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# Standard Chartered PLC

## Pillar 3 Disclosures

30 September 2018

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

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### 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 30 September 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 quarterly Pillar 3 disclosures of Standard Chartered PLC ('the Group') as at 30 September 2018 and should be read in conjunction with the Group's Q3 2018 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 30 September 2018 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 Q3 2018 Interim Management Statement have been applied to confirm compliance with PRA regulations.

Table 1: Key metrics for the Group (KM1)

	30.09.2018	30.06.2018	31.03.2018	31.12.2017
	\$million	\$million	\$million	\$million
<b>Available capital amounts</b>				
Common Equity Tier 1 (CET1)	38,340	38,512	38,813	38,162
Common Equity Tier 1 (CET1) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	37,938	38,110	38,411	N/A
Tier 1	45,029	45,204	45,522	44,861
Tier 1 as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	44,627	44,802	45,120	N/A
Total capital	57,576	58,019	59,817	58,758
Total capital as IFRS 9 or analogous ECLs transitional arrangements had not been applied	57,174	57,617	59,415	N/A
<b>Risk-weighted asset amounts</b>				
Total risk-weighted assets (RWA)	265,245	271,867	280,205	279,748
Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	265,390	272,012	280,350	N/A
<b>Risk-based capital ratios as a percentage of RWA</b>				
Common Equity Tier 1 ratio	14.5%	14.2%	13.9%	13.6%
Common Equity Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.3%	14.0%	13.7%	N/A
Tier 1 ratio	17.0%	16.6%	16.2%	16.0%
Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.8%	16.5%	16.1%	N/A
Total capital ratio	21.7%	21.3%	21.3%	21.0%
Total capital ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.6%	21.2%	21.2%	N/A
<b>Additional CET1 buffer requirements as a percentage of RWA</b>				
Capital conservation buffer requirement (2.5% from 2019)	1.90%	1.90%	1.90%	1.25%
Countercyclical buffer requirement	0.3%	0.3%	0.2%	0.2%
Bank G-SIB and/or D-SIB additional requirements	0.8%	0.8%	0.8%	0.5%
Total of bank CET1 specific buffer requirements	3.0%	3.0%	2.9%	1.9%
CET1 available after meeting the bank's minimum capital requirements	8.3%	7.9%	7.7%	7.5%
<b>UK leverage ratio</b>				
Total UK leverage ratio exposure measure	742,828	743,552	742,013	717,344
UK leverage ratio	5.8%	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%	5.8%	N/A
<b>Liquidity Coverage Ratio</b>				
Total HQLA	142,382	142,423	143,252	144,280
Total net cash outflow	92,887	95,016	96,571	97,438
LCR ratio	153.5%	150.0%	148.4%	148.2%

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 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

	30.09.18	30.06.18	31.12.17
<b>CET1</b>	<b>14.5%</b>	14.2%	13.6%
<b>Tier 1 capital</b>	<b>17.0%</b>	16.6%	16.0%
<b>Total capital</b>	<b>21.7%</b>	21.3%	21.0%

  

	30.09.18	30.06.18	31.12.17
	\$million	\$million	\$million
<b>CET1 instruments and reserves</b>			
Capital instruments and the related share premium accounts	5,608	5,607	5,603
<i>of which: share premium accounts</i>	3,957	3,957	3,957
Retained earnings	25,854	25,849	25,316
Accumulated other comprehensive income (and other reserves)	11,624	11,989	12,766
Non-controlling interests (amount allowed in consolidated CET1)	661	695	850
Independently reviewed interim and year-end profits/(losses)	2,298	1,557	1,227
Foreseeable dividends net of scrip	(641)	(453)	(399)
<b>CET1 capital before regulatory adjustments</b>	<b>45,404</b>	45,244	45,363
<b>CET1 regulatory adjustments</b>			
Additional value adjustments (prudential valuation adjustments)	(702)	(496)	(574)
Intangible assets (net of related tax liability)	(5,027)	(4,991)	(5,112)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(122)	(129)	(125)
Fair value reserves related to net losses on cash flow hedges	(22)	(1)	45
Deduction of amounts resulting from the calculation of excess expected loss	(683)	(683)	(1,142)
Net gains on liabilities at fair value resulting from changes in own credit risk	(280)	(188)	(53)
Defined-benefit pension fund assets	(37)	(39)	(40)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(84)	(83)	(59)
Exposure amounts which could qualify for risk weighting of 1,250%	(107)	(122)	(141)
<i>of which: securitisation positions</i>	(96)	(109)	(125)
<i>of which: free deliveries</i>	(11)	(13)	(16)
<b>Total regulatory adjustments to CET1</b>	<b>(7,064)</b>	(6,732)	(7,201)
<b>CET1 capital</b>	<b>38,340</b>	38,512	38,162
<b>Additional Tier 1 capital (AT1) instruments</b>	<b>6,709</b>	6,712	6,719
<b>AT1 regulatory adjustments</b>	<b>(20)</b>	(20)	(20)
<b>Tier 1 capital</b>	<b>45,029</b>	45,204	44,861
<b>Tier 2 capital instruments</b>	<b>12,577</b>	12,845	13,927
<b>Tier 2 regulatory adjustments</b>	<b>(30)</b>	(30)	(30)
<b>Tier 2 capital</b>	<b>12,547</b>	12,815	13,897
<b>Total capital</b>	<b>57,576</b>	58,019	58,758
<b>Total risk-weighted assets</b>	<b>265,245</b>	271,867	279,748

## UK Leverage Ratio

During 2017, the PRA adopted the Bank of England's Financial Policy Committee (FPC) proposed changes to the UK leverage ratio framework. UK banks are now subject to a minimum leverage ratio of 3.25 per cent, an increase of 0.25 per cent from the previous 3.0 per cent minimum. 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, as those buffers are applicable to individual banks and are phased in.

The FPC also made a recommendation to the PRA to exclude qualifying claims on central bank exposures from the leverage exposure measure in the UK leverage ratio framework and to compensate for the resulting reduction in capital required by increasing the minimum leverage requirement from 3.0 per cent to 3.25 per cent.

Following the 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 and does not expect any material impact arising from the proposed increase in minimum requirements.

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

**Table 3: UK and CRR leverage ratio**

	30.09.2018	30.06.2018	31.12.2017
	\$million	\$million	\$million
Tier 1 capital (end point)	43,280	43,452	43,103
UK leverage exposure	742,828	743,552	717,344
UK leverage ratio	5.8%	5.8%	6.0%
CRR leverage exposure	793,134	799,277	759,518
CRR leverage ratio	5.5%	5.4%	5.7%
UK leverage exposure quarterly average	729,537	736,599	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%
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in	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)**

	30.09.18		30.06.18		31.12.17	
	Risk-weighted assets	Regulatory capital requirement <sup>1</sup>	Risk-weighted assets	Regulatory capital requirement <sup>1</sup>	Risk-weighted assets	Regulatory capital requirement <sup>1</sup>
	\$million	\$million	\$million	\$million	\$million	\$million
<b>Credit risk (excluding counterparty credit risk)<sup>2</sup></b>	<b>195,082</b>	<b>15,607</b>	<b>199,117</b>	<b>15,929</b>	<b>200,702</b>	<b>16,056</b>
Of which advanced IRB approach	151,208	12,097	155,069	12,406	156,602	12,528
Of which standardised approach	43,874	3,510	44,048	3,524	44,100	3,528
<b>Counterparty credit risk<sup>3</sup></b>	<b>14,783</b>	<b>1,183</b>	<b>14,691</b>	<b>1,175</b>	<b>15,517</b>	<b>1,241</b>
Of which mark to market method	10,697	856	11,529	922	11,952	956
Of which risk exposure amount for contributions to the default fund of a CCP	61	5	62	5	81	6
Of which CVA	1,233	99	476	38	503	40
<b>Settlement risk</b>	<b>2</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>18</b>	<b>1</b>
<b>Securitisation exposures in the banking book</b>	<b>2,544</b>	<b>204</b>	<b>2,294</b>	<b>184</b>	<b>2,687</b>	<b>215</b>
Of which IRB ratings-based approach	2,044	164	1,813	145	2,205	176
Of which IRB supervisory formula approach	500	40	481	38	482	39
Of which standardised approach	-	-	-	-	-	-
<b>Market risk</b>	<b>18,100</b>	<b>1,448</b>	<b>20,619</b>	<b>1,649</b>	<b>23,040</b>	<b>1,843</b>
Of which internal model approaches	11,238	899	12,683	1,015	12,776	1,022
Of which standardised approach	6,862	549	7,936	635	10,264	821
Large exposures	-	-	-	-	-	-
<b>Operational risk<sup>4</sup></b>	<b>28,050</b>	<b>2,244</b>	<b>28,050</b>	<b>2,244</b>	<b>30,478</b>	<b>2,438</b>
Of which standardised approach	28,050	2,244	28,050	2,244	30,478	2,438
<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>6,684</b>	<b>535</b>	<b>7,092</b>	<b>567</b>	<b>7,306</b>	<b>584</b>
<b>Floor Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>265,245</b>	<b>21,220</b>	<b>271,867</b>	<b>21,749</b>	<b>279,748</b>	<b>22,380</b>

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 decreased by \$6.6 billion in the quarter to approximately \$265.2 billion. This was mainly driven by credit risk with decreases driven by RWA optimisation through collateral management as well as foreign currency changes (see Table 5). There were also decreases in market risk driven by a decrease in stressed Value at Risk (VaR) across the portfolio (see Table 7) as well as a specific interest rate risk across Rates, Credit Trading and XVA market risk hedges.

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 <sup>2</sup>	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
<b>As at 1 January 2018</b>	159,289	51,424	210,713	15,517	226,230	30,478	23,040	279,748
Asset size	4,426	1,418	5,844	204	6,048	-	-	6,048
Asset quality	(1,844)	-	(1,844)	(99)	(1,943)	-	-	(1,943)
Model updates	(1,714)	(94)	(1,808)	(470)	(2,278)	-	(1,138)	(3,416)
Methodology and policy	-	-	-	-	-	-	-	-
Acquisitions and disposals	-	(626)	(626)	-	(626)	-	-	(626)
Foreign exchange movements	(2,794)	(978)	(3,772)	(136)	(3,908)	-	-	(3,908)
Other, including non-credit risk movements <sup>1</sup>	-	-	-	(325)	(325)	(2,428)	(1,283)	(4,036)
<b>As at 30 June 2018</b>	157,363	51,144	208,507	14,691	223,198	28,050	20,619	271,867
Asset size	(560)	58	(502)	265	(237)	-	-	(237)
Asset quality	477	-	477	(91)	386	-	-	386
Model updates	340	(1)	339	1	340	-	-	340
Methodology and policy	-	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-	-
Foreign exchange movements	(1,468)	(641)	(2,109)	(83)	(2,192)	-	-	(2,192)
Other, including non-credit risk movements <sup>1</sup>	(2,400)	-	(2,400)	-	(2,400)	-	(2,519)	(4,919)
<b>As at 30 September 2018</b>	153,752	50,560	204,312	14,783	219,095	28,050	18,100	265,245

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 <sup>1</sup>	Regulatory capital requirement <sup>1</sup>
	\$million	\$million
<b>As at 1 January 2018</b>	159,289	12,743
Asset size	4,426	354
Asset quality	(1,844)	(148)
Model updates	(1,714)	(137)
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	(2,794)	(224)
Other <sup>2</sup>	-	-
<b>As at 30 June 2018</b>	157,363	12,589
Asset size	(560)	(45)
Asset quality	477	38
Model updates	340	27
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	(1,468)	(117)
Other <sup>2</sup>	(2,400)	(192)
<b>As at 30 September 2018<sup>3</sup></b>	153,752	12,300

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 \$151,208 million and securitisation of \$2,544 million

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

	VaR	SVaR	IRC	CRM	Other <sup>1</sup>	Total RWA	Total capital requirement
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
<b>At 1 January 2018</b>	1,978	8,083	-	-	2,715	12,776	1,022
Regulatory adjustment	-	-	-	-	-	-	-
<b>RWAs post adjustment at 1 January 2018</b>	1,978	8,083	-	-	2,715	12,776	1,022
Movement in risk levels	(317)	6	-	-	218	(93)	(7)
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>At 30 June 2018</b>	1,661	8,089	-	-	2,933	12,683	1,015
Regulatory adjustment	-	-	-	-	-	-	-
<b>RWAs post adjustment at 30 June 2018</b>	1,661	8,089	-	-	2,933	12,683	1,015
Movement in risk levels	8	(1,609)	-	-	156	(1,445)	(116)
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>At 30 September 2018</b>	1,669	6,480	-	-	3,089	11,238	899
Regulatory adjustment	-	-	-	-	-	-	-
<b>RWAs post adjustment at 30 September 2018</b>	1,669	6,480	-	-	3,089	11,238	899

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.

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.

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