA assessment) being 56 per cent of the total Pillar 2A requirement
- A capital conservation buffer of 2.5 per cent by 1 January 2019
- A G-SII buffer of 1.0 per cent by 1 January 2019
- A countercyclical capital buffer of around 0.4 per cent, effective from 2019

Any further countercyclical capital buffer applied to the Group would increase the Group's CET1 requirement.

The Combined Buffer comprises the Group's capital conservation buffer, G-SII buffer and the countercyclical capital buffer.

Pillar 1 and Pillar 2A CET1 requirements and the Combined Buffer requirement together represent the Group's Maximum Distributable Amount threshold. The Group will be subject to restrictions on discretionary distributions if the CET1 ratio goes below this threshold. The Group expects to continue to operate with a prudent management buffer above this threshold.

Over time, the Group may also be subject to a PRA buffer. The PRA buffer is intended to ensure that Group remains well capitalised during periods of stress. When setting the Group's PRA buffer, it is understood that the PRA considers results from the Bank of England (BoE) stress test, the biennial exploratory scenario, and bank-specific scenarios undertaken as part of Internal Capital Adequacy Assessment Processes (ICAAPs), as well as other relevant information. The PRA buffer is additional to the existing CRD IV buffer requirements, and is applied if and to the extent that the PRA considers the existing CRD IV buffers do not adequately address the Group risk profile. The PRA buffer is not disclosed.

Table 5 presents the Group's RWA and capital requirements (calculated as 8 per cent of RWA).

Further information on credit RWAs can be found in Table 20 for credit risk exposures under IRB (which include counterparty credit risk); Table 7 for the RWA flow statements for credit risk exposures under IRB (which includes securitisation balances below); Table 32 for exposures under the standardised approach (which include amounts below the threshold for deduction) and section 3.5 for exposures subject to counterparty credit risk.

Table 5: Overview of RWA (OV1)

	30.06.18		31.03.18		31.12.17	
	Risk- weighted assets $million	**Regulatory capital requirement[1] $million**	Risk- weighted assets $million	Regulatory capital requirement[1] $million	Risk- weighted assets $million	Regulatory capital requirement[1] $million
Credit risk (excluding counterparty credit risk)[2]	**199,117**	**15,929**	203,245	16,260	200,702	16,056
Of which advanced IRB approach (Table 20)	**155,069**	**12,406**	157,127	12,570	156,602	12,528
Of which standardised approach (Table 32)	**44,048**	**3,524**	46,117	3,689	44,100	3,528
Counterparty credit risk[3]	**14,691**	**1,175**	15,161	1,213	15,517	1,241
Of which mark to market method	**11,529**	**922**	11,121	890	11,952	956
Of which risk exposure amount for contributions to the default fund of a CCP (Table 37)	**62**	**5**	95	8	81	6
Of which CVA (Table 39)	**476**	**38**	450	36	503	40
Settlement risk	**4**	**–**	23	2	18	1
Securitisation exposures in the banking book	**2,294**	**184**	2,326	186	2,687	215
Of which IRB ratings based approach	**1,813**	**145**	1,844	148	2,205	176
Of which IRB supervisory formula approach	**481**	**38**	482	39	482	39
Of which standardised approach	**–**	**–**	–	–	–	–
Market risk (Table 47)	**20,619**	**1,649**	24,154	1,932	23,040	1,843
Of which internal model approaches	**12,683**	**1,015**	14,266	1,141	12,776	1,022
Of which standardised approach	**7,936**	**635**	9,888	791	10,264	821
Large exposures	**–**	**–**	–	–	–	–
Operational risk[4]	**28,050**	**2,244**	28,050	2,244	30,478	2,438
Of which standardised approach	**28,050**	**2,244**	28,050	2,244	30,478	2,438
Amounts below the thresholds for deduction (subject to 250% risk weight) (Table 32)	**7,092**	**567**	7,247	580	7,306	584
Floor Adjustment	**–**	**–**	–	–	–	–
Total	**271,867**	**21,749**	280,205	22,416	279,748	22,380

1 The regulatory capital requirement is calculated as 8 per cent of the risk-weighted assets, and represents the minimum total capital ratio in accordance with CRR Article 92 (1)

2 Credit risk (excluding counterparty credit risk) includes non-credit obligation assets

3 Counterparty credit risk includes assets which are assessed under IRB and standardised approaches

4 To calculate operational risk standardised risk-weighted assets, a regulatory defined beta co-efficient is applied to average gross income for the previous three years, across each of the eight business lines prescribed in the CRR

2.3 Capital Requirements continued

RWA decreased by $7.9 billion from 31 December 2017 to $271.9 billion. This was due to a $3.0 billion decrease in credit risk including counterparty credit risk RWA, a $2.4 billion decrease in market risk, and a $2.4 billion decrease in operational risk RWA.

→ Credit risk including counterparty credit risk decreased to $223.2 billion. The decrease was driven by:
  - $3.9 billion decrease from foreign currency translation
  - $2.3 billion decrease in model updates driven by a $1.7 billion reduction due to PRA approved IRB model changes relating to loss-given-default (LGD) parameters
  - $2.0 billion decrease due to net credit migration, primarily in ASEAN & South Asia and Africa & Middle East
  - $6.0 billion increase mainly driven by Treasury activities, as well as increases across Lending and Transaction Banking, Corporate Finance, and Financial Markets
  - $0.6 billion decrease due to savings from disposal of an investment in ASEAN & South Asia

→ Market risk RWA decreased to $20.6 billion. This change was primarily due to:
  - A reduction of $1.1 billion in standard rules RWA for FX and IR structured products following their full recognition in IMA from March 2018
  - $1.1 billion decrease mainly due to reduction in trading book debt security holdings

→ Operational risk RWA reduced to $28.0 billion, due to a decrease in the average income over a rolling three-year time horizon, as lower 2017 income replaced higher 2014 income

Table 6 shows the significant drivers of credit risk, market risk and operational risk RWA movements from 1 January 2018.

Table 6: Movement analysis for RWA

	Credit risk IRB $million	Credit risk SA $million	Credit risk Total $million	Counterparty Credit risk $million	Total Credit & Counterparty Credit risk $million	Operational risk $million	Market $million	Total $million
As at 1 January 2018	159,289	51,424	210,713	15,517	226,230	30,478	23,040	279,748
Asset size	2,036	2,629	4,665	149	4,814	–	–	4,814
Asset quality	(535)	–	(535)	13	(522)	–	–	(522)
Model updates	(1,959)	(94)	(2,053)	(470)	(2,523)	–	(1,138)	(3,661)
Methodology and policy	–	–	–	–	–	–	–	–
Acquisitions and disposals	–	(626)	(626)	–	(626)	–	–	(626)
Foreign exchange movements	622	54	676	92	768	–	–	768
Other, including non-credit risk movements[1]	–	–	–	(140)	(140)	(2,428)	2,252	(316)
As at 31 March 2018	**159,453**	**53,387**	**212,840**	**15,161**	**228,001**	**28,050**	**24,154**	**280,205**
Asset size	**2,390**	**(1,211)**	**1,179**	**55**	**1,234**	**–**	**–**	**1,234**
Asset quality	**(1,309)**	**–**	**(1,309)**	**(112)**	**(1,421)**	**–**	**–**	**(1,421)**
Model updates	**245**	**–**	**245**	**–**	**245**	**–**	**–**	**245**
Methodology and policy	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisitions and disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange movements	**(3,416)**	**(1,032)**	**(4,448)**	**(228)**	**(4,676)**	**–**	**–**	**(4,676)**
Other, including non-credit risk movements[1]	**–**	**–**	**–**	**(185)**	**(185)**	**–**	**(3,535)**	**(3,720)**
As at 30 June 2018[2]	**157,363**	**51,144**	**208,507**	**14,691**	**223,198**	**28,050**	**20,619**	**271,867**

1 RWA efficiencies are disclosed against 'Other, including non-credit risk movements'

2 See Table 5: Overview of RWA (OV1). To note that 'Securitisation', 'Settlement risk' and 'Amounts below the threshold for deduction (subject to 250% risk-weight)' are included in credit risk

2.3 Capital Requirements continued

Table 7 shows the significant drivers of credit risk, IRB RWA movements (excluding counterparty credit risk and standardised credit risk) from 1 January 2018.

Table 7: RWA flow statements of credit risk exposures under IRB (CR8)

	Risk-weighted assets[1] $million	Regulatory capital requirement[1] $million
As at 1 January 2018	159,289	12,743
Asset size	2,036	163
Asset quality	(535)	(43)
Model updates	(1,959)	(157)
Methodology and policy	–	–
Foreign exchange movements	622	50
As at 31 March 2018	**159,453**	**12,756**
Asset size	**2,390**	**191**
Asset quality	**(1,309)**	**(105)**
Model updates	**245**	**20**
Methodology and policy	**–**	**–**
Disposals	**–**	**–**
Foreign exchange movements	**(3,416)**	**(273)**
As at 30 June 2018[2]	**157,363**	**12,589**

1 Includes securitisation and non-credit obligation assets, but excludes counterparty credit risk

2 See Table 5: Overview of RWA (OV1). Comprises advanced IRB credit risk $155,069 million and securitisation of $2,294 million

IRB credit RWAs decreased by $1.9 billion from 31 December 2017 driven by:

- $2.8 billion decrease from foreign currency translation
- $1.7 billion decrease in model updates, driven by PRA approved IRB model changes relating to LGD parameters
- $1.8 billion decrease due to net credit migration, primarily in ASEAN & South Asia and Africa & Middle East
- $4.4 billion increase driven by asset size across multiple business areas

2.3 Capital Requirements continued

Table 8 shows the RWA flow statements of market risk RWA exposures under the Internal Model Approach (IMA) from 1 January 2018.

Table 8: RWA flow of market risk exposures under an IMA approach (EU MR2-B)

	VaR $million	SVaR $million	IRC $million	CRM $million	Other[1] $million	Total RWA $million	Total capital requirement $million
At 1 January 2018	1,978	8,083	–	–	2,715	12,776	1,022
Regulatory adjustment	–	–	–	–	–	–	–
RWAs post adjustment at 1 January 2018	1,978	8,083	–	–	2,715	12,776	1,022
Movement in risk levels	(80)	749	–	–	821	1,490	119
Model updates/changes	–	–	–	–	–	–	–
Methodology and policy	–	–	–	–	–	–	–
Acquisitions and disposals	–	–	–	–	–	–	–
Foreign exchange movements	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
At 31 March 2018	**1,898**	**8,832**	**–**	**–**	**3,536**	**14,266**	**1,141**
Regulatory adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
RWAs post adjustment at 31 March 2018	**1,898**	**8,832**	**–**	**–**	**3,536**	**14,266**	**1,141**
Movement in risk levels	**(237)**	**(743)**	**–**	**–**	**(603)**	**(1,583)**	**(127)**
Model updates/changes	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Methodology and policy	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Acquisitions and disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange movements	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2018	**1,661**	**8,089**	**–**	**–**	**2,933**	**12,683**	**1,014**
Regulatory adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
RWAs post adjustment at 30 June 2018	**1,661**	**8,089**	**–**	**–**	**2,933**	**12,683**	**1,014**

1 Other IMA capital add-ons for market risks not fully captured in either VaR or SVar. More details on Risks not in VaR can be found in the Group's Half Year Report 2018 on page 60

Market risk RWAs under an IMA approach decreased by $1.6 billion from 31 December 2017 mainly driven by a reduction in trading activity.

2.4 Leverage ratio

UK banks are currently subject to a minimum leverage ratio of 3.25 per cent. In addition, a supplementary leverage ratio buffer is applicable, set at 35 per cent of the corresponding G-SII capital buffer and the countercyclical capital buffer. These buffers are applied to individual banks and are phased in.

Following the FPC's recommendation to the PRA to exclude qualifying claims on central bank exposures from the leverage exposure measure in the UK leverage ratio framework, and the corresponding waiver granted by the PRA, the Group has been reporting the leverage ratio on a UK basis (excluding qualifying claims on central banks exposures) from March 2017.

At 30 June 2018, the Group's current minimum leverage requirement is 3.61 per cent. The Group's currently expected future leverage requirement from 2019 is 3.73 per cent comprising (i) the minimum 3.25 per cent (ii) a 0.35 per cent G-SII leverage ratio buffer and (iii) a 0.13 per cent countercyclical leverage ratio buffer (based on current and known pending countercyclical capital buffer rates and assuming a constant proportion of exposures to the relevant jurisdictions).

The UK leverage ratio at 30 June 2018 was 5.8 per cent, well above the current and expected future leverage requirements. The UK leverage ratio went down by 0.2 per cent in the period as an increase in the UK leverage exposure measure offset a small increase in end point Tier 1 capital.

2.4 Leverage ratio continued

Table 9: UK and CRR leverage ratio

	30.06.18 $million	31.03.18 $million	31.12.17 $million
Tier 1 capital (end point)	43,452	43,754	43,103
UK leverage exposure	743,552	742,013	717,344
UK leverage ratio	5.8%	5.9%	6.0%
CRR leverage exposure	799,277	787,091	759,518
CRR leverage ratio	5.4%	5.6%	5.7%
UK leverage exposure quarterly average	736,599	734,743	723,508
UK leverage ratio quarterly average	5.9%	5.9%	6.0%
Countercyclical leverage ratio buffer	0.1%	0.1%	0.1%
G-SII additional leverage ratio buffer	0.3%	0.3%	0.2%

Table 10: Summary reconciliation of accounting assets and leverage exposure

	30.06.18 $million	31.12.17 $million
Total assets as per published financial statements	694,874	663,501
Adjustment difference between the accounting scope of consolidation and the regulatory scope of consolidation	10,187	10,462
Adjustments for derivative financial instruments	(23,575)	(16,854)
Adjustments for securities financing transactions (SFTs)	14,309	13,238
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	109,943	96,260
Other adjustments	(6,461)	(7,089)
Total leverage ratio exposure	799,277	759,518

2.4 Leverage ratio continued

Table 11: Leverage ratio common disclosure

	30.06.18 $million	31.12.17 $million
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**588,857**	571,730
(Asset amounts deducted in determining Tier 1 capital)	**(6,461)**	(7,089)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**582,396**	564,641
Derivative exposures		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**5,305**	7,391
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	**32,225**	30,027
Exposure determined under Original Exposure Method	**–**	–
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	**–**	–
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(10,680)**	(8,586)
(Exempted CCP leg of client-cleared trade exposures)	**–**	–
Adjusted effective notional amount of written credit derivatives	**14,254**	12,680
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(12,896)**	(11,320)
Total derivative exposures	**28,208**	30,192
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**65,736**	61,520[1]
(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(1,315)**	(6,333)[1]
Counterparty credit risk exposure for SFT assets	**14,309**	13,238
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	**–**	–
Agent transaction exposures	**–**	–
(Exempted CCP leg of client-cleared SFT exposure)	**–**	–
Total securities financing transaction exposures	**78,730**	68,425
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	**363,742**	288,076
(Adjustments for conversion to credit equivalent amounts)	**(253,799)**	(191,816)
Other off-balance sheet exposures	**109,943**	96,260
Exempted exposures in accordance with CRR Article 429 (7) and (14) of Regulation (EU) No. 575/2013 (on and off-balance sheet)		
(Intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet))	**–**	–
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off-balance sheet))	**–**	–
Capital and total exposures	**–**	–
Tier 1 capital (end point)	**43,452**	43,103
Leverage ratio total exposure measure	**799,277**	759,518
Leverage ratio	**5.4%**	5.7%
Choice on transitional arrangements and amount of derecognised fiduciary items		
Choice on transitional arrangements for the definition of the capital measure	**Fully phased in**	Fully phased in
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	**–**	–

1 Gross SFT assets has been represented for 2017 on a gross basis

2.4 Leverage ratio continued

Table 12: Leverage ratio: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	30.06.18 $million	31.12.17 $million
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**588,857**	571,730
Trading book exposures	**57,856**	49,456
Banking book exposures, of which:	**531,001**	522,275
Covered bonds	**5,342**	3,428
Exposures treated as sovereigns	**171,626**	167,012
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**47**	42
Institutions	**75,408**	72,555
Secured by mortgages of immovable properties	**77,332**	79,259
Retail exposures	**25,923**	25,577
Corporates	**133,198**	129,504
Exposures in default	**8,085**	9,106
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	**34,040**	35,792

3. Credit risk

3.1 Exposure values

Credit quality of exposures

Credit risk Exposure at default (EAD) is based on the current outstanding exposure and accrued interest and fees, which are recognised in the Group's balance sheet in accordance with IFRS, plus a proportion of any undrawn facility. For Standardised EAD, the proportion of any undrawn facility included is dependent on the facility type and tenor, and for IRB exposure classes this proportion is modelled.

Tables 13 to 15 break down defaulted and non-defaulted exposures by exposure class, as defined in the CRR, and by industry and geography. Exposure values presented in the tables are before the impact of credit conversion factors (CCF) and funded credit risk mitigation (CRM) but after substitution.

All Standard Chartered accounting provisions are categorised as specific credit risk adjustments according to the EBA Regulatory Technical Standards (RTS) on specification of the calculation of specific and general credit risk adjustments (EBA/RTS/2013/04). The column for general credit risk adjustments as included in the prescribed templates of the EBA disclosure guidelines has therefore been removed. Net values equate to EAD after deduction of specific credit risk adjustments.

Values in Tables 16 to 19 are gross carrying values in accordance with IFRS. Tables 16 and 17 depict past-due exposures, broken down by past-due bands and provide further information on non-performing and forborne exposures.

3.1 Exposure values continued

Table 13: Credit quality of exposures by exposure class and instruments (CR1-A)

	30.06.18				
	EAD before the effect of CCF & CRM[1]				
	Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period[2] $million	Net values $million
IRB Exposure Class					
Central governments or central banks	–	298,317	–	–	298,317
Institutions	–	271,401	242	(112)	271,160
Corporates	8,758	419,143	4,386	(596)	423,723
Of which specialised lending	961	32,054	446	(60)	32,569
Of which SME	591	9,484	265	(32)	9,810
Retail	661	114,608	389	(79)	114,879
Secured by real estate collateral	194	69,092	146	(38)	69,141
Of which SME	2	247	1	–	248
Of which Non SME	193	68,845	145	(38)	68,893
Qualifying revolving retail	159	29,204	95	(20)	29,268
Other retail	308	16,311	148	(22)	16,471
Of which SME	78	2,268	36	(5)	2,310
Of which Non SME	230	14,043	112	(17)	14,161
Non-credit obligation assets	64	1,209	–	–	1,274
Total IRB[3]	9,484	1,104,678	5,017	(787)	1,109,352
Standardised Exposure Class					
Central governments or central banks	–	130,597	–	–	130,597
Multilateral development banks	–	24,302	71	(25)	24,231
Institutions	–	37,403	110	(38)	37,293
Corporates	519	63,069	506	(100)	63,081
Of which SME	371	37,534	340	(64)	37,565
Retail	176	20,356	169	(33)	20,363
Of which SME	69	4,559	56	(9)	4,572
Secured on real estate property	118	10,959	105	(19)	10,972
Of which SME	16	3,984	22	(5)	3,978
Items belonging to regulatory high risk categories	975	1,532	608	(69)	1,898
Equity	–	1,684	5	(2)	1,679
Other Items[4]	–	10,027	–	–	10,027
Total Standardised	1,787	299,926	1,574	(284)	300,140
Of which past due items	1,787	–	1,107	(123)	680
Total[5]	11,271	1,404,604	6,591	(1,071)	1,409,492
Of which Loans	8,166	295,655	6,033	(356)	297,788
Of which Debt securities	444	115,730	287	(9)	116,095
Of which Off-balance sheet exposures	2,207	705,833	271	(87)	707,769

1 EAD before the effect of CCF and collateral but after substitution

2 Representing expected credit loss (ECL) under IFRS 9

3 Excludes securitisation exposures

4 Other items include cash, fixed assets, prepayments and accrued income

5 Amount written off during the year is $1,234 million

3.1 Exposure values continued

Table 13: Credit quality of exposures by exposure class and instruments (CR1-A) continued

	31.12.17				
	EAD before the effect of CCF & CRM[1]				
	Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period[2] $million	Net values $million
IRB Exposure Class					
Central governments or central banks	–	310,851	–	–	310,851
Institutions	51	256,889	3	2	256,937
Corporates	10,579	403,087	4,616	1,142	409,050
Of which specialised lending	1,080	30,022	585	25	30,517
Of which SME	706	9,363	241	180	9,828
Retail	630	114,915	73	49	115,472
Secured by real estate collateral	205	71,289	34	21	71,460
Of which SME	3	263	–	–	266
Of which Non SME	202	71,026	34	21	71,194
Qualifying revolving retail	154	27,845	1	1	27,998
Other retail	271	15,781	38	27	16,014
Of which SME	76	2,223	20	16	2,279
Of which Non SME	195	13,558	18	11	13,735
Non-credit obligation assets	48	1,252	–	–	1,300
Total IRB[3]	11,308	1,086,994	4,692	1,193	1,093,610
Standardised Exposure Class					
Central governments or central banks	–	112,244	–	–	112,244
Multilateral development banks	–	21,122	–	–	21,122
Institutions	–	40,747	–	–	40,747
Corporates	828	60,440	1,126	467	60,142
Of which SME	364	36,506	189	125	36,681
Retail	272	21,045	163	113	21,154
Of which SME	79	4,537	56	36	4,560
Secured on real estate property	105	10,840	53	32	10,892
Of which SME	17	3,949	8	3	3,958
Items belonging to regulatory high risk categories	693	1,658	22	9	2,329
Equity	–	1,818	–	–	1,818
Other Items[4]	–	10,422	–	–	10,422
Total Standardised	1,898	280,336	1,364	621	280,870
Of which past due items	1,898	–	821	602	1,077
Total[5]	13,206	1,367,330	6,056	1,814	1,374,480
Of which Loans	9,401	292,542	5,674	1,815	296,269
Of which Debt securities	450	107,983	201	19	108,232
Of which Off-balance-sheet exposures	2,777	697,489	110	(23)	700,156

1 EAD before the effect of CCF and collateral but after substitution

2 Representing the net individual impairment charge under IAS39

3 Excludes securitisation exposures

4 Other items include cash, fixed assets, prepayments and accrued income

5 Amount written off during the year is $2,247 million

3.1 Exposure values continued

Table 14: Credit quality of exposures by industry types (CR1-B)

	30.06.18				
	EAD before the effect of CCF & CRM[1]				
	Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period[2] $million	Net values $million
Loans to individuals mortgage	**288**	**74,958**	**145**	**–**	**75,101**
Loans to individuals other	**666**	**59,093**	**867**	**(35)**	**58,892**
SME	**1,501**	**58,787**	**13**	**–**	**60,275**
Commerce	**1,432**	**69,191**	**467**	**(265)**	**70,156**
Manufacturing	**2,290**	**109,199**	**3,199**	**(315)**	**108,290**
Commercial real estate	**513**	**19,482**	**91**	**(28)**	**19,904**
Government	**3**	**414,004**	**–**	**–**	**414,007**
Financing insurance and business services	**1,172**	**476,573**	**817**	**(105)**	**476,928**
Transport, storage and communication	**1,085**	**26,520**	**684**	**(180)**	**27,129**
Other	**2,321**	**96,797**	**308**	**(143)**	**98,809**
Total[3,4]	**11,271**	**1,404,604**	**6,591**	**(1,071)**	**1,409,491**

1 EAD before the effect of CCF and collateral but after substitution

2 Representing expected credit loss (ECL) under IFRS9

3 Refer to table 13 (CR1-A) for total net values

4 Accumulated write-off for the year is $1,234 million

	31.12.17				
	EAD before the effect of CCF & CRM[1]				
	Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period[2] $million	Net values $million
Loans to individuals mortgage	290	77,129	75	48	77,344
Loans to individuals other	746	58,069	137	88	58,678
SME	1,607	57,656	532	414	58,731
Commerce	1,540	67,522	1,014	183	68,048
Manufacturing	3,159	105,610	1,846	327	106,923
Commercial real estate	544	18,260	12	7	18,792
Government	4	412,307	–	–	412,311
Financing insurance and business services	1,055	448,638	208	88	449,485
Transport, storage and communication	980	27,739	450	200	28,269
Other	3,281	94,400	1,782	459	95,899
Total[3,4]	13,206	1,367,330	6,056	1,814	1,374,480

1 EAD before the effect of CCF and collateral but after substitution

2 Representing the net individual impairment charge under IAS39

3 Refer to Table 13 (CR1-A) for total net values

4 Amount written off during the year is $2,247 million

3.1 Exposure values continued

Table 15: Credit quality of exposures by geography (CR1-C)

	30.06.18				
	EAD before the effect of CCF & CRM[1]				
	Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period[2] $million	Net values $million
Greater China & North Asia	**1,126**	**472,690**	**639**	**(65)**	**473,177**
ASEAN & South Asia	**4,830**	**278,865**	**3,066**	**(243)**	**280,837**
Africa & Middle East	**4,384**	**138,984**	**1,756**	**(55)**	**141,612**
Europe & Americas	**931**	**514,065**	**1,130**	**(708)**	**513,865**
Total[3,4]	**11,271**	**1,404,604**	**6,591**	**(1,071)**	**1,409,491**

1 EAD before the effect of CCF and collateral but after substitution

2 Representing expected credit loss (ECL) under IFRS9

3 Refer to table 13 (CR1-A) for total net values

4 Accumulated write-off for the year is $1,234 million

	31.12.17				
	EAD before the effect of CCF & CRM[1]				
	Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period[2] $million	Net values $million
Greater China & North Asia	1,467	466,838	415	140	467,890
ASEAN & South Asia	5,699	270,746	3,168	1,051	273,277
Africa & Middle East	4,744	142,822	1,970	395	145,596
Europe & Americas	1,296	486,924	503	228	487,717
Total[2,3]	13,206	1,367,330	6,056	1,814	1,374,480

1 EAD before the effect of CCF and collateral but after substitution

2 Representing the net individual impairment charge under IAS39

3 Refer to Table 13 (CR1-A) for total net values

4 Amount written off during the year is $2,247 million

Table 16: Ageing of past-due exposures (CR1-D)

	30.06.18					
	Gross carrying values					
	≤ 30 days $million	> 30 days ≤ 60 days $million	> 60 days ≤ 90 days $million	> 90 days ≤ 180 days $million	> 180 days ≤ 1 year $million	> 1 year $million
Loans	**11,650**	**302**	**3,023**	**431**	**1,971**	**3,775**
Debt securities	**–**	**–**	**13**	**–**	**–**	**–**
Total	**64,033**	**302**	**3,035**	**431**	**1,971**	**3,775**

	31.12.17					
	Gross carrying values					
	≤ 30 days $million	> 30 days ≤ 60 days $million	> 60 days ≤ 90 days $million	> 90 days ≤ 180 days $million	> 180 days ≤ 1 year $million	> 1 year $million
Loans	3,414	424	4,243	851	5,921	151
Debt securities	–	–	459	–	2	–
Total	3,414	424	4,702	851	5,923	151

3.1 Exposure values continued

Table 17: Non-performing and forborne exposures (CR1-E)

30.06.18

	Gross carrying values of performing and non-performing exposures $million	Of which performing but past due > 30 days and ≤ 90 days $million	Of which performing forborne $million	Of which non-performing $million	Of which non-performing: Of which defaulted $million	Of which non-performing: Of which impaired $million	Of which non-performing: Of which forborne $million	Accumulated impairment and provisions and negative fair value adjustments due to credit risk: On performing exposures $million	On performing exposures: Of which forborne $million	On non-performing exposures $million	On non-performing exposures: Of which forborne $million	Collaterals and financial guarantees received: On non-performing exposures $million	Of which forborne exposures $million
Loans and advances	395,922	2,084	468	8,626	8,626	8,626	2,697	(965)	(2)	(5,069)	(1,441)	1,686	242
Debt securities	124,372	–	–	216	216	216	–	(79)	–	(208)	–	–	–
Off-balance sheet exposures	230,681	N/A	-	1,325	1,325	N/A	–	(141)	–	(129)	–	–	–

31.12.17

	Gross carrying values of performing and non-performing exposures $million	Of which performing but past due > 30 days and ≤ 90 days $million	Of which performing forborne $million	Of which non-performing $million	Of which non-performing: Of which defaulted $million	Of which non-performing: Of which impaired $million	Of which non-performing: Of which forborne $million	Accumulated impairment and provisions and negative fair value adjustments due to credit risk: On performing exposures $million	On performing exposures: Of which forborne $million	On non-performing exposures $million	On non-performing exposures: Of which forborne $million	Collaterals and financial guarantees received: On non-performing exposures $million	Of which forborne exposures $million
Loans and advances	379,578	722	1,013	10,867	10,867	10,670	3,468	(467)	(9)	(5,868)	(1,789)	2,763	916
Debt securities	119,167	–	–	461	461	354	2	–	–	(378)	–	–	–
Off-balance sheet exposures	225,344	N/A	–	514	482	N/A	–	–	–	83	–	–	–

3.1 Exposure values continued

Table 18: Changes in the stock of general and specific credit risk adjustments (CR2-A)

	30.06.18	
	Accumulated specific credit risk adjustment $million	**Accumulated general credit risk adjustment $million**
Opening balance	**6,713**	**–**
Increases due to amounts set aside for estimated loan losses during the period	**791**	**N/A**
Decreases due to amounts reversed for estimated loan losses during the period	**(39)**	**N/A**
Decreases due to amounts taken against accumulated credit risk adjustments	**(1,663)**	**N/A**
Transfers between credit risk adjustments	**–**	**N/A**
Impact of exchange rate differences	**(126)**	**N/A**
Business combinations, including acquisitions and disposals of subsidiaries	**–**	**N/A**
Other adjustments	**141**	**N/A**
Closing balance	**5,817**	**N/A**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	**(371)**	**N/A**
Specific credit risk adjustments directly recorded to the statement of profit or loss	**499**	**N/A**

	31.12.17	
	Accumulated specific credit risk adjustment $million	Accumulated general credit risk adjustment $million
Opening balance	7,043	737
Increases due to amounts set aside for estimated loan losses during the period	2,338	64
Decreases due to amounts reversed for estimated loan losses during the period	(950)	(9)
Decreases due to amounts taken against accumulated credit risk adjustments	(1,756)	(296)
Transfers between credit risk adjustments	(189)	–
Impact of exchange rate differences	–	–
Business combinations, including acquisitions and disposals of subsidiaries	–	–
Other adjustments	(287)	18
Closing balance	6,199	514
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(652)	(296)
Specific credit risk adjustments directly recorded to the statement of profit or loss	2,257	57

Table 19: Changes in the stock of defaulted and impaired loans and debt securities (CR2-B)

	30.06.18 Gross carrying value of defaulted exposures $million	31.12.17 Gross carrying value of defaulted exposures $million
Opening balance	**10,288**	11,342
Loans and debt securities that have defaulted or impaired since the last reporting period	**1,091**	3,181
Returned to non-defaulted status	**(624)**	(55)
Amounts written off	**(1,461)**	(2,247)
Other changes	**(452)**	(1,933)
Closing balance	**8,842**	10,288

3.2 Risk grade profile

Table 20 sets out credit and counterparty risk EAD within the IRB portfolios by regulatory exposure classes. EAD has been calculated after taking into account the impact of credit risk mitigation. Where an exposure is guaranteed or covered by credit derivatives, it is shown against the exposure class of the guarantor or derivative issuer. A further split of the major exposure classes by credit grade can be seen in Tables 21 to 29.

IRB credit risk excluding counterparty credit risk EAD increased by $5.0 billion and RWAs decreased by $1.5 billion (Tables 21 to 29):

- Institutions EAD increased by $6.8 billion driven by covered bonds in Europe & Americas as well as increases in interbank exposures in ASEAN & South Asia
- Retail EAD decreased by $1.0 billion mainly due to decreases in residential mortgages within Greater China & North Asia ($1.5 billion) and ASEAN & South Asia ($0.6 billion) partially compensated by increase in other retail business in Greater China & North Asia
- RWA decreases were driven by:
  - A $3.8 billion decrease from foreign currency translation across all exposure classes
  - A $1.8 billion decrease due to net credit migration across multiple exposure classes
  - A $1.8 billion reduction due to PRA approved IRB model changes relating to LGD parameters across institutions and corporates
  - A $5.8 billion increase driven mainly by Treasury activities, as well as increases across Lending and Transaction Banking, Corporate Finance, and Financial Markets

Table 20: IRB – Credit risk exposure by exposure class

	30.06.18											
	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
IRB Exposure Class												
Central governments or central banks	117,549	158,063	1	121,496	0.22	0.3	47	1.31	20,713	17	121	–
Institutions	77,638	140,313	6	85,247	0.23	1.6	40	0.94	18,782	22	63	242
Corporates	117,307	239,862	21	167,497	5.19	47.1	42	1.50	93,609	56	4,390	4,178
Of which Specialised lending[3]	16,279	17,772	15	15,853	7.18	1.0	31	2.05	9,198	58	583	446
Of which SME	5,396	4,705	21	5,791	10.16	32.5	30	1.51	3,678	64	263	265
Retail	81,522	33,757	49	98,198	1.45	4,118.2	33		20,691	21	763	389
Of which secured by real estate	67,385	1,902	100	69,291	0.54	349.2	12		3,886	6	55	146
– SME	244	5	65	247	2.75	1.0	–		–	–	–	1
– Non SME	67,141	1,897	100	69,045	0.53	348.2	13		3,886	6	55	145
Of which qualifying revolving retail	3,295	26,069	44	14,718	2.73	3,198.5	83		4,338	29	269	95
Of which other retail	10,842	5,786	58	14,189	4.61	570.6	79		12,467	88	439	148
– SME	1,474	881	5	1,513	7.11	9.2	66		1,199	79	46	36
– Non SME	9,368	4,906	67	12,675	4.31	561.4	81		11,268	89	393	112
Non-credit obligation assets	1,274	–	–	1,274	–				1,274	100		–
Total IRB[4]	395,289	571,995	13	473,713	2.22	4,167.2	41	1.04	155,069	33	5,336	4,809

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties for central governments or central banks, institutions and corporates and on individual pools of clients for retail

3 Corporates of which specialised lending includes exposures for specialised lending subject to supervisory slotting criteria

4 Refer to Table 5 (OV1) for RWA

3.2 Risk grade profile continued

Table 20: IRB – Credit risk exposure by exposure class continued

	31.12.17											
	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
IRB Exposure Class												
Central governments or central banks	118,102	172,582	1	122,098	0.21	0.3	47	1.36	20,655	17	117	–
Institutions	71,836	138,296	5	78,420	0.23	1.6	44	0.87	19,309	25	74	3
Corporates	116,510	235,187	22	167,640	5.90	50.7	42	1.50	94,348	56	5,005	4,726
Of which Specialised lending[3]	16,150	16,679	18	16,119	7.89	1.0	33	2.29	9,823	61	638	585
Of which SME	5,983	4,312	24	6,276	11.01	36.3	31	1.48	3,858	61	275	241
Retail	82,621	32,934	51	99,269	1.40	3,994.5	32		20,990	21	714	73
Of which secured by real estate	69,334	2,162	99	71,476	0.62	364.0	12		4,953	7	57	34
– SME	259	10	59	262	3.38	0.9	–		–	–	–	–
– Non SME	69,075	2,152	99	71,214	0.61	363.1	12		4,953	7	57	34
Of which qualifying revolving retail	3,210	24,788	45	14,276	2.60	3,099.1	84		4,339	30	254	1
Of which other retail	10,077	5,984	58	13,517	4.21	531.4	80		11,698	87	403	38
– SME	1,457	851	5	1,493	7.28	9.4	62		1,020	68	47	20
– Non SME	8,620	5,133	66	12,024	3.83	522.0	82		10,678	89	356	18
Non-credit obligation assets	1,300	–	–	1,300	–				1,300	100		–
Total IRB[4]	390,369	578,999	13	468,727	2.49	4,047.1	41	1.05	156,602	33	5,910	4,802

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties for central governments or central banks, institutions and corporates and on individual pools of clients for retail

3 Corporates of which specialised lending includes exposures for specialised lending subject to supervisory slotting criteria

4 Refer to Table 5 (OV1) for RWA

3.2 Risk grade profile continued

Table 21: IRB credit risk exposure by internal PD grade for central governments or central banks (CR6)

	30.06.18											
PD range %	**Original on-balance sheet gross exposure $million**	**Off-balance sheet exposure pre CCF $million**	**Average CCF %**	**EAD post CRM and post CCF $million**	**Average PD[1] %**	**Number of obligors[2] thousands**	**Average LGD[1] %**	**Average maturity[1] years**	**RWA $million**	**RWA density[1] %**	**Expected loss $million**	**Value adjust-ments and provisions $million**
0.00 to <0.15	**100,486**	**132,536**	**1**	**104,594**	**0.02**	**0.2**	**47**	**1.28**	**7,082**	**7**	**9**	
0.15 to <0.25	**6,617**	**8,357**	**–**	**6,655**	**0.22**	**–**	**46**	**2.10**	**3,131**	**47**	**7**	
0.25 to <0.50	**134**	**1,985**	**–**	**284**	**0.45**	**–**	**46**	**2.18**	**194**	**68**	**1**	
0.50 to <0.75	**1,000**	**15**	**–**	**1,004**	**0.67**	**–**	**46**	**1.18**	**709**	**71**	**3**	
0.75 to <2.50	**8,316**	**13,800**	**2**	**7,947**	**1.54**	**0.1**	**46**	**1.07**	**7,682**	**97**	**56**	
2.50 to <10.00	**438**	**774**	**2**	**453**	**5.13**	**–**	**46**	**1.36**	**687**	**152**	**11**	
10.00 to <100.00	**559**	**596**	**–**	**559**	**13.77**	**–**	**46**	**1.03**	**1,228**	**220**	**35**	
100.00 (default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
Total	**117,549**	**158,063**	**1**	**121,496**	**0.22**	**0.3**	**47**	**1.31**	**20,713**	**17**	**121**	**–**

	31.12.17											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	101,220	146,058	2	105,471	0.02	0.1	47	1.36	7,600	7	9	
0.15 to <0.25	6,104	8,076	–	6,133	0.22	–	46	1.80	2,680	44	6	
0.25 to <0.50	246	2,572	–	396	0.39	–	46	2.15	251	63	1	
0.50 to <0.75	1,030	–	–	1,030	0.67	–	46	1.14	712	69	3	
0.75 to <2.50	8,501	14,460	1	8,061	1.45	0.1	47	1.10	7,575	94	54	
2.50 to <10.00	482	819	1	485	4.89	–	46	1.08	693	143	11	
10.00 to <100.00	519	597	–	522	13.77	–	46	1.08	1,144	219	33	
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	
Total	118,102	172,582	1	122,098	0.21	0.3	47	1.36	20,655	17	117	–

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 22: IRB credit risk exposure by internal PD grade for institutions (CR6)

	30.06.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	57,411	102,832	4	65,079	0.04	0.8	42	1.04	7,932	12	12	
0.15 to <0.25	4,378	9,252	9	5,182	0.22	0.1	38	0.88	1,894	37	4	
0.25 to <0.50	8,297	12,804	4	7,303	0.46	0.2	39	0.56	3,955	54	14	
0.50 to <0.75	1,545	2,565	10	1,553	0.69	0.1	37	0.72	1,041	67	4	
0.75 to <2.50	5,455	11,993	15	5,637	1.53	0.4	28	0.35	3,658	65	25	
2.50 to <10.00	524	765	18	456	3.71	–	13	1.15	226	50	2	
10.00 to <100.00	27	101	11	38	19.38	–	34	0.83	76	199	3	
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	
Total	77,638	140,313	6	85,247	0.23	1.6	40	0.94	18,782	22	63	242

	31.12.17											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	53,259	102,704	4	61,592	0.04	0.7	45	0.93	8,015	13	12	
0.15 to <0.25	3,740	9,376	4	4,103	0.22	0.1	43	0.99	1,792	44	4	
0.25 to <0.50	8,078	11,747	3	6,496	0.42	0.2	42	0.61	3,651	56	12	
0.50 to <0.75	1,395	2,072	4	1,253	0.69	0.1	31	0.62	650	52	3	
0.75 to <2.50	4,890	11,444	12	4,554	1.58	0.4	44	0.40	4,753	104	32	
2.50 to <10.00	402	680	7	365	3.94	0.1	24	0.67	295	81	4	
10.00 to <100.00	69	268	5	53	28.79	–	42	0.78	153	287	4	
100.00 (default)	3	5	8	4	100.00	–	46	–	–	–	3	
Total	71,836	138,296	5	78,420	0.23	1.6	44	0.87	19,309	25	74	3

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 23: IRB credit risk exposure by internal PD grade for Corporates (CR6)

PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
	30.06.18											
0.00 to <0.15	**33,787**	**101,916**	**20**	**64,044**	**0.08**	**2.9**	**45**	**1.42**	**13,986**	**22**	**23**	
0.15 to <0.25	**12,039**	**33,432**	**21**	**18,501**	**0.22**	**2.1**	**42**	**1.65**	**7,348**	**40**	**18**	
0.25 to <0.50	**18,859**	**40,470**	**21**	**26,602**	**0.45**	**2.9**	**40**	**1.72**	**15,298**	**58**	**51**	
0.50 to <0.75	**6,074**	**12,910**	**24**	**8,950**	**0.67**	**1.6**	**38**	**1.39**	**5,417**	**61**	**24**	
0.75 to <2.50	**24,274**	**36,471**	**23**	**29,110**	**1.50**	**26.1**	**35**	**1.58**	**22,528**	**77**	**162**	
2.50 to <10.00	**9,698**	**9,054**	**23**	**8,794**	**5.28**	**4.9**	**38**	**1.21**	**10,884**	**124**	**179**	
10.00 to <100.00	**4,915**	**3,247**	**31**	**4,200**	**45.65**	**1.8**	**40**	**1.43**	**12,417**	**296**	**336**	
100.00 (default)	**5,757**	**1,405**	**–**	**5,315**	**100.00**	**4.7**	**55**	**1.23**	**4,151**	**78**	**3,583**	
Total	**115,403**	**238,905**	**21**	**165,516**	**5.19**	**47.0**	**42**	**1.50**	**92,029**	**56**	**4,376**	**4,178**

PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
	31.12.17											
0.00 to <0.15	28,989	91,479	21	58,216	0.08	2.7	46	1.49	12,897	22	21	
0.15 to <0.25	13,364	38,568	22	20,561	0.22	2.0	45	1.45	8,122	39	20	
0.25 to <0.50	17,815	39,553	22	24,877	0.44	2.4	40	1.64	13,297	53	46	
0.50 to <0.75	6,545	13,142	25	9,653	0.68	1.6	41	1.41	6,250	65	27	
0.75 to <2.50	26,843	37,982	25	32,399	1.50	28.9	35	1.63	24,663	76	177	
2.50 to <10.00	9,381	8,671	24	9,115	5.29	5.9	36	1.20	10,482	115	172	
10.00 to <100.00	5,022	3,141	34	4,478	46.03	2.1	37	1.45	11,819	264	310	
100.00 (default)	6,797	2,110	9	6,494	100.00	5.1	53	1.17	5,314	82	4,217	
Total	114,756	234,646	22	165,793	5.90	50.7	42	1.50	92,844	56	4,990	4,726

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 24: IRB credit risk exposure by internal PD grade for corporates – specialised lending (CR6)

	30.06.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	1,472	1,978	31	1,991	0.10	0.1	29	2.00	327	16	1	
0.15 to <0.25	1,925	2,605	12	1,882	0.22	0.1	35	2.71	686	36	2	
0.25 to <0.50	2,995	3,493	17	2,689	0.46	0.2	29	2.14	1,135	42	5	
0.50 to <0.75	661	1,456	16	862	0.68	0.1	29	1.37	372	43	2	
0.75 to <2.50	4,976	5,025	13	4,442	1.41	0.3	31	1.97	2,996	67	24	
2.50 to <10.00	1,081	1,592	12	824	5.11	0.1	31	1.26	823	100	14	
10.00 to <100.00	545	498	9	452	30.36	–	28	3.67	947	209	27	
100.00 (default)	721	166	5	730	100.00	0.1	45	1.37	332	45	493	
Total	14,376	16,814	16	13,872	7.18	1.0	31	2.05	7,617	55	569	446

	31.12.17											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	1,247	1,746	30	1,684	0.10	0.1	23	2.38	242	14	–	
0.15 to <0.25	1,952	2,952	16	2,233	0.22	0.1	35	2.44	697	31	2	
0.25 to <0.50	3,019	3,305	23	2,848	0.44	0.2	32	2.71	1,471	52	5	
0.50 to <0.75	870	843	18	984	0.67	0.1	35	2.77	644	65	3	
0.75 to <2.50	5,344	5,487	14	4,680	1.46	0.3	33	2.14	3,517	75	29	
2.50 to <10.00	656	1,384	12	649	5.45	0.1	26	1.65	623	96	12	
10.00 to <100.00	504	243	22	356	43.93	0.1	39	1.78	1,004	282	32	
100.00 (default)	805	177	21	841	100.00	0.1	43	1.31	123	15	540	
Total	14,397	16,137	18	14,275	7.89	1.0	33	2.29	8,321	58	623	585

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 25: IRB credit risk exposure by internal PD grade for corporates – SME (CR6)

	30.06.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	**216**	**757**	**9**	**287**	**0.08**	**–**	**32**	**2.75**	**146**	**51**	**–**	
0.15 to <0.25	**229**	**306**	**26**	**330**	**0.23**	**0.2**	**28**	**2.56**	**88**	**27**	**–**	
0.25 to <0.50	**369**	**1,185**	**22**	**554**	**0.49**	**0.6**	**45**	**1.24**	**282**	**51**	**1**	
0.50 to <0.75	**157**	**209**	**33**	**224**	**0.70**	**0.7**	**26**	**1.56**	**78**	**35**	**–**	
0.75 to <2.50	**2,749**	**1,527**	**24**	**2,793**	**1.56**	**22.7**	**25**	**1.46**	**1,291**	**46**	**12**	
2.50 to <10.00	**993**	**434**	**18**	**887**	**5.34**	**3.6**	**28**	**1.16**	**611**	**69**	**13**	
10.00 to <100.00	**310**	**137**	**28**	**334**	**33.00**	**0.9**	**33**	**1.19**	**699**	**209**	**17**	
100.00 (default)	**374**	**149**	**12**	**382**	**100.00**	**3.9**	**47**	**1.50**	**481**	**126**	**219**	
Total	**5,396**	**4,705**	**21**	**5,791**	**10.16**	**32.6**	**30**	**1.51**	**3,678**	**64**	**263**	**265**

	31.12.17											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	348	734	14	447	0.10	–	45	1.50	96	21	–	
0.15 to <0.25	281	385	25	416	0.23	0.2	33	2.20	115	28	–	
0.25 to <0.50	268	581	23	353	0.48	0.2	41	1.73	167	47	1	
0.50 to <0.75	168	177	24	221	0.70	0.6	41	1.46	106	48	1	
0.75 to <2.50	2,931	1,620	29	2,971	1.68	25.5	27	1.49	1,510	51	13	
2.50 to <10.00	1,169	479	26	1,084	5.34	4.4	27	1.16	749	69	16	
10.00 to <100.00	354	169	29	313	34.32	1.1	29	1.32	545	174	14	
100.00 (default)	464	167	14	471	100.00	4.3	43	1.45	570	121	230	
Total	5,983	4,312	24	6,276	11.01	36.3	31	1.48	3,858	61	275	241

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 26: IRB credit risk exposure by internal PD grade for retail (CR6)

	30.06.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjustments and provisions $million
0.00 to <0.15	58,843	17,237	53	67,924	0.05	1,468.3	21		2,467	4	10	
0.15 to <0.25	4,204	4,429	52	6,515	0.22	348.2	41		870	13	6	
0.25 to <0.50	3,909	2,389	61	5,369	0.43	245.3	53		1,723	32	12	
0.50 to <0.75	2,114	2,645	50	3,443	0.67	186.2	59		1,169	34	14	
0.75 to <2.50	7,111	4,026	44	8,886	1.69	645.2	68		6,801	77	106	
2.50 to <10.00	3,859	2,346	23	4,403	5.36	826.4	71		4,830	110	167	
10.00 to <100.00	853	677	26	1,029	30.46	323.6	67		1,763	171	194	
100.00 (default)	628	9	25	630	100.00	75.0	53		1,067	169	254	
Total	81,522	33,757	49	98,198	1.45	4,118.2	33		20,691	21	763	389

	31.12.17											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjustments and provisions $million
0.00 to <0.15	51,977	13,878	52	59,245	0.06	1,291.3	20		2,190	4	9	
0.15 to <0.25	7,733	4,847	57	10,475	0.22	345.8	32		1,182	11	8	
0.25 to <0.50	6,444	3,236	59	8,368	0.42	308.8	43		2,102	25	15	
0.50 to <0.75	2,687	2,921	51	4,187	0.67	204.3	54		1,287	31	15	
0.75 to <2.50	8,466	5,131	47	10,864	1.62	657.7	57		6,865	63	105	
2.50 to <10.00	3,981	2,288	29	4,639	5.14	788.6	67		4,830	104	161	
10.00 to <100.00	744	617	26	901	29.20	319.1	66		1,534	170	162	
100.00 (default)	589	16	9	590	100.00	78.9	53		1,000	169	239	
Total	82,621	32,934	51	99,269	1.40	3,994.5	32		20,990	21	714	73

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 27: IRB credit risk exposure by internal PD grade for retail – secured by real estate property (CR6)

	30.06.18											
PD range %	**Original on-balance sheet gross exposure $million**	**Off-balance sheet exposure pre CCF $million**	**Average CCF %**	**EAD post CRM and post CCF $million**	**Average PD[1] %**	**Number of obligors[2] thousands**	**Average LGD[1] %**	**Average maturity[1] years**	**RWA $million**	**RWA density[1] %**	**Expected loss $million**	**Value adjustments and provisions $million**
0.00 to <0.15	**57,824**	**1,406**	**100**	**59,236**	**0.05**	**263.8**	**12**		**1,981**	**3**	**4**	
0.15 to <0.25	**3,675**	**294**	**100**	**3,969**	**0.21**	**30.7**	**16**		**323**	**8**	**1**	
0.25 to <0.50	**2,259**	**81**	**100**	**2,339**	**0.43**	**18.4**	**16**		**309**	**13**	**2**	
0.50 to <0.75	**1,203**	**38**	**99**	**1,240**	**0.66**	**11.2**	**15**		**191**	**15**	**1**	
0.75 to <2.50	**1,600**	**77**	**100**	**1,677**	**1.41**	**13.7**	**14**		**401**	**24**	**3**	
2.50 to <10.00	**445**	**4**	**96**	**447**	**5.59**	**5.2**	**15**		**240**	**54**	**4**	
10.00 to <100.00	**188**	**1**	**99**	**190**	**38.27**	**2.9**	**15**		**162**	**86**	**10**	
100.00 (default)	**192**	**1**	**86**	**193**	**100.00**	**3.3**	**25**		**280**	**145**	**29**	
Total	**67,385**	**1,902**	**100**	**69,291**	**0.54**	**349.2**	**12**		**3,886**	**6**	**55**	**146**

	31.12.17											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjustments and provisions $million
0.00 to <0.15	51,121	827	100	51,948	0.05	251.9	11		1,764	3	2	
0.15 to <0.25	7,075	841	99	7,910	0.21	43.1	16		606	8	3	
0.25 to <0.50	4,612	88	96	4,697	0.43	25.4	14		536	11	3	
0.50 to <0.75	1,760	32	98	1,791	0.66	11.9	14		258	14	2	
0.75 to <2.50	3,558	325	99	3,876	1.48	19.1	14		904	23	8	
2.50 to <10.00	804	46	99	848	4.72	5.9	14		390	46	6	
10.00 to <100.00	202	2	98	204	34.33	3.2	15		181	89	10	
100.00 (default)	202	1	84	202	100.00	3.5	22		314	155	23	
Total	69,334	2,162	99	71,476	0.62	364.0	12		4,953	7	57	34

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 28: IRB credit risk exposure by internal PD grade for retail – qualifying revolving (CR6)

	30.06.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	831	14,777	48	7,890	0.07	1,183.1	85		331	4	5	
0.15 to <0.25	203	3,169	40	1,459	0.25	268.0	79		158	11	3	
0.25 to <0.50	140	1,079	49	666	0.43	145.9	77		108	16	2	
0.50 to <0.75	239	2,197	49	1,305	0.68	150.6	88		346	26	8	
0.75 to <2.50	596	2,485	37	1,509	1.73	423.1	81		734	49	21	
2.50 to <10.00	827	1,794	26	1,290	6.23	680.7	78		1,468	114	63	
10.00 to <100.00	302	566	25	441	26.53	309.4	79		905	205	92	
100.00 (default)	157	2	–	157	100.00	37.6	62		289	183	74	
Total	3,295	26,069	44	14,718	2.73	3,198.5	83		4,338	29	269	95

	31.12.17											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	644	12,188	49	6,567	0.07	1,017.8	87		282	4	4	
0.15 to <0.25	262	2,944	38	1,382	0.25	248.5	82		153	11	3	
0.25 to <0.50	245	1,759	52	1,163	0.42	195.1	78		184	16	4	
0.50 to <0.75	274	2,423	50	1,489	0.68	168.5	87		391	26	9	
0.75 to <2.50	659	3,260	38	1,900	1.55	467.5	81		854	45	24	
2.50 to <10.00	715	1,700	31	1,244	6.04	655.0	80		1,411	113	60	
10.00 to <100.00	264	507	24	384	25.30	304.6	81		813	212	79	
100.00 (default)	147	7	–	147	100.00	42.1	62		251	171	71	
Total	3,210	24,788	45	14,276	2.60	3,099.1	84		4,339	30	254	1

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 29: IRB credit risk exposure by internal PD grade for retail – SME (CR6)

	30.06.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	25	35	6	27	0.12	0.4	73		5	17	–	
0.15 to <0.25	92	53	13	99	0.26	0.8	71		28	28	–	
0.25 to <0.50	63	39	10	67	0.46	0.1	71		27	40	–	
0.50 to <0.75	53	18	7	55	0.68	–	75		29	52	–	
0.75 to <2.50	692	326	4	705	1.72	3.5	70		487	69	8	
2.50 to <10.00	458	366	4	468	5.17	3.3	58		332	71	14	
10.00 to <100.00	40	39	5	41	48.16	0.8	66		80	193	10	
100.00 (default)	50	4	3	50	100.00	0.3	57		213	423	13	
Total	1,474	881	5	1,513	7.11	9.2	66		1,199	79	46	36

	31.12.17											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	25	31	3	26	0.12	0.4	78		4	17	–	
0.15 to <0.25	96	52	13	104	0.26	0.7	68		28	27	–	
0.25 to <0.50	86	32	9	89	0.45	0.1	72		35	39	–	
0.50 to <0.75	75	39	6	77	0.68	–	72		39	50	–	
0.75 to <2.50	643	311	5	655	1.67	3.7	68		436	66	8	
2.50 to <10.00	434	346	4	442	5.21	3.3	49		265	60	11	
10.00 to <100.00	47	37	7	48	46.19	0.9	61		62	131	13	
100.00 (default)	51	3	4	52	100.00	0.3	48		151	292	15	
Total	1,457	851	5	1,493	7.28	9.4	62		1,020	68	47	20

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.3 Credit risk mitigation

Table 30 shows the unfunded credit protection held by the Group, consisting of credit derivatives and guarantees, and funded credit protection, including financial collateral. Exposure class has been defined based on the guarantor of the exposure.

Table 30: CRM techniques – overview (CR3)

	30.06.18				
	Exposures unsecured $million	Exposures secured $million	Exposures secured by collateral $million	Exposures secured by financial guarantees $million	Exposures secured by credit derivatives $million
IRB Exposure Class					
Total loans	**168,904**	**133,830**	**112,437**	**21,394**	**–**
Total debt securities	**111,680**	**4,494**	**3,894**	**600**	**–**
Total exposures	**280,584**	**138,324**	**116,331**	**21,994**	**–**
Of which defaulted	**6,536**	**1,798**	**1,798**	**–**	**–**

	31.12.17				
	Exposures unsecured $million	Exposures secured $million	Exposures secured by collateral $million	Exposures secured by financial guarantees $million	Exposures secured by credit derivatives $million
IRB Exposure Class					
Total loans	165,465	135,251	114,187	21,064	–
Total debt securities	105,276	3,157	2,495	662	–
Total exposures	270,741	138,408	116,682	21,726	–
Of which defaulted	7,062	2,361	2,361	–	–

Table 31: Effect of guarantees and collateral

	30.06.18		31.12.17	
	Exposures covered by unfunded credit protection $million	Exposures covered by funded credit protection $million	Exposures covered by unfunded credit protection $million	Exposures covered by funded credit protection $million
IRB Exposure Class				
Central governments or central banks	**4,064**	**14,717**	3,761	11,377
Institutions	**4,510**	**39,883**	5,582	32,164
Corporates	**18,644**	**75,011**	17,442	69,866
Retail[1]	**4**	**68,166**	4	70,107
Securitisation positions	**–**	**1,010**	–	973
Total IRB	**27,222**	**198,787**	26,789	184,487
Standardised Exposure Class				
Central governments or central banks	**1,618**	**309**	1,037	567
Multilateral development banks	**1,351**	**2,396**	1,482	530
Institutions	**394**	**25,954**	1,125	27,845
Corporates	**893**	**21,567**	86	21,016
Retail1	**3**	**787**	3	412
Secured on real estate property	**–**	**–**	–	1
Exposures in default	**–**	**2**	–	2
Items belonging to regulatory high risk categories	**–**	**45**	–	25
Other items[2]	**48**	**2**	83	3
Total Standardised	**4,307**	**51,062**	3,816	50,401
Total Exposure	**31,529**	**249,849**	30,605	234,888

1 The combined retail IRB exposure class includes both retail mortgages (secured by real estate collateral) and other types of retail exposures. The standardised retail exposure class excludes mortgages which are included in a separate class under the heading secured on real estate property

2 Other items include public sector entities

3.3 Credit risk mitigation continued

Table 32 presents the EAD before and after the effect of CRM, including credit substitution and financial collateral, with a further split into on-balance sheet and off-balance sheet exposures. Off-balance sheet exposures are presented before and after the application of standardised CCFs.

Table 32: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

	30.06.18					
	Exposures before CCF and CRM[1]		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet $million	Off-balance sheet $million	On-balance sheet $million	Off-balance sheet $million	RWA $million	RWA density %
Standardised Exposure Class						
Central governments or central banks	39,130	88,975	40,133	381	4,989	12
Multilateral development banks	11,084	7,894	12,231	102	–	–
Institutions	3,795	2,099	3,217	50	642	20
Corporates	25,554	27,708	15,553	1,136	15,811	95
Retail	12,288	8,094	11,598	319	8,475	71
Secured on real estate property	10,140	806	10,139	315	5,893	56
Exposures in default	358	17	355	9	364	100
Items belonging to regulatory high risk categories	2,059	342	1,953	37	2,985	150
Equity	1,684	–	1,684	–	4,209	250
Other items[2]	9,730	221	9,775	129	7,772	78
Total Standardised[3]	**115,822**	**136,156**	**106,638**	**2,478**	**51,140**	**47**

1 EAD before the effect of collateral and substitution

2 Other items include public sector entities

3 Refer to Table 5 (OV 1): Standardised approach $44,048 million and amount below threshold for deduction $7,092 million RWA

	31.12.17					
	Exposures before CCF and CRM[1]		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet $million	Off-balance sheet $million	On-balance sheet $million	Off-balance sheet $million	RWA $million	RWA density %
Standardised Exposure Class						
Central governments or central banks	35,160	75,115	35,955	247	4,675	13
Multilateral development banks	10,123	7,155	11,441	30	–	–
Institutions	3,899	2,007	3,885	63	808	20
Corporates	24,497	27,327	13,843	1,121	14,678	98
Retail	12,740	8,329	12,401	304	9,072	71
Secured on real estate property	10,131	704	10,130	290	5,838	56
Exposures in default	393	12	390	6	396	100
Items belonging to regulatory high risk categories	2,058	322	1,986	35	3,032	150
Equity	1,818	–	1,818	–	4,544	250
Other items[2]	10,041	288	10,120	192	8,363	81
Total Standardised	110,860	121,259	101,969	2,288	51,406	49

1 EAD before the effect of collateral and substitution.

2 Other items include public sector entities.

3.4 Standardised risk weight profile

External ratings, where available, are used to assign risk weights for standardised approach (SA) exposures. These external ratings must come from EU approved rating agencies, known as External Credit Assessment Institutions (ECAI); which currently include Moody's, Standard & Poor's and Fitch. The Group uses the ECAI ratings from these agencies in its day-to-day business, which are tracked and kept updated. Assessments provided by approved ECAI are mapped to credit quality steps as prescribed by the CRR.

The Group currently does not use assessments provided by export credit agencies for the purpose of evaluating RWA in the standardised approach.

The following tables set out EAD and EAD after CRM associated with each risk weight as prescribed in Part Three, Title II, Chapter 2 of the CRR, including credit and counterparty credit risk regulatory risk weights based on the exposure classes applied to unrated exposures.

Table 33: Standardised approach – exposures by asset classes and risk weights (pre CRM pre CCF) (CR5)

	30.06.18													
	Risk Weight													
	0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	Deducted	Total	Of which unrated
Standardised Exposure Class														
Central governments or central banks	123,031	–	–	6	–	3,319	–	592	5	1,152	–	–	128,105	–
Multilateral development banks	18,978	–	–	–	–	–	–	–	–	–	–	–	18,978	–
Institutions	–	1,547	57	1,889	–	2,127	–	274	–	–	–	–	5,894	2,860
Corporates	–	–	–	970	–	140	–	52,152	–	–	–	–	53,262	51,107
Retail	–	–	–	–	–	–	20,382	–	–	–	–	–	20,382	20,332
Secured on real estate property	–	–	–	–	3,461	4,192	–	2,434	–	–	859	–	10,946	10,946
Exposures in default	–	–	–	–	–	–	–	375	–	–	–	–	375	375
Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	2,401	–	–	–	2,401	2,377
Equity	–	–	–	–	–	–	–	–	–	1,684	–	–	1,684	1,684
Other items[1]	1,649	–	–	65	–	–	–	6,776	–	–	1,461	–	9,951	9,951
Total Standardised	**143,658**	**1,547**	**57**	**2,930**	**3,461**	**9,778**	**20,382**	**62,603**	**2,406**	**2,837**	**2,320**	**–**	**251,978**	**99,632**

1 Other items include cash, equity holdings, fixed assets, prepayments and accrued income

	31.12.17													
	Risk Weight													
	0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	Deducted	Total	Of which unrated
Standardised Exposure Class														
Central governments or central banks	105,644	–	–	4	–	2,872	–	641	8	1,106	–	–	110,275	–
Multilateral development banks	17,278	–	–	–	–	–	–	–	–	–	–	–	17,278	–
Institutions	–	1,826	40	1,017	–	2,811	–	212	–	–	–	–	5,906	3,110
Corporates	–	–	–	697	–	186	–	50,941	–	–	–	–	51,824	49,933
Retail	–	–	–	–	–	–	21,069	–	–	–	–	–	21,069	21,023
Secured on real estate property	–	–	–	–	3,453	4,226	–	2,324	–	–	832	–	10,835	10,835
Exposures in default	–	–	–	–	–	–	–	405	–	–	–	–	405	405
Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	2,380	–	–	–	2,380	2,364
Equity	–	–	–	–	–	–	–	–	–	1,818	–	–	1,818	1,818
Other items[1]	1,524	–	–	–	–	–	–	7,360	–	–	1,445	–	10,329	10,329
Total Standardised	124,446	1,826	40	1,718	3,453	10,095	21,069	61,883	2,388	2,924	2,277	–	232,119	99,817

1 Other items include cash, equity holdings, fixed assets, prepayments and accrued income

3.4 Standardised risk weight profile continued

Table 34: Standardised approach – exposures by asset classes and risk weights (post CRM post CCF) (CR5)

	30.06.18													
	Risk Weight													
	0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	Deduc-ted	Total	Of which unrated
Standardised Exposure Class														
Central governments or central banks	**35,495**	**–**	**–**	**116**	**–**	**3,338**	**–**	**406**	**5**	**1,153**	**–**	**–**	**40,514**	**–**
Multilateral development banks	**12,333**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,333**	**–**
Institutions	**–**	**1,547**	**57**	**1,141**	**–**	**283**	**–**	**239**	**–**	**–**	**–**	**–**	**3,267**	**1,871**
Corporates	**–**	**–**	**–**	**294**	**854**	**6**	**–**	**15,534**	**–**	**–**	**–**	**–**	**16,689**	**15,460**
Retail	**–**	**–**	**–**	**–**	**–**	**–**	**11,917**	**–**	**–**	**–**	**–**	**–**	**11,917**	**11,917**
Secured on real estate property	**–**	**–**	**–**	**–**	**3,438**	**4,047**	**–**	**2,301**	**–**	**–**	**668**	**–**	**10,454**	**10,454**
Exposures in default	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**364**	**–**	**–**	**–**	**–**	**364**	**364**
Items belonging to regulatory high risk categories	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,990**	**–**	**–**	**–**	**1,990**	**1,971**
Equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,684**	**–**	**–**	**1,684**	**1,684**
Other items[1]	**1,649**	**–**	**–**	**112**	**–**	**–**	**–**	**6,682**	**–**	**–**	**1,460**	**–**	**9,904**	**9,857**
Total Standardised	**49,478**	**1,547**	**57**	**1,664**	**4,293**	**7,675**	**11,917**	**25,526**	**1,995**	**2,837**	**2,128**	**–**	**109,117**	**53,578**

1 Other items include cash, equity holdings, fixed assets, prepayments and accrued income

	31.12.17													
	Risk Weight													
	0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	Deduc-ted	Total	Of which unrated
Standardised Exposure Class														
Central governments or central banks	31,731	–	–	4	–	2,907	–	446	8	1,106	–	–	36,202	–
Multilateral development banks	11,471	–	–	–	–	–	–	–	–	–	–	–	11,471	–
Institutions	–	1,826	40	801	830	264	–	187	–	–	–	–	3,948	2,001
Corporates	–	–	–	203	48	29	–	14,684	–	–	–	–	14,964	14,682
Retail	–	–	–	–	–	–	12,705	–	–	–	–	–	12,705	12,705
Secured on real estate property	–	–	–	–	3,422	4,073	–	2,221	–	–	704	–	10,420	10,420
Exposures in default	–	–	–	–	–	–	–	396	–	–	–	–	396	396
Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	2,021	–	–	–	2,021	2,007
Equity	–	–	–	–	–	–	–	–	–	1,818	–	–	1,818	1,818
Other items[1]	1,524	–	–	42	–	–	–	7,301	–	–	1,445	–	10,312	10,270
Total Standardised	44,726	1,826	40	1,050	4,300	7,273	12,705	25,235	2,029	2,924	2,149	–	104,257	54,299

1 Other items include cash, fixed assets, prepayments and accrued income

3.5 Counterparty credit risk

Counterparty credit risk (CCR) is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative contract defaults prior to the maturity date of the contract and that the Group at the time has a claim on the counterparty. CCR arises predominantly in the trading book, but also arises in the non-trading book due to hedging of external funding.

CCR is managed within the overall credit risk appetite for corporate and financial institutions and CCR limits are set for individual counterparties (including central clearing counterparties) and specific portfolio concentrations. Such limits take into account the credit quality and nature of the counterparty and are set in exposure value terms.

The Group reduces its credit exposures to counterparties by entering into contractual netting agreements which result in a single amount owed by or to the counterparty through netting the sum of the positive (amounts owed by the counterparty) and negative (amounts owed by the Group) mark-to-market (MTM) values of these transactions. Following International Accounting Standard (IAS) 32 requirements, the Group is permitted to offset assets and liabilities and present these net on the Group's balance sheet, only if there is a legally enforceable right to set off and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

Table 35 covers the credit exposure on derivative transactions after taking into account the benefits from legally enforceable netting agreements and the capital requirement by derivative type. The notional values settled with central counterparties and on a recognised trading exchange are also shown.

Table 35: Impact of netting and collateral held on exposure values (CCR5-A)

	30.06.2018				
	EAD before netting benefit $million	**Netting benefits $million**	**Netted current credit exposure $million**	**Collateral held $million**	**Net derivatives credit exposure $million**
Derivative contracts	**92,898**	**(44,177)**	**48,721**	**(10,886)**	**37,835**
Repo style transactions	**146,525**	**–**	**146,525**	**(126,671)**	**19,854**
Total	**239,423**	**(44,177)**	**195,246**	**(137,557)**	**57,689**

	31.12.2017				
	EAD before netting benefit $million	Netting benefits $million	Netted current credit exposure $million	Collateral held $million	Net derivatives credit exposure $million
Derivative contracts	84,294	(36,723)	47,571	(8,222)	39,349
Repo style transactions	130,098	–	130,098	(109,276)	20,822
Total	214,392	(36,723)	177,669	(117,498)	60,171

Table 36: Analysis of CCR exposures by approach (CCR1)

	30.06.18						
	Notional $million	Replacement cost/current market value $million	Potential future exposure $million	EEPE $million	Multiplier $million	EAD post CRM $million	RWA $million
Mark to market		17,312	22,827			31,805	11,407
Original exposure	N/A					N/A	N/A
Standardised approach				N/A	N/A	N/A	N/A
IMM (for derivatives and SFTs)				N/A	N/A	N/A	N/A
Of which securities financing transactions				N/A	N/A	N/A	N/A
Of which derivatives and long settlement transactions				N/A	N/A	N/A	N/A
Financial collateral simple method (for SFTs)						N/A	N/A
Financial collateral comprehensive method (for SFTs)						18,923	2,606
VaR for SFTs						N/A	N/A
Total							14,013

	31.12.17						
	Notional $million	Replacement cost/current market value $million	Potential future exposure $million	EEPE $million	Multiplier $million	EAD post CRM $million	RWA $million
Mark to market		17,561	21,869			32,450	11,811
Original exposure	N/A					N/A	N/A
Standardised approach				N/A	N/A	N/A	N/A
IMM (for derivatives and SFTs)				N/A	N/A	N/A	N/A
Of which securities financing transactions				N/A	N/A	N/A	N/A
Of which derivatives and long settlement transactions				N/A	N/A	N/A	N/A
Financial collateral simple method (for SFTs)						N/A	N/A
Financial collateral comprehensive method (for SFTs)						18,832	2,941
VaR for SFTs						N/A	N/A
Total							14,752

Table 37: Exposures to central counterparties (CCPs) (CCR8)

	30.06.18		31.12.17	
	EAD post CRM $million	RWA $million	EAD post CRM $million	RWA $million
Exposures to QCCPs				
Trade exposure	6,961	141	8,889	181
Of which OTC derivatives	3,601	73	4,827	100
Of which exchange-traded derivatives	2,430	49	2,072	41
Of which SFTs	930	19	1,990	40
Collateral posted	1,604	33	1,867	38
Prefunded default fund contributions	253	62	387	81
Total	8,818	236	11,143	300

The exposures for OTC derivatives decreased by $1.2 billion across multiple product lines, and there was a decrease of $1.0 billion in SFT exposures due to a reduction in repo business.

3.5 Counterparty credit risk continued

Table 38: Credit derivatives exposures (CCR6)

	30.06.18			31.12.17		
	Bought $million	Sold $million	Total[1] $million	Bought $million	Sold $million	Total[1] $million
Notionals						
Credit default swaps	**20,496**	**14,137**	**34,632**	19,409	12,459	31,869
Total return swaps	**3,210**	**–**	**3,210**	2,549	246	2,795
Credit options	**–**	**–**	**–**	–	–	–
Other Credit derivatives	**48**	**–**	**48**	108	–	108
Total notionals	**23,755**	**14,137**	**37,892**	22,067	12,705	34,772
Fair values						
Positive fair value (asset)	**100**	**204**	**304**	33	215	249
Negative fair value (liability)	**1,102**	**(38)**	**1,064**	873	–	873

1 Principally related to intermediary activity for Trading.

Table 39: Credit valuation adjustment (CVA) capital charge (CCR2)

	30.06.18		31.12.17	
	Exposure Value $million	RWA $million	Exposure Value $million	RWA $million
Total portfolios subject to the Advanced Method	**–**	**–**	–	–
(i) VaR component (including the 3x multiplier)	**–**	**–**	–	–
(ii) Stressed VaR component (including the 3x multiplier)	**–**	**–**	–	–
All portfolios subject to the Standardised Method	**19,674**	**476**	19,322	503
Based on Original Exposure Method	**–**	**–**	–	–
Total subject to the CVA capital charge	**19,674**	**476**	19,322	503

3.5 Counterparty credit risk continued

Table 40 depicts EAD after the effect of collateral associated with each risk weight prescribed in Part Three, Title II, Chapter 2 of the CRR for counterparty credit risk.

Table 40: Standardised approach – CCR exposures by regulatory portfolio and risk (CCR3)

	30.06.18													
	Risk Weight													Of which
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Others	Total	unrated
Standardised Exposure Class														
Central governments or central banks	450	–	–	–	1	–	2	–	–	–	–	–	453	–
Multilateral development banks	1,742	–	–	–	–	–	–	–	–	–	–	–	1,742	–
Institutions	–	6,958	–	–	2	–	13	–	–	–	–	–	6,973	–
Corporates	–	–	–	–	957	–	2	–	–	113	–	–	1,072	442
Retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Secured on real estate property	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	–	–	–	–	16	–	–	16	16
Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other items	–	–	–	–	–	–	–	–	–	28	–	–	28	28
Total Standardised	2,192	6,958	–	–	960	–	17	–	–	157	–	–	10,284	486

	31.12.17													
	Risk Weight													Of which
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Others	Total	unrated
Standardised Exposure Class														
Central governments or central banks	406	–	–	–	4	–	2	–	–	–	–	–	412	–
Multilateral development banks	1,978	–	–	–	–	–	–	–	–	–	–	–	1,978	–
Institutions	–	8,870	–	–	5	–	4	–	–	–	–	–	8,879	–
Corporates	–	–	–	–	1,004	–	1	–	–	194	–	–	1,199	443
Retail	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Secured on real estate property	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other items	–	–	–	–	–	–	–	–	–	10	–	–	10	10
Total Standardised	2,384	8,870	–	–	1,013	–	7	–	–	204	–	–	12,478	453

3.5 Counterparty credit risk continued

Tables 41 to 46 provide further detail on the exposure classes subject to counterparty credit risk, in particular for central governments or central banks, institutions, corporates and retail. These have been split by internal credit grade which relate to the PD ranges presented.

Table 41: IRB – CCR exposures by exposure class

	30.06.18						
	EAD post CRM and post CCF $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] Years	RWA $million	RWA density[2] %
IRB exposure class							
Central governments or central banks	**19,441**	**0.06**	**124**	**14**	**3.19**	**644**	**3**
Institutions	**53,779**	**0.12**	**1,420**	**18**	**0.64**	**4,548**	**8**
Corporates	**73,036**	**0.17**	**11,794**	**17**	**0.43**	**8,464**	**12**
Of which specialised lending	**2,612**	**0.58**	**458**	**31**	**1.23**	**983**	**38**
Of which SME	**581**	**0.27**	**319**	**58**	**3.01**	**368**	**63**
Total IRB	**146,256**	**0.14**	**14,115**	**17**	**0.49**	**13,656**	**9**

	31.12.17						
	EAD post CRM and post CCF[1] $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] Years	RWA $million	RWA density[2] %
IRB exposure class							
Central governments or central banks	17,160	0.06	122	18	0.24	664	4
Institutions	46,624	0.11	1,433	21	0.62	4,398	9
Corporates	63,977	0.34	11,566	20	0.50	9,283	15
Of which specialised lending	1,679	1.48	475	42	2.75	1,041	62
Of which SME	546	0.30	389	66	3.13	382	70
Total IRB	127,761	0.22	13,121	20	0.51	14,345	11

1 EAD for 2017 has been represented as being gross of collateral as the impact of collateral is reflected in the LGD

2 Weighted averages are based on EAD

3 Number of obligors is based on number of counterparties

3.5 Counterparty credit risk continued

Table 42: IRB – CCR exposures by PD scale for central governments or central banks (CCR4)

	30.06.18						
PD range %	**EAD post CRM and post CCF $million**	**Average PD[2] %**	**Number of obligors[3]**	**Average LGD[2] %**	**Average maturity[2] years**	**RWA $million**	**RWA density[2] %**
0.00 to < 0.15	**18,688**	**0.03**	**70**	**13**	**0.30**	**300**	**2**
0.15 to < 0.25	**402**	**0.22**	**8**	**41**	**0.03**	**88**	**22**
0.25 to < 0.50	**4**	**0.51**	**4**	**46**	**1.00**	**2**	**57**
0.50 to < 0.75	**–**	**–**	**1**	**–**	**–**	**–**	**–**
0.75 to < 2.50	**347**	**1.77**	**32**	**36**	**0.86**	**254**	**73**
2.50 to < 10.00	**1**	**3.51**	**9**	**46**	**1.00**	**1**	**125**
10.00 to < 100.00	**–**	**–**	**–**	**–**	**–**	**–**	**–**
100.00 (default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**19,441**	**0.06**	**124**	**14**	**3.19**	**644**	**3**

	31.12.17						
PD range %	EAD post CRM and post CCF[1] $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] years	RWA $million	RWA density[2] %
0.00 to < 0.15	16,489	0.03	67	17	0.22	340	2
0.15 to < 0.25	453	0.22	8	46	0.03	112	25
0.25 to < 0.50	11	0.51	6	46	1.00	6	57
0.50 to < 0.75	–	–	–	–	–	–	–
0.75 to < 2.50	207	1.91	32	47	1.74	206	99
2.50 to < 10.00	–	3.51	9	46	1.00	–	124
10.00 to < 100.00	–	–	–	–	–	–	–
100.00 (default)	–	–	–	–	–	–	–
Total	17,160	0.06	122	18	0.24	664	4

1 EAD for 2017 has been represented as being gross of collateral as the impact of collateral is reflected in the LGD

2 Weighted averages are based on EAD

3 Number of obligors is based on number of counterparties within each PD grade

3.5 Counterparty credit risk continued

Table 43: IRB – CCR exposures by PD scale for institutions (CCR4)

PD range %	EAD post CRM and post CCF $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] years	RWA $million	RWA density[2] %
	30.06.18						
0.00 to < 0.15	**45,617**	**0.05**	**699**	**19**	**0.61**	**2,977**	**7**
0.15 to < 0.25	**4,677**	**0.22**	**105**	**12**	**0.52**	**541**	**12**
0.25 to < 0.50	**2,142**	**0.46**	**195**	**18**	**0.77**	**571**	**27**
0.50 to < 0.75	**386**	**0.67**	**54**	**13**	**0.53**	**93**	**24**
0.75 to < 2.50	**956**	**1.77**	**342**	**15**	**2.19**	**366**	**38**
2.50 to < 10.00	**1**	**3.60**	**18**	**46**	**1.00**	**1**	**152**
10.00 to < 100.00	**–**	**–**	**7**	**–**	**–**	**–**	**–**
100.00 (default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**53,779**	**0.12**	**1,420**	**18**	**0.64**	**4,548**	**8**

PD range %	EAD post CRM and post CCF[1] $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] years	RWA $million	RWA density[2] %
	31.12.17						
0.00 to < 0.15	38,592	0.05	704	22	0.64	2,884	7
0.15 to < 0.25	4,029	0.22	115	13	0.48	489	12
0.25 to < 0.50	2,915	0.41	192	12	0.47	480	16
0.50 to < 0.75	146	0.67	54	27	1.61	78	54
0.75 to < 2.50	942	1.26	347	20	0.72	467	50
2.50 to < 10.00	–	3.51	14	46	1.00	–	75
10.00 to < 100.00	–	13.77	7	46	1.00	–	250
100.00 (default)	–	–	–	–	–	–	–
Total	46,624	0.11	1,433	21	0.62	4,398	9

1 EAD for 2017 has been represented as being gross of collateral as the impact of collateral is reflected in the LGD

2 Weighted averages are based on EAD

3 Number of obligors is based on number of counterparties within each PD grade

3.5 Counterparty credit risk continued

Table 44: IRB – CCR exposures by PD scale for corporates (CCR4)

PD range %	EAD post CRM and post CCF $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] years	RWA $million	RWA density[2] %
	30.06.18						
0.00 to < 0.15	**59,846**	**0.05**	**4,166**	**14**	**0.30**	**2,619**	**4**
0.15 to < 0.25	**3,322**	**0.22**	**1,670**	**35**	**1.14**	**1,052**	**32**
0.25 to < 0.50	**7,084**	**0.44**	**2,052**	**28**	**0.76**	**2,161**	**31**
0.50 to < 0.75	**917**	**0.67**	**714**	**37**	**0.95**	**523**	**57**
0.75 to < 2.50	**1,630**	**1.41**	**1,920**	**45**	**1.66**	**1,562**	**96**
2.50 to < 10.00	**103**	**5.45**	**551**	**63**	**2.49**	**231**	**225**
10.00 to < 100.00	**102**	**17.90**	**442**	**57**	**1.40**	**292**	**287**
100.00 (default)	**1**	**100.00**	**279**	**41**	**1.68**	**1**	**87**
Total	**73,005**	**0.17**	**11,794**	**17**	**0.43**	**8,442**	**12**

PD range %	EAD post CRM and post CCF[1] $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] years	RWA $million	RWA density[2] %
	31.12.17						
0.00 to < 0.15	48,705	0.05	3,773	16	0.39	2,848	6
0.15 to < 0.25	4,493	0.22	1,795	37	0.78	1,095	24
0.25 to < 0.50	6,873	0.43	1,978	28	0.72	2,304	34
0.50 to < 0.75	853	0.68	725	35	1.12	431	51
0.75 to < 2.50	2,206	1.37	2,011	45	1.40	1,824	83
2.50 to < 10.00	207	4.62	582	66	1.98	345	167
10.00 to < 100.00	576	15.81	392	14	0.36	384	67
100.00 (default)	17	100.00	286	57	1.42	18	104
Total	63,930	0.34	11,542	20	0.50	9,249	14

1 EAD for 2017 has been represented as being gross of collateral as the impact of collateral is reflected in the LGD

2 Weighted averages are based on EAD

3 Number of obligors is based on number of counterparties within each PD grade

3.5 Counterparty credit risk continued

Table 45: IRB – CCR exposures by PD scale for corporates – specialised lending (CCR4)

PD range %	EAD post CRM and post CCF $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] years	RWA $million	RWA density[2] %
	30.06.18						
0.00 to < 0.15	364	0.10	56	27	2.76	68	19
0.15 to < 0.25	1,346	0.22	42	25	0.52	221	16
0.25 to < 0.50	234	0.45	99	42	1.57	123	53
0.50 to < 0.75	170	0.67	44	45	1.62	118	70
0.75 to < 2.50	431	1.26	142	44	1.61	369	86
2.50 to < 10.00	27	4.91	38	40	3.27	37	136
10.00 to < 100.00	9	29.11	14	55	3.90	24	271
100.00 (default)	–	100.00	23	37	1.91	–	–
Total	2,581	0.58	458	32	1.23	961	37

PD range %	EAD post CRM and post CCF[1] $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] years	RWA $million	RWA density[2] %
	31.12.17						
0.00 to < 0.15	444	0.10	59	30	3.90	107	24
0.15 to < 0.25	312	0.22	42	57	2.08	150	48
0.25 to < 0.50	257	0.47	97	44	2.79	163	64
0.50 to < 0.75	118	0.67	31	33	2.04	67	57
0.75 to < 2.50	451	1.38	148	47	2.19	445	99
2.50 to < 10.00	31	4.21	33	27	3.82	29	92
10.00 to < 100.00	18	71.90	15	44	4.94	43	243
100.00 (default)	1	100.00	26	21	3.36	2	188
Total	1,632	1.50	451	42	2.78	1,006	62

1 EAD for 2017 has been represented as being gross of collateral as the impact of collateral is reflected in the LGD

2 Weighted averages are based on EAD

3 Number of obligors is based on number of counterparties within each PD grade

3.5 Counterparty credit risk continued

Table 46: IRB – CCR exposures by PD scale for corporates – SME (CCR4)

	30.06.18						
PD range %	EAD post CRM and post CCF $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] years	RWA $million	RWA density[2] %
0.00 to < 0.15	**289**	**0.11**	**27**	**53**	**1.85**	**90**	**31**
0.15 to < 0.25	**141**	**0.22**	**29**	**59**	**4.99**	**98**	**69**
0.25 to < 0.50	**124**	**0.41**	**47**	**64**	**3.50**	**119**	**96**
0.50 to < 0.75	**–**	**0.67**	**15**	**61**	**1.00**	**–**	**68**
0.75 to < 2.50	**26**	**1.52**	**143**	**91**	**2.80**	**59**	**229**
2.50 to < 10.00	**1**	**4.92**	**46**	**62**	**1.08**	**1**	**161**
10.00 to < 100.00	**–**	**32.96**	**12**	**66**	**1.00**	**–**	**364**
100.00 (default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**581**	**0.27**	**319**	**58**	**3.01**	**368**	**63**

	31.12.17						
PD range %	EAD post CRM and post CCF[1] $million	Average PD[2] %	Number of obligors[3]	Average LGD[2] %	Average maturity[2] years	RWA $million	RWA density[2] %
0.00 to < 0.15	229	0.12	29	66	2.15	93	41
0.15 to < 0.25	181	0.22	35	60	4.99	130	72
0.25 to < 0.50	111	0.46	41	71	2.11	98	89
0.50 to < 0.75	–	0.67	24	60	1.00	–	71
0.75 to < 2.50	24	1.56	134	96	3.20	60	247
2.50 to < 10.00	1	4.96	58	53	1.40	1	123
10.00 to < 100.00	–	37.65	14	25	1.44	–	128
100.00 (default)	–	100.00	54	38	1.00	–	187
Total	546	0.30	389	66	3.13	382	76

1 EAD for 2017 has been represented as being gross of collateral as the impact of collateral is reflected in the LGD

2 Weighted averages are based on EAD

3 Number of obligors is based on number of counterparties within each PD grade

4. Market risk

Market risk is the potential for loss of economic value due to adverse changes in financial market rates or prices. The Group's exposure to market risk arises predominantly from these sources:

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

Interest rate risk from non-trading book portfolios is transferred to local Treasury Markets desks under the supervision of local Asset and Liability Committees. Treasury Markets deals in the market in approved financial instruments in order to manage the net interest rate risk, subject to approved Value-at-Risk (VaR) and risk limits.

The primary categories of market risk for the Group are:

- Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options
- Foreign exchange rate risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options
- Commodity risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture
- Equity risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options
- Credit spread risk: arising from changes in the credit spread of the Group's derivative counterparties through CVA accounting

Market risk regulatory capital requirements

The PRA specifies minimum capital requirements against market risk in the trading book. Interest rate risk in the non-trading book is covered separately under the Pillar 2 framework.

The PRA has granted the Group permission to use the IMA covering the majority of interest rate, foreign exchange, and commodity market risk in the trading book. Positions outside the IMA scope are assessed according to standard PRA rules.

The minimum regulatory market risk capital requirements for the trading book are presented in Table 47 for the Group.

Table 47: Market risk regulatory capital requirements

	30.06.18		31.12.17	
Market risk capital requirements for trading book	**Risk Weighted Assets $million**	**Regulatory capital requirement $million**	Risk Weighted Assets $million	Regulatory capital requirement $million
Interest rate[1]	**6,900**	**552**	8,156	652
Equity	**4**	**–**	13	1
Options	**266**	**21**	1,089	87
Commodity[2]	**171**	**14**	231	19
Foreign exchange[2]	**594**	**48**	775	62
Internal Models Approach[3]	**12,683**	**1,015**	12,776	1,022
Total	**20,618**	**1,650**	23,040	1,843

1 Securitisation positions contributed $14.3 million to the interest rate position risk requirement (PRR) and $179.3 million to interest rate RWA as at 30 June 2018 (securitised positions contributed $11.9million to the interest rate PRR and $149.1 million to interest rate RWA as at 31 December 2017)

2 Commodity and foreign exchange cover non-trading book as well as trading book

3 Where the risks are not within the approved scope of the IMA, they are captured in the relevant category above based on the Standardised Approach

Market risk regulatory capital requirements continued

Table 48: Market risk under standardised approach (MR1)

	30.06.18		31.12.17	
	Risk Weighted Assets $million	Regulatory capital requirement $million	Risk Weighted Assets $million	Regulatory capital requirement $million
Outright products				
Interest rate risk	6,900	552	8,365	669
Equity risk	4	–	4	–
Foreign exchange risk	594	48	997	80
Commodity risk	171	14	192	15
Options	266	21	706	56
Simplified approach	–	–	–	–
Delta-plus method	11	1	12	1
Scenario approach	255	20	694	56
Securitisation (specific risk)[1]	179	14	149	12
Total	7,935	635	10,264	820

1 Securitisation (specific risk) is included in the interest rate risk RWA number

Internal Models Approach

Table 49 shows the average, high and low Stressed VaR for the period December 2017 to June 2018 and the actual position on 30 June 2018. The Stressed VaR results reflect only the Group portfolio covered by the IMA and are calculated at a 99 per cent confidence level.

Table 49: IMA values for trading portfolios (MR3)

	30.06.18				31.12.17			
	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
VaR (10 day 99%)-	34	48	24	29	42	99	26	44
Stressed VaR (10 day 99%)-	165	260	106	175	152	259	103	129
Incremental Risk Charge (99.99%)	–	–	–	–	–	–	–	–
Comprehensive Risk capital charge (99.9%)	–	–	–	–	–	–	–	–

1 Highest and lowest VaR for each risk factor are independent and usually occur on different days

2 Actual one day VaR as at period end date

Table 50: Market risk under internal models approach (MR2-A)

	30.06.18		31.12.17	
	Risk Weighted Assets $million	Regulatory capital requirement $million	Risk Weighted Assets $million	Regulatory capital requirement $million
VaR (higher of values a and b)	1,661	133	1,978	158
(a) Previous day's VaR	463	37	905	72
(b) Average of the daily VaR	1,661	133	1,978	158
SVaR (higher of values a and b)	8,089	647	8,083	647
(a) Latest SVaR	2,613	209	2,000	160
(b) Average of the SVaR	8,089	647	8,084	647
Other[1]	2,933	235	2,715	217
Total[2]	12,683	1,015	12,776	1,022

1 Other IMA capital add-ons for market risks are not fully captured in either VaR or SVaR. More details on Risks not in VaR can be found in the Half Year Report 2018 on page 60

2 There are zero IRC and CRM as the Group has not received model permission for specific interest rate risk comprehensive risk measure

Backtesting

Regulatory backtesting is applied at both Group and Solo levels. In the 12 months to 30 June 2018, there has been one negative exception at Group level.

This exception occurred on 18 December 2017 due to yield curve moves in Nigeria. The Central Bank of Nigeria restarted their liquidity management open market operations unexpectedly, filling Nigerian treasury bill auctions below the lowest bid yields. This move caused the market to sell off and Nigerian Naira yields to rise sharply.

One exception in a year due to market events is within the 'green zone' applied internationally to internal models by bank supervisors (Basel Committee on Banking Supervision: 'Supervisory framework for the use of backtesting in conjunction with the internal models approach to market risk capital requirements', January 1996).

The graphs below illustrate the performance of the VaR model used in the Group capital calculations. They compare the 99 percentile loss confidence level given by the VaR model with the Hypothetical and Actual P&L of each day given the real market movements. Actual backtesting P&L excludes from trading P&L: brokerage expense, fees and commissions, non-market-related accounting valuation adjustments and accounting debit valuation adjustments. Hypothetical backtesting P&L further excludes P&L from new deals and market operations.

Table 51: June 2018 Backtesting chart for Internal Model Approach regulatory trading book at Group level with hypothetical profit and loss (P&L) versus VaR (99 per cent, one day) (MR4)

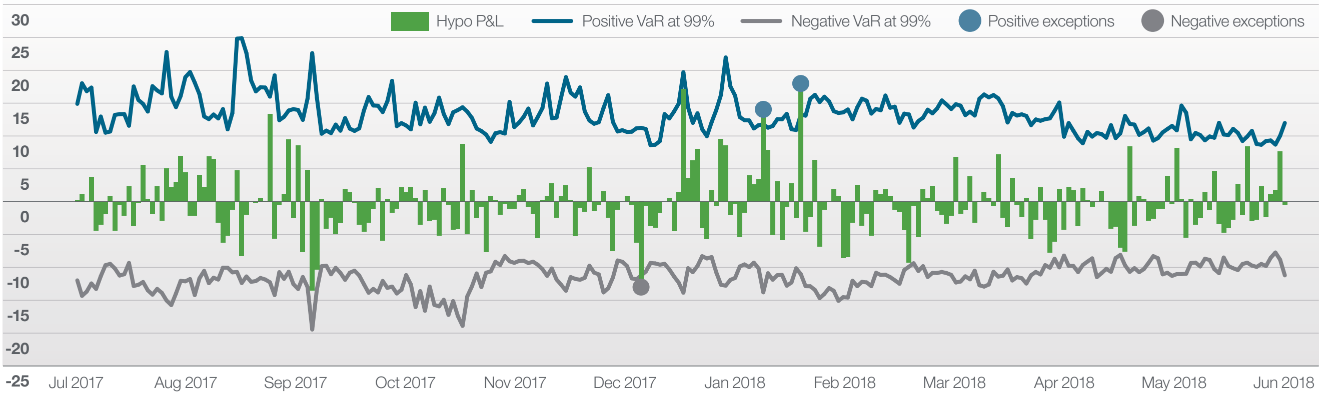
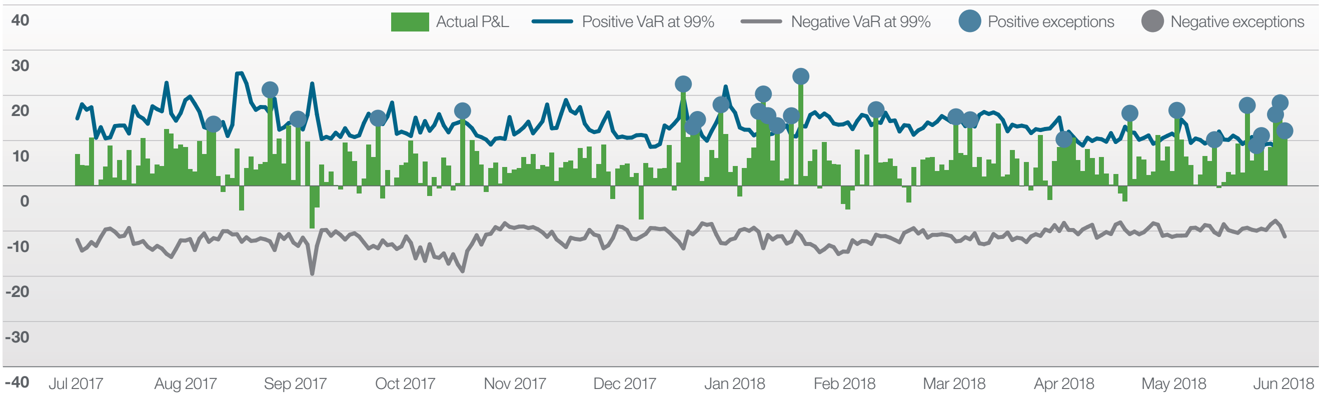


Table 52: June 2018 Backtesting chart for Internal Model Approach regulatory trading book at Group level with actual profit and loss (P&L) versus VaR (99 per cent, one day) (MR4)



The June 2018 IMA Group level backtesting chart outliers are all positive, reflecting the additional elements of actual P&L (compared to hypothetical). There were 24 such positive actual outliers in 2018.

5. 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.

Acronyms

ABS	Asset Backed Securities
AIRB	Advanced Internal Rating Based approach
ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BOU	Bank of Uganda
BRC	Board Risk Committee
CB	Commercial Banking
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical capital buffer
CDOs	Collateralised Debt Obligations
CDS	Credit Default Swap
CET1	Common Equity Tier 1
CIB	Corporate and Institutional Banking
CMBS	Commercial Mortgage Backed Securities
CQS	Credit Quality Step
CPM	Credit & Portfolio Management
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CSDG	Capital Structuring & Distribution Group
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Bank
DVA	Debit Valuation Adjustment
EAD	Exposure at default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
EL	Expected loss
FCA	Financial Conduct Authority
FIRB	Foundation Internal Ratings Based approach
FPC	Financial Policy Committee
FSB	Financial Stability Board
FSS	Financial Supervisory Service (South Korea)
FVA	Funding valuation adjustments
GCRO	Group Chief Risk Officer
G-SIB	Global Systemically Important Bank
G-SII	Global Systemically Important Institutions
HKMA	Hong Kong Monetary Authority
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IIP	Individually assessed loan impairment provisions

IMA	Internal Model Approach
IRB	Internal Ratings Based
IRC	Incremental Risk Charge
IRR	Interest Rate Risk
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MAC	Model Assessment Committee
MAS	Monetary Authority of Singapore
MDB	Multilateral Development Banks
MR	Market Risk
MTM	Mark-To-Market
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
O-SII	Other Systemically Important Institution
OBSC	Operational Balance Sheet Committee
OTC	Over the counter
PD	Probability of Default
PFE	Potential Future Exposure
PIP	Portfolio Impairment Provision
PIT	Point in Time
PM	Portfolio Management
PRA	Prudential Regulation Authority
PV01	Present Value 01
PVA	Prudent Valuation Adjustment
QCCP	Qualifying Central Counterparty
QRRE	Qualifying Revolving Retail Exposure
RMB	Renminbi
RMBS	Residential Mortgage Backed Securities
RNIV	Risk not in VaR
RTS	Regulatory Technical Standards
RWAs	Risk-Weighted Assets
SA	Standardised Approach
SFT	Securities Financing Transactions
SIF	Significant Influence Function
SME	Small and Medium – sized Enterprise
SPE	Special Purpose Entity
SVAR	Stressed VaR
T1	Tier 1 capital
T2	Tier 2 capital
TC	Total capital
TLAC	Total loss-absorbing capacity
TM	Treasury Markets
TRS	Total Return Swap
TTC	Through the cycle
VaR	Value at Risk
VBC	Valuation and Benchmarks Committee
XVA	Credit and Funding Valuation Adjustment

Glossary

Additional Tier 1 (AT1) capital	Additional Tier 1 capital consists of instruments issued by the bank and related share premium other than Common Equity Tier 1 that meet the Capital Requirement Regulation (CRR) criteria for inclusion in Tier 1 capital.
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.
Arrears	A debt or other financial obligation is considered to be in a state of arrears when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'delinquency'.
Available-for-Sale	Non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables; held to maturity investments, or financial assets at fair value through profit or loss.
ASEAN	Association of South East Asian Nations (ASEAN) which includes the Group's operation in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
Asset Backed Securities (ABS)	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of Collateralised Debt Obligations (CDOs), the reference pool may be ABS.
Attributable profit to ordinary shareholders	Profit for the year after non-controlling interests and the declaration of dividends on preference shares classified as equity.
Backtesting	A statistical technique used to monitor and assess the accuracy of a model, and how that model would have performed had it been applied in the past.
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	In December 2010, the BCBS issued the Basel III rules text, which were updated in June 2011, and represents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. The new requirements have been phased in and will be fully implemented by 1 January 2019. In December 2017, the BCBS published a document setting out the finalisation of the Basel III framework. The new requirements issued in December 2017 will be implemented from 2022.
Basis point (bps)	One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent. Used in quoting movements e.g. in interest rates or yields on securities.
Capital conservation buffer	A capital buffer prescribed by regulators under Basel III and designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should a bank's CET1 capital fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.
Capital Requirements Directive (CRD)	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.
Central Counterparty (CCP)	A CCP is a clearing house that acts as an intermediary between counterparties for certain products that are traded in one or more financial markets.
Common Equity Tier 1 (CET1) capital	Common Equity Tier 1 capital consists of the common shares issued by the bank 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.
Common Equity Tier 1 ratio	Common Equity Tier 1 capital as a percentage of risk-weighted assets.
Countercyclical capital buffer (CCyB)	The countercyclical capital buffer is part of a set of macroprudential instruments, designed to help counter pro-cyclicality 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 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 (CCR)	The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.
CRD IV	Represents the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) that implement the Basel III proposals in Europe.
Credit Conversion Factor (CCF)	Either prescribed by CRR or modelled by the bank, an estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default.
Credit Default Swap (CDS)	A derivative contract where a buyer pays a fee to a seller in return for receiving a payment in the event of a credit event (for example bankruptcy, payment default on a reference asset or assets, or downgrades by an rating agency) on an underlying obligation.
Credit quality step (CQS)	Credit Quality Steps (CQS) are used to derive the risk-weight to be applied to exposures treated under the Standardised approach to credit risk.
Credit risk	Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group in accordance with agreed terms.

Credit risk mitigation (CRM)	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.
Credit support annex (CSA)	A legal document that regulates the exchange of collateral between the parties of OTC derivative transactions.
Credit Valuation Adjustment (CVA)	In the context of prudential requirements, additional regulatory capital charge that covers the risk of mark to market losses associated with changes in the credit worthiness of counterparties to derivative transactions.
Debit Valuation Adjustment (DVA)	In the context of prudential requirements, adjustment required to Tier 1 capital to derecognise any unrealised fair value gains and losses associated with fair valued liabilities that are attributable to the market's perception of the Group's credit worthiness.
Domestic systemically important banks (D-SIB)	Domestic systemically important banks are deemed systemically relevant for the domestic financial system in which they operate. The FSB and the BCBS have developed a framework for identifying and dealing with D-SIBs. The D-SIB framework has been implemented in the EU via CRD IV which refers to D-SIBs as Other Systemically Important Institutions ('O-SIIs').
Equity price risk	The financial risk involved in holding equity in a particular investment. Arises from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.
Expected Loss (EL)	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 (PD), Loss Given Default (LGD) and Exposure at Default (EAD), with a one-year time horizon.
Exposure	Credit exposures represent the amount lent to a customer, together with any undrawn commitment.
Exposure at default (EAD)	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.
External Credit Assessment Institutions (ECAI)	For the Standardised Approach to credit risk for sovereigns, corporates and institutions, external ratings are used to assign risk-weights. These external ratings must come from credit rating agencies that are registered or certified in accordance with the credit rating agencies (CRA) regulation or from a central bank issuing credit ratings which is exempt from the application this regulation.
Fair value	The value of an asset or liability when it is transacted on an arm's length basis between knowledgeable and willing parties.
Financial Policy Committee (FPC)	The Financial Policy Committee is an independent committee at the Bank of England that has the primary objective of identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC's secondary objective is to support the economic policy of the Government.
Foreseeable dividends net of scrip	Includes both ordinary and preference share dividends reasonably expected to be paid out of any future residual interim or year-end profits. In the case of ordinary dividends, the amount of foreseeable dividends deducted from the interim or year-end profits is equal to the amount of interim or year-end profits multiplied by the dividend payout ratio. In the case of preference share dividends, the amount of foreseeable dividends is equal to the amount accrued during the relevant reporting period payable at a future date.
Foundation Internal Ratings Based (FIRB) Approach	A method of calculating credit risk capital requirements using internal PD models but with supervisory estimates of LGD and conversion factors for the calculation of EAD.
Free delivery	When 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.
Funding valuation adjustments (FVA)	FVA reflects an adjustment to fair value in respect of derivative contracts associated with the funding costs that the market participant would incorporate when determining an exit price.
Greater China	Greater China includes the Group's operation in the People's Republic of China, the Hong Kong Special Administrative Region of the People's Republic of China and Taiwan.
Global Systemically Important Bank (G-SIB)	Global 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 Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) have established a methodology to identify G-SIBs based on 12 principal indicators. The list of G-SIBs is re-assessed through annual re-scoring of banks and a triennial review of the methodology. The G-SIB framework established by the FSB and the BCBS is implemented in the EU via CRD IV and G-SIBs are referred to as Global Systemically Important Institutions ('G-SIIs').
G-SIB buffer	Designation as G-SIB will result in the application of a CET1 capital buffer ('G-SIB buffer'). The G-SIB buffer is between 1 per cent and 3.5 per cent, dependent on the allocation to one of five buckets based on the annual scoring. The G-SIB buffer is being 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.
Haircut	A haircut, or volatility adjustment, ensures the value of exposures and collateral are adjusted to account for the volatility caused by foreign exchange or maturity mismatches, when the currency and maturity of an exposure differ materially to the currency and maturity of the associated collateral.
Held-to-maturity	Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity.
Impaired loans	Loans where individually identified impairment provisions have been raised. Also includes loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Individually assessed loan impairment provisions (IIP)	Impairment is measured for assets that are individually significant to the Group. Typically assets within the Corporate & Institutional Banking segment of the Group are assessed individually.
Individual capital guidance	Guidance given by the PRA to the Group about the amount and quality of capital resources to maintain.
Individual impairment charge	The amount of individually assessed loan impairment provisions that are charged to the income statement in the reporting period.
Individual liquidity guidance	Guidance given by the PRA to the Group about the amount, quality and funding profile of liquidity resources to maintain.
Institution	A credit institution or an investment firm as defined under the Capital Requirement Regulation (CRR).
Internal Capital Adequacy Assessment Process (ICAAP)	A requirement on institutions under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks.
Internal Liquidity Adequacy Assessment Process (ILAAP)	A requirement on institutions under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of liquidity to be held against these risks.
Internal Model Approach (IMA)	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.
Interest Rate Risk (IRR)	Interest rate risk arises due to the investment into rate-sensitive assets, as well as from mismatches between debt issuance and placements.
Internal ratings-based approach ('IRB')	Risk-weighting methodology in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of prudential parameters.
Items belonging to regulatory high-risk categories	In relation to the Standardised Approach to credit risk, items which attract a risk-weight of 150 per cent. This includes exposures arising from venture capital business and certain positions in collective investment schemes.
Leverage ratio	A ratio introduced under Basel III / CRD IV that compares Tier 1 capital to total exposures, including certain exposures held off-balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk based backstop measure.
Liquidity Coverage Ratio (LCR)	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.
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.
Loss Given Default (LGD)	The percentage of an exposure that a lender expects to lose in the event of obligor default.
Mark-to-market approach	One of the approaches available to banks to calculate the exposure value associated with derivative transactions. The approach calculates the current replacement cost of derivative contracts, by determining the market value of the contract and considering any potential future exposure.
Market risk	The potential for loss of earnings or economic value due to adverse changes in financial market rates or prices.
Maturity	The time from the reporting date to the contractual maturity date of an exposure, capped at five years. Maturity is considered as part of the calculation of risk-weights for the Group's exposures treated under the IRB approach to credit risk.
MENAP	Middle East, North Africa and Pakistan (MENAP) includes the Group's operation in Afghanistan, Bahrain, Egypt, Islamic Republic of Iran, Iraq, Jordan, Lebanon, Oman, Pakistan, Occupied Palestinian Territory, Qatar, Saudi Arabia and United Arab Emirates (UAE).
Minimum capital requirement	Minimum capital required to be held for credit, market and operational risk.
Model validation	The process of assessing how well a model performs using a predefined set of criteria including the discriminatory power of the model, the appropriateness of the inputs, and expert opinion.
MREL or minimum requirement for own fund 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 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.
Multilateral Development Banks (MDB)	An institution created by a group of countries to provide financing for the purpose of development. Under the Standardised approach to credit risk, eligible multilateral development banks attract a zero per cent risk-weight.
Net stable funding ratio (NSFR)	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.
North East (NE) Asia	North East (NE) Asia includes the Group's operation in the Republic of Korea and Japan.
Operational risk	The potential for loss arising from the failure of people, process, or technology, or the impact of external events.
Over-the-Counter (OTC) traded products/OTC derivatives	A bilateral transaction that is not exchange traded and is valued using valuation models.

Pillar 1	The first Pillar of the three pillars of Basel framework which provides the approach to the 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 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 Basel framework which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.
Point in time (PIT)	Considers the economic conditions at the point in the economic cycle at which default occurs when estimating the probability of default.
Portfolio Impairment Provision (PIP)	The amount of loan impairment provisions assessed on the collective portfolio that are charged to the income statement in the reporting period.
Potential Future Exposure (PFE)	As estimate of the potential increase in exposure that may arise on a derivative contract prior to default, used to derive the exposure amount.
Probability of Default (PD)	PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation within 12 months.
Present Value 01 (PV01)	This represents the change in present value of an asset or liability for a 1 basis point change in the nominal yield curve.
Prudential Regulatory Authority (PRA)	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.
Prudent Valuation Adjustment (PVA)	An adjustment to CET1 capital, to reflect the difference between the accounting fair value and the regulatory prudent value of positions, where the application of prudence results in a lower absolute carrying value than recognised in the financial statements.
Qualifying Central Counterparty (QCCP)	Central counterparty that is either authorised (when established in the EU) or recognised (when established in a third-country) in accordance with the rules laid down in the European Market Infrastructure Regulation (EMIR).
Qualifying Revolving Retail Exposure (QRRE)	Retail IRB exposures that are revolving, unsecured, and, to the extent they are not drawn, immediately and unconditionally cancellable, such as credit cards.
Regulatory capital	Sum of Tier 1 and Tier 2 capital after regulatory adjustments.
Repurchase agreement (repo) / reverse repurchase agreement (reverse repo)	A short term funding agreement which allows a borrower to sell a financial asset, such as ABS 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-Backed Securities (RMBS)	Securities that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Residual maturity	The remaining maturity of a facility from the reporting date until either the contractual maturity of the facility or the effective maturity date.
Retail Internal Ratings Based (Retail IRB) Approach	In accordance with the PRA handbook and CRR, the approach to calculating credit risk capital requirements for eligible retail exposures.
Risk Appetite	Risk Appetite is defined by the Group and approved by the Board. It is the maximum amount and type of risk the Group is willing to assume in pursuit of its strategy.
Risk Capacity	The maximum level of risk the Group can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements and internal operational capability (including but not limited to technical infrastructure, risk management capabilities, expertise), or otherwise failing to meet the expectations of regulators and law enforcement agencies.
Risk-weighted assets (RWAs)	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.
RWA density	The risk-weighted asset as a percentage of exposure at default (EAD).
Scrip dividends	Dividends paid to existing shareholders in securities instead of cash payment.
Securities Financing Transactions (SFT)	Securities Financing Transactions are secured (i.e. collateralised) transactions that involve the temporary exchange of cash against securities, or securities against other securities, e.g. stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.
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 special purpose entity (SPE) who then issues new securities to investors at different level 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 securitized remain exposures of the originating institution.

Securitisation position(s)	The positions assumed by the Group following the purchase of securities issued by Asset-Backed Securitisation programmes or those retained following the origination of a securitisation programme.
South Asia	South Asia includes the Group's operation in Bangladesh, India, Nepal and Sri Lanka.
Specialised lending	Specialised lending exposures are defined as an exposure to an entity which was created specifically to finance and/or operate physical assets, where the contractual arrangements given the lender a substantial degree of control over the assets and the income that they generate and the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise.
Special Purpose Entities (SPEs)	SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities. Transactions with SPEs take a number of forms, including: the provision of financing to fund asset purchases, or commitments to provide financing for future purchases; derivative transactions to provide investors in the SPE with a specified exposure; the provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties; and direct investment in the notes or equity issued by SPEs.
Standardised Approach (SA)	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 risk capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Stressed Value at Risk (SVAR)	A regulatory market risk measure based on potential market movements for a continuous one-year period of stress for a trading portfolio.
Through the cycle (TTC)	Reduces the volatility in the estimation of the probability of default by considering the average conditions over the economic cycle at the point of default, versus the point in time (PIT) approach, which considers economic conditions at the point of the economic cycle at which default occurs.
Tier 1 capital	Tier 1 capital comprises Common Equity Tier 1 capital plus Additional Tier 1 securities and related share premium accounts.
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.
Total Loss Absorbing Capacity (TLAC)	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.
Total Return Swap (TRS)	A derivative transaction that swaps the total return on a financial instrument, including cash flows and capital gains or losses, for an interest rate return.
Trading book	The trading book consists of all positions in CRD financial instrument and commodities which are fair valued through the profit and loss account for accounting purposes, which are held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or ability to be hedged.
Value at Risk (VAR)	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.
Write downs	After an advance has been identified as impaired and is subject to an impairment allowance, 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.
Wrong way risk	Wrong way risk occurs when an exposure increase is coupled with a decrease in the credit quality of the obligor.

CONTACT INFORMATION

Global headquarters

Standard Chartered Group
1 Basinghall Avenue
London, EC2V 5DD
United Kingdom

telephone: +44 (0)20 7885 8888
facsimile: +44 (0)20 7885 9999

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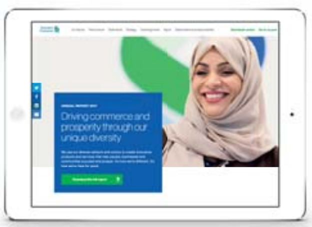

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