
Standard Chartered PLC

Pillar 3 Disclosures

31 March 2019



***Incorporated in England with registered number 966425
Principal Office: 1 Basinghall Avenue, London, EC2V 5DD, England***

CONTENTS

1. Purpose and basis of preparation.....	1
2. Frequency.....	1
3. Verification.....	1
4. Capital and leverage.....	2
Table 1: Key Metrics for the Group (KM1)	2
Table 2: Capital base.....	3
Table 3: UK and CRR leverage ratio	4
Table 4: Overview of RWA (OV1).....	5
Table 5: Movement analysis for RWA.....	6
Table 6: RWA flow statements of credit risk exposures under IRB (CR8).....	6
Table 7: RWA flow statements of market risk exposures under an IMA (MR2-B).....	7
5. Forward looking statements.....	8

1 PURPOSE AND BASIS OF PREPARATION

The Pillar 3 disclosures comprise information on the underlying drivers of risk-weighted assets (RWA), capital, leverage and liquidity ratios as at 31 March 2019 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 quarterly Pillar 3 disclosures of Standard Chartered PLC ('the Group') as at 31 March 2019 and should be read in conjunction with the Group's Q1 2019 Interim Management Statement: Balance sheet, capital and leverage.

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

2 FREQUENCY

In accordance with Group policy the Pillar 3 Disclosures are made quarterly as at 31 March, 30 June, 30 September and 31 December in line with the EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013, and the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2014/14 and EBA/GL/2016/11). Disclosures are published on the Standard Chartered PLC website aligning with the publication date of the Group's Interim, Half Year and Annual Report and Accounts.

3 VERIFICATION

Whilst the 31 March 2019 Pillar 3 Disclosures are not required to be externally audited, the 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 Q1 2019 Interim Management Statement have been applied to confirm compliance with PRA regulations.

Table 1: Key metrics for the Group (KM1)

	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018
	\$million	\$million	\$million	\$million	\$million
Available capital amounts					
Common Equity Tier 1 (CET1)	37,184	36,717	38,340	38,512	38,813
Common Equity Tier 1 (CET1) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	36,825	36,315	37,938	38,110	38,411
Tier 1	43,796	43,401	45,029	45,204	45,522
Tier 1 as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	43,437	42,999	44,627	44,802	45,120
Total capital	55,862	55,696	57,576	58,019	59,817
Total capital as IFRS 9 or analogous ECLs transitional arrangements had not been applied	55,503	55,294	57,174	57,617	59,415
Risk-weighted asset amounts					
Total risk-weighted assets (RWA)	268,206	258,297	265,245	271,867	280,205
Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	268,336	258,442	265,390	272,012	280,350
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio	13.9%	14.2%	14.5%	14.2%	13.9%
Common Equity Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.7%	14.1%	14.3%	14.0%	13.7%
Tier 1 ratio	16.3%	16.8%	17.0%	16.6%	16.2%
Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.2%	16.6%	16.8%	16.5%	16.1%
Total capital ratio	20.8%	21.6%	21.7%	21.3%	21.3%
Total capital ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.7%	21.4%	21.6%	21.2%	21.2%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement	2.50%	1.88%	1.88%	1.88%	1.88%
Countercyclical buffer requirement	0.36%	0.28%	0.26%	0.25%	0.24%
Bank G-SIB and/or D-SIB additional requirements	1.00%	0.75%	0.75%	0.75%	0.75%
Total of bank CET1 specific buffer requirements	3.86%	2.91%	2.89%	2.88%	2.87%
CET1 available after meeting the bank's minimum capital requirements	7.7%	8.1%	8.3%	7.9%	7.7%
UK leverage ratio					
Total UK leverage ratio exposure measure	780,957	740,602	742,828	743,552	742,013
UK leverage ratio	5.4%	5.6%	5.8%	5.8%	5.9%
UK leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.3%	5.6%	5.8%	5.8%	5.8%
Liquidity Coverage Ratio					
Total HQLA	149,411	146,470	142,382	142,423	143,252
Total net cash outflow	95,748	94,011	92,887	95,016	96,571
LCR ratio	156.3%	156.0%	153.5%	150.0%	148.4%

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 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.

Table 2: Capital Base

	31.03.19	31.12.18
CET1	13.9%	14.2%
Tier 1 capital	16.3%	16.8%
Total capital	20.8%	21.6%

	31.03.19	31.12.18
	\$million	\$million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	5,627	5,617
<i>of which: share premium accounts</i>	3,975	3,965
Retained earnings	26,312	25,377
Accumulated other comprehensive income (and other reserves)	11,867	11,878
Non-controlling interests (amount allowed in consolidated CET1)	678	686
Independently reviewed interim and year-end profits/(losses)	809	1,072
Foreseeable dividends net of scrip	(910)	(527)
CET1 capital before regulatory adjustments	44,383	44,103
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	(623)	(564)
Intangible assets (net of related tax liability)	(5,200)	(5,146)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(107)	(115)
Fair value reserves related to net losses on cash flow hedges	17	10
Deduction of amounts resulting from the calculation of excess expected loss	(899)	(875)
Net gains on liabilities at fair value resulting from changes in own credit risk	(186)	(412)
Defined-benefit pension fund assets	(35)	(34)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(80)	(127)
Exposure amounts which could qualify for risk weighting of 1,250%	(86)	(123)
<i>of which: securitisation positions</i>	(79)	(110)
<i>of which: free deliveries</i>	(7)	(13)
Total regulatory adjustments to CET1	(7,199)	(7,386)
CET1 capital	37,184	36,717
Additional Tier 1 capital (AT1) instruments	6,632	6,704
AT1 regulatory adjustments	(20)	(20)
Tier 1 capital	43,796	43,401
Tier 2 capital instruments	12,096	12,325
Tier 2 regulatory adjustments	(30)	(30)
Tier 2 capital	12,066	12,295
Total capital	55,862	55,696
Total risk-weighted assets	268,206	258,297

UK 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.

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.

Table 3 below presents both the Group's UK, and CRR leverage ratios.

Table 3: UK and CRR leverage ratio

	31.03.2019	31.12.2018
	\$million	\$million
Tier 1 capital (end point)	42,125	41,658
UK leverage exposure	780,957	740,602
UK leverage ratio	5.4%	5.6%
CRR leverage exposure	827,211	795,736
CRR leverage ratio	5.1%	5.2%
UK leverage exposure quarterly average	771,650	734,976
UK leverage ratio quarterly average	5.4%	5.8%
Countercyclical leverage ratio buffer	0.1%	0.1%
G-SII additional leverage ratio buffer	0.4%	0.3%
Choice on transitional arrangements for the definition of the capital measure	Fully Phased in	Fully phased in

Table 4 below presents the RWA and the regulatory capital requirements calculated at 8 per cent of RWA for each risk type and approach.

Table 4: Overview of RWA (OV1)

	31.03.19		31.12.18	
	Risk-weighted assets	Regulatory capital requirement ¹	Risk-weighted assets	Regulatory capital requirement ¹
	\$million	\$million	\$million	\$million
Credit risk (excluding counterparty credit risk)²	194,264	15,541	188,522	15,082
Of which advanced IRB approach	152,790	12,223	148,537	11,883
Of which standardised approach	41,474	3,318	39,985	3,199
Counterparty credit risk³	15,406	1,232	12,998	1,040
Of which mark to market method	10,884	871	10,551	884
Of which risk exposure amount for contributions to the default fund of a CCP	144	12	59	5
Of which CVA	1,399	112	1,116	89
Settlement risk	1	-	3	-
Securitisation exposures in the banking book	2,788	223	3,219	258
Of which IRB ratings-based approach	2,290	183	2,596	208
Of which IRB supervisory formula approach	498	40	623	50
Of which standardised approach	-	-	-	-
Market risk	21,469	1,718	19,109	1,529
Of which internal model approaches	12,109	969	11,862	949
Of which standardised approach	9,360	749	7,247	580
Large exposures	-	-	-	-
Operational risk⁴	27,620	2,210	28,050	2,244
Of which standardised approach	27,620	2,210	28,050	2,244
Amounts below the thresholds for deduction (subject to 250% risk weight)	6,658	533	6,396	512
Floor Adjustment	-	-	-	-
Total	268,206	21,457	258,297	20,664

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

Total RWA increased by \$9.9 billion in the quarter to approximately \$268.2 billion. This was mainly within credit risk driven by asset balance growth across Corporate & Institutional Banking, Treasury Markets, and Commercial Banking as well as increases in market risk driven by increased trading book debt security holdings.

Further details on RWA movements by risk type, and for credit risk IRB (excluding counterparty credit risk) and market risk IMA exposures can be found in tables 5, 6 and 7 respectively.

Table 5: Movement analysis for RWA

	Credit risk IRB ²	Credit risk SA	Credit risk Total	Counterparty Credit risk	Total Credit & Counterparty Credit risk	Operational risk	Market risk	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
As at 1 January 2019	151,756	46,384	198,140	12,998	211,138	28,050	19,109	258,297
Asset size	4,060	235	4,295	2,488	6,783	-	-	6,783
Asset quality	757	-	757	(79)	678	-	-	678
Model updates	(703)	-	(703)	-	(703)	-	-	(703)
Methodology and policy	-	1,400	1,400	-	1,400	-	(700)	700
Acquisitions and disposals	-	-	-	-	-	-	-	-
Foreign exchange movements	(63)	114	51	(1)	50	-	-	50
Other, including non-credit risk movements ¹	(229)	-	(229)	-	(229)	(430)	3,060	2,401
As at 31 March 2019	155,578	48,133	203,711	15,406	219,117	27,620	21,469	268,206

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

2 See Table 4: 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

Table 6: RWA flow statements of credit risk exposures under IRB (CR8)

	Risk-weighted assets ¹	Regulatory capital requirement ¹
	\$million	\$million
1 As at 1 January 2019	151,756	12,140
2 Asset size	4,060	325
3 Asset quality	757	61
4 Model updates	(703)	(56)
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	(63)	(5)
8 Other ²	(229)	(18)
9 As at 31 March 2019³	155,578	12,446

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

2 RWA efficiencies are disclosed against 'Other'

3 See Table 4: Overview of RWA (OV1). Comprises advanced IRB credit risk \$152,790 million and securitisation of \$2,788 million

Table 7: RWA flow of market risk exposures under an IMA approach (MR2-B)

	VaR	SVaR	IRC	CRM	Other ¹	Total RWA	Total capital requirement
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
1 At 1 January 2019	1,413	7,253	-	-	3,196	11,862	949
1a Regulatory adjustment	-	-	-	-	-	-	-
1 RWAs post adjustment at 1 January 2019	1,413	7,253	-	-	3,196	11,862	949
2 Movement in risk levels	166	78	-	-	703	947	76
3 Model updates/changes	-	-	-	-	-	-	-
4 Methodology and policy	(114)	(586)	-	-	-	(700)	(56)
5 Acquisitions and disposals	-	-	-	-	-	-	-
6 Foreign exchange movements	-	-	-	-	-	-	-
7 Other	-	-	-	-	-	-	-
8a At 31 March 2019	1,465	6,745	-	-	3,899	12,109	969
8b Regulatory adjustment	-	-	-	-	-	-	-
8 RWAs post adjustment at 31 March 2019	1,465	6,745	-	-	3,899	12,109	969

1. Other IMA capital add-ons for market risks not fully captured in either VaR or SVaR

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.

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