Annexure- F

Standard Chartered Bank
Bangladesh Branches

Disclosures on Risk Based Capital under Pillar – III of Basel III

The following detailed qualitative and quantitative disclosures are provided in accordance with Guidelines on Risk Based Capital Adequacy by Bangladesh Bank. The purpose of these requirements is to complement minimum capital requirement and Supervisory review process. These disclosures are intended for more transparent and more disciplined financial market where the participants can assess key information about the Bank's exposure to various risks.

The bank has an approved disclosure policy to observe the disclosure requirement set out by the Bangladesh Bank and International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as adopted by The Institute of Chartered Accountants of Bangladesh (ICAB) into International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) where relevant to the bank.

Guidelines on Risk Based Capital Adequacy are structured around the following three aspects or pillars of Basel III:

- Minimum capital requirements to be maintained by a bank against credit, market and operational risk;
- Supervisory Review i.e. Process for assessing overall capital adequacy in relation to a bank's risk profile and a strategy for maintaining its capital at an adequate level;
- Market Discipline i.e. to make public disclosure of information on the bank's risk profiles, capital adequacy and risk management.

Disclosure Framework

The disclosure requirements are as per the Guidelines on Risk Based Capital Adequacy (RBCA) for Banks.

A. Scope of Application

Qualitative Disclosures:

Bank has no subsidiaries and Basel III is applied at the Bank level only.

B. Capital Structure

Qualitative Disclosures:

Standard Chartered Bank Bangladesh's capital structure consists of Tier I and Tier II capital which is aligned with regulatory capital structure. Tier I capital is further categorized as Common Equity Tier 1 (CET1) and Additional Tier 1 capital. The computation of the amount of Common Equity Tier I, Additional Tier I and Tier II capital shall be subject to the following conditions:

- The Bank has to maintain at least 4.50% of total Risk Weighted Assets (RWA) as Common Equity Tier I capital.
- Tier I capital will be at least 6.00% of the total RWA.
- Minimum Capital to Risk-weighted Asset Ratio (CRAR) will be 10% of the total RWA.

- Additional Tier I capital can be maximum up to 1.5% of the total RWA or 33.33% of CET 1, whichever is higher.

- Tier II capital can be maximum up to 4% of the total RWA or 88.89% of CET1, whichever is higher.

- In addition to minimum CRAR, Capital Conservation Buffer (CCB) @ 2.5% of the total RWA will be maintained in the form of CET1 in a phased manner from 2016 to 2019.

Tier I capital of the Bank includes funds deposited with Bangladesh Bank, actuarial gain/(loss) and retained earnings. Tier 1 capital is also called 'Core Capital' of the Bank. According to BRPD letter ref no.BRPD (BFIS)661/14B(P)/2015-18014 dated 24 December 2015, 5% of deferred tax recognised on specific provision shall be allowable as CET 1 capital whilst all other deferred tax assets created on other items shall be deducted from the retained earnings when calculating the capital adequacy ratio.

Tier II capital consists of general provision and revaluation reserve for Held to Maturity (HTM) and Held for Trading (HFT) securities. General provision for inclusion in Tier II capital is limited to a maximum 1.25% of Credit RWA calculated under the standardized approach. Revaluation reserve for securities shown as Tier II capital as on 31 December 2014 will be nullified in a phased manner at the rate of 20% starting from 2015 and will be fully adjusted by 2019.

Quantitative Disclosures:

The details of capital structure as at 31 December 2018 are provided as under:

Common Equity Tier I	**2018 (Taka)**	**2017 (Taka)**
Fund Deposited with Bangladesh Bank	2,339,505,496	2,312,837,956
Retained Earnings	48,828,833,059	38,985,670,000
Actuarial Gain/(Loss)	(357,186,171)	(214,708,614)
Less: Regulatory Adjustment for Deffered Tax Assets as per Bangladesh Bank Guidelines	(1,177,334,917)	(1,202,025,506)
	49,633,817,467	**39,881,773,836**
Additional Tier I	-	**-**
Total Tier I	**49,633,817,467**	**39,881,773,836**

Tier II	**2018 (Taka)**	**2017 (Taka)**
General Provision	4,513,047,888	4,661,764,205
Revaluation Reserve for Securities	47,915,214	95,830,428
	4,560,963,102	**4,757,594,633**
Total Capital	**54,194,780,569**	**44,639,368,469**

C. Capital Adequacy

Qualitative Disclosures:

Our approach to capital management is driven by our desire to maintain a strong capital base to support the development of our business, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a three year horizon and are approved by the Country Management Team (CMT). The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained to support our strategy.

The capital plan takes the following into account:

- Regulatory capital requirements
- Forecast demand for capital to support the credit ratings
- Increases in demand for capital due to business growth, market shocks or stresses
- Available supply of capital and capital raising options
- Internal controls and governance for managing the Bank's risk, performance and capital

The bank uses a capital model to assess the capital demand for material risks, and support our internal capital adequacy assessment. Each material risk is assessed, relevant mitigates considered, and appropriate levels of capital determined. The capital modeling process is a key part of our management disciplines.

A strong governance and process framework is embedded in bank's capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Management Committee.

Standardize Approach is followed for computation of capital charge for credit risk, market risk and Basic Indictor Approach for operational risk.

Quantitative Disclosures:

Details of Risk Weighted Assets as on 31 December 2018:

Risk Weighted Assets	**2018 (Taka)**	**2017 (Taka)**
On balance sheet exposures	168,310,416,504	153,423,342,645
Off-balance sheet exposures	79,680,695,106	92,968,225,018
Total Credit risk	**247,991,111,609**	**246,391,567,663**
Market risk	**1,129,551,381**	**1,116,602,671**
Operational risk	**32,661,352,241**	**32,629,046,090**
Total Risk Weighted Assets	**281,782,015,231**	**280,137,216,424**

Capital requirement for Credit risk	24,799,111,161	24,639,156,766
Capital requirement for Market risk	112,955,138	111,660,267
Capital requirement for Operational risk	3,266,135,224	3,262,904,609
Minimum Capital Requirement	**28,178,201,523**	**28,013,721,642**

	2018	**2017**
Common Equity Tier -I Ratio	17.61%	14.24%
Tier I Capital Adequacy Ratio	17.61%	14.24%
Tier II Capital Ratio	1.62%	1.70%
Capital to Risk Weighted Assets Ratio (CRAR)	19.23%	15.93%

Risk management

Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus a central part of the financial and operational management of the Bank. Through the risk management framework we manage enterprise-wide risks, with the objective of maximizing risk-adjusted returns while remaining within our risk appetite. As part of this framework, we use a set of principles that describe the risk management culture we wish to sustain:

- **Balancing risk and return:** Risk is taken in support of the requirements of our stakeholders, in line with our strategy and within our risk appetite

- **Responsibility:** It is the responsibility of all employees to ensure that risk-taking is disciplined and focused. We take account of our social responsibilities and our commitments to customers in taking risk to produce a return.

- **Accountability:** Risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported.

- **Anticipation:** We seek to anticipate future risks and ensure awareness of all known risks.

- **Competitive advantage:** We seek to achieve competitive advantage through efficient and effective risk management and control.

D. Credit Risk

Qualitative Disclosures:

Credit risk is the potential for loss due to failure of a counterparty to meet its obligations to pay the Bank in accordance with agreed terms.

Credit risk is managed through a framework which sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework.

A comprehensive framework is in place for the management of counterparty credit risk. This includes a structured process for the delegation of credit approval authority and for monitoring compliance with appetite. Policy and procedures are defined to support credit underwriting activities at all levels of the Group. These policies are defined at 3 levels-Group, Business and Country level.

All credit decisions are subject to underwriting standards which mandate defined processes and procedures for performing credit checks and detailed due diligence reviews. Systems and controls are in place to monitor collateral value and loan covenants. Each counterparty is also required to have an approved limit in place prior to drawdown of funds. Limit excesses are actively managed and subject to reporting and escalation.

Counterparties are subject to credit rating and these ratings are reviewed on a regular basis. Active monitoring of account level activity and limit utilization trends help to inform the early alert and risk trigger mechanisms. Potential problem accounts are investigated, monitored and appropriate action is taken. Standing Committees dedicated to account and portfolio monitoring supported by portfolio information reports are a well established discipline. The portfolio is monitored from the point of view of industry concentrations, risk grade distribution and tenor and security profiles amongst other parameters.

Credit risk from traded products is managed within the overall credit risk appetite for corporates and financial institutions. The credit risk exposure from traded products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

Past dues and impaired exposures are defined in accordance with the relevant Bangladesh Bank regulations. Specific and general provisions are computed periodically in accordance with the Bangladesh Bank regulations.

Quantitative Disclosures:

Details of Credit Risk as on 31 December 2018:

	2018 Taka	2017 Taka
Gross Credit risk exposures:		
Funded	379,499,242,374	283,578,315,863
Non-funded	305,239,906,592	221,256,967,429
Total	**684,739,148,966**	**504,835,283,292**
Distribution of risk exposure by claims:		
Cash and cash equivalents	4,550,575,368	3,249,188,422
Claims on Sovereigns and Central Bank	61,612,708,945	20,074,162,820
Claims on banks	72,337,693,507	26,415,342,792
Investments	37,202,017,269	32,424,352,275
Claims on corporate	112,831,128,670	97,077,652,195
Claims on Consumer and SME Loan	73,551,541,577	63,693,675,765
Fixed Assets	301,247,008	394,133,832
Others assets	13,346,282,045	13,777,019,279
Off-balance sheet items	305,239,906,591	221,256,967,429
Total	**680,973,100,980**	**478,362,494,809**
Credit risk mitigation:		
Claims secured by financial collateral	2,246,690,988	1,675,260,454
Net exposures after the application of haircuts	1,541,255,614	1,313,718,502
Claims secured by eligble Guarantee		
Gross non-performing assets (NPAs)		
Non-performing asset (NPAs) to outstanding loans and advances	3.10%	2.95%
Movement of non-performing assets (NPAs)		
Opening balance	4,746,691,594	5,562,722,252
Net movement during the year	1,027,968,043	(816,030,658)
Closing balance	**5,774,659,637**	**4,746,691,594**
Movement of specific provision for (NPAs)		
Opening balance of specific provision	3,241,197,965	3,506,398,869
Written off during the period	(295,856,647)	(1,267,804,877)
Recovers during the period	(803,634,992)	(696,572,402)
Provision made during the period	1,578,667,984	1,698,228,603
Transferred from Interest In suspense	10,713,448	-
Other Movement	22,976,385	-
Translation increase / (decrease)	284,332	947,772
Closing balance of specific provision	**3,754,348,475**	**3,241,197,965**

Geographical Distribution of Credit Exposure:

2018	Dhaka BDT	Chittagong BDT	Narayangonj BDT	Khulna BDT	Sylhet BDT	Bogra BDT	Total BDT
Cash and cash equivalents	2,372,993,095	1,189,604,638	58,560,842	747,907,160	89,414,292	92,095,341	4,550,575,368
Claims on Sovereigns and Central Bank	61,612,708,945	-	-	-	-	-	61,612,708,945
Claims on Banks	72,337,693,507	-	-	-	-	-	72,337,693,507
Investments	37,202,017,269	-	-	-	-	-	37,202,017,269
Claims on Corporate	90,568,274,179	22,262,854,491	-	-	-	-	112,831,128,670
Claims on Consumer and SME Loans and Large Loan	64,768,757,377	6,748,276,916	982,257,882	357,202,196	444,528,907	250,518,298	73,551,541,577
Fixed Assets	282,739,985	15,468,250	2,320,543	81,869	362,250	274,113	301,247,008
Others Assets	10,169,902,387	2,696,435,886	46,268,890	- 152,275,718	523,885,851	62,064,749	13,346,282,045
Total on-balance sheet Items	**339,315,086,744**	**32,912,640,181**	**1,089,408,157**	**952,915,507**	**1,058,191,300**	**404,952,501**	**375,733,194,389**
Off-balance Sheet Items	274,014,886,811	31,225,019,782	-	-	-	-	305,239,906,591
Total	**613,329,973,555**	**64,137,659,962**	**1,089,408,157**	**952,915,507**	**1,058,191,300**	**404,952,501**	**680,973,100,980**

Geographical Distribution of Credit Exposure:

2017	Dhaka BDT	Chittagong BDT	Narayangonj BDT	Khulna BDT	Sylhet BDT	Bogra BDT	Total BDT
Cash and cash equivalents	1,902,154,677	936,667,728	29,922,772	257,519,240	73,480,924	49,443,080	3,249,188,421
Claims on Sovereigns and Central Bank	20,074,162,820	-	-	-	-	-	20,074,162,820
Claims on Banks	26,415,342,792	-	-	-	-	-	26,415,342,792
Investments	32,424,352,275	-	-	-	-	-	32,424,352,275
Claims on Corporate	76,117,132,463	20,600,519,732	-	-	-	360,000,000	97,077,652,195
Claims on Consumer and SME Loans and Large Loan	55,871,745,808	5,954,615,156	794,987,012	369,278,015	472,850,236	230,199,539	63,693,675,765
Fixed Assets	372,308,587	19,252,948	2,361,576	5,722	-	205,000	394,133,833
Others Assets	- 23,082,923,256	34,635,382,093	747,285,290	677,089,630	1,062,352,019	- 262,166,498	13,777,019,279
Total on-balance sheet Items	**190,094,276,166**	**62,146,437,656**	**1,574,556,651**	**1,303,892,607**	**1,608,683,179**	**377,681,121**	**257,105,527,380**
Off-balance Sheet Items	187,503,168,726	33,753,798,703	-	-	-	-	221,256,967,429
Total	**377,597,444,893**	**95,900,236,359**	**1,574,556,651**	**1,303,892,607**	**1,608,683,179**	**377,681,121**	**478,362,494,809**

Industry Distribution of Exposure:

2018	Banks & FI	Agriculture, hunting, forestry and fishing	Manufacturing	Electricity, gas and water	Commerce	Transport and communications	Community, social and personal services	Financing, insurance and business service	Construction	Retail and SME and Large Loan	Others	Total
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Cash and cash equivalents	4,550,575,368	-	-	-	-	-	-	-	-	-	-	4,550,575,368
Claims on Sovereigns and Central Bank	61,612,708,945	-	-	-	-	-	-	-	-	-	-	61,612,708,945
Claims on Banks	72,337,693,507	-	-	-	-	-	-	-	-	-	-	72,337,693,507
Investments	-	-	-	-	-	-	-	-	-	-	37,202,017,269	37,202,017,269
Claims on Corporate	674,346,144	19,899,417,149	60,216,841,201	786,891,214	5,818,391,228	5,870,580,052	12,760,178,318	6,114,914,894	689,568,470	-	-	112,831,128,670
Claims on Consumer and SME Loans and Large Loans	-	-	-	-	-	-	-	-	-	73,551,541,577	-	73,551,541,577
Fixed Assets	-	-	-	-	-	-	-	-	-	-	301,247,008	301,247,008
Others Assets	-	-	-	-	-	-	-	-	-	-	13,346,282,045	13,346,282,045
Total on-balance sheet Items	**139,175,323,964**	**19,899,417,149**	**60,216,841,201**	**786,891,214**	**5,818,391,228**	**5,870,580,052**	**12,760,178,318**	**6,114,914,894**	**689,568,470**	**73,551,541,577**	**50,849,546,322**	**375,733,194,389**
Off-balance Sheet Items	114,064,825,939	-	-	-	-	-	-	-	-	-	191,175,080,652	305,239,906,591
Total	**253,240,149,903**	**19,899,417,149**	**60,216,841,201**	**786,891,214**	**5,818,391,228**	**5,870,580,052**	**12,760,178,318**	**6,114,914,894**	**689,568,470**	**73,551,541,577**	**242,024,626,974**	**680,973,100,980**

Industry Distribution of Exposure:

2017	Banks & FI	Agriculture, hunting, forestry and fishing	Manufacturing	Electricity, gas and water	Commerce	Transport and communications	Community, social and personal services	Financing, insurance and business service	Construction	Retail and SME and Large Loan	Others	Total
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
Cash and cash equivalents	3,249,188,422	-	-	-	-	-	-	-		-	-	3,249,188,422
Claims on Sovereigns and Central Bank	20,074,162,820	-	-	-	-	-	-	-		-	-	20,074,162,820
Claims on Banks	26,415,342,792	-	-	-	-	-	-	-		-	-	26,415,342,792
Investments	-	-	-	-	-	-	-	-		-	32,424,352,275	32,424,352,275
Claims on Corporate	-	12,075,926,009	57,312,414,547	410,676,058	6,862,341,616	5,613,447,184	8,582,016,675	6,220,830,106		-	-	97,077,652,195
Claims on Consumer and SME Loans and Large Loans	-	-	-	-	-	-	-	-		63,693,675,765	-	63,693,675,765
Fixed Assets	-	-	-	-	-	-	-	-		-	394,133,832	394,133,832
Others Assets	-	-	-	-	-	-	-	-		-	13,777,019,279	13,777,019,279
Total on-balance sheet Items	**49,738,694,034**	**12,075,926,009**	**57,312,414,547**	**410,676,058**	**6,862,341,616**	**5,613,447,184**	**8,582,016,675**	**6,220,830,106**	**-**	**63,693,675,765**	**46,595,505,386**	**257,105,527,380**
Off-balance Sheet Items	33,755,863,123	-	-	-	-	-	-	-		-	187,501,104,306	221,256,967,429
Total	**83,494,557,157**	**12,075,926,009**	**57,312,414,547**	**410,676,058**	**6,862,341,616**	**5,613,447,184**	**8,582,016,675**	**6,220,830,106**	**-**	**63,693,675,765**	**234,096,609,693**	**478,362,494,809**

Standard Chartered

Maturity Breakdown of Credit Exposure:

2018 Details	Maturity up to 1 month BDT	Within 1 to 3months BDT	Within 3 to 12 months BDT	Within 1 to 5 Years BDT	Over 5 Years BDT	Total BDT
Cash and cash equivalents	4,550,575,368	-	-	-	-	4,550,575,368
Claims on Sovereigns and Central Bank	61,612,708,945	-	-	-	-	61,612,708,945
Claims on Banks	72,337,693,507	-	-	-	-	72,337,693,507
Investments	13,930,191,107	13,158,548,081	8,930,967,964	1,047,808,403	134,501,713	37,202,017,269
Claims on Corporate	32,043,519,422	45,463,333,084	17,908,914,244	14,829,636,744	2,585,725,176	112,831,128,670
Claims on Consumer and SME Loans	10,417,058,150	3,432,463,506	14,418,570,795	34,060,817,068	11,222,632,058	73,551,541,577
Fixed Assets	-	-	-	-	301,247,008	301,247,008
Others Assets	12,129,824,014	-	-	-	1,216,458,030	13,346,282,045
Total on-balance sheet Items	**207,021,570,514**	**62,054,344,671**	**41,258,453,003**	**49,938,262,214**	**15,460,563,986**	**375,733,194,390**
Off-balance Sheet Items	62,037,514,994	80,684,321,476	82,928,753,895	75,650,845,935	3,938,470,291	305,239,906,591
Total	**269,059,085,508**	**142,738,666,147**	**124,187,206,898**	**125,589,108,149**	**19,399,034,277**	**680,973,100,980**

Maturity Breakdown of Credit Exposure:

2017 Details	Maturity up to 1 month BDT	Within 1 to 3months BDT	Within 3 to 12 months BDT	Within 1 to 5 Years BDT	Over 5 Years BDT	Total BDT
Cash and cash equivalents	3,249,188,422	-	-	-	-	3,249,188,422
Claims on Sovereigns and Central Bank	20,074,162,820	-	-	-	-	20,074,162,820
Claims on Banks	26,415,342,791	-	-	-	-	26,415,342,791
Investments	13,748,846,930	5,563,195,385	12,529,153,334	202,263,487	380,893,139	32,424,352,276
Claims on Corporate	33,081,499,072	44,192,170,935	11,481,946,377	6,852,422,489	1,469,613,322	97,077,652,195
Claims on Consumer and SME Loans	9,177,742,569	2,876,381,841	12,447,883,162	30,468,899,121	8,722,769,073	63,693,675,765
Fixed Assets	-	-	-	-	394,133,833	394,133,833
Others Assets	12,528,548,924	-	-	-	1,248,470,355	13,777,019,279
Total on-balance sheet Items	**118,275,331,527**	**52,631,748,161**	**36,458,982,873**	**37,523,585,097**	**12,215,879,721**	**257,105,527,381**
Off-balance Sheet Items	60,073,192,660	70,042,864,745	61,424,349,114	26,567,619,018	3,148,941,892	221,256,967,429
Total	**178,348,524,188**	**122,674,612,906**	**97,883,331,987**	**64,091,204,115**	**15,364,821,613**	**478,362,494,810**

E. Equities: Disclosures for Banking Book Positions

The Bank does not hold trading position in equities.

F. Interest rate risk in the banking book

Qualitative Disclosure

(a) The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement.

Interest rate risk from the non-trading book portfolios is transferred to T-M under the supervision of ALCO. This risk arises principally from the re-pricing mismatch between commercial assets and liabilities. T-M also deals in approved financial instruments in the market to manage the net interest rate risk, subject to approved VaR and risk limits. VaR and stress tests are applied to non-trading book exposures in the same way as for the trading book and thus the primary risk measurement tool is VaR for the non-trading book. T-M also manages a portfolio of marketable securities primarily for the purpose of meeting the reserve requirements. For non maturing products like current accounts, savings accounts, cards and overdrafts, behavioural calculation is done to segregate the portfolio according to the balances expected to remain with the bank under non stress conditions for a year or more (core) or less than a year (non-core).

Quantitative Disclosure

Particulars	Amount (BDT) in Crore
Market value of assets	37,764.63
Market value of Liabilities	32,858.70
Weighted Average Duration of Assets (DA)	0.64
Weighted Average Duration of Liabilities (DL)	0.20
Duration Gap (DA-DL)	0.47
Yield to Maturity (YTM- Assets)	5.23%
Yield to Maturity (YTM- Liabilities)	1.24%

Magnitude of Interest Rate Change	1%	2%	3%
Changes in Market value of Equity due to an increase in interest Rate	(168.56)	(337.12)	(505.68)

Stress Testing	Minor	Moderate	Major
Regulatory capital (after shock)	5,250.92	5,082.36	4,913.80
RWA (after shock)	28,009.64	27,841.08	27,672.53
CAR (after shock)	18.75%	18.25%	17.76%

G. Market risk

Qualitative Disclosures:

(a) Views of Board of Directors (BOD) on trading/investment activities

The Bank recognises market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Bank is exposed to market risk arising principally from client-driven transactions. The objective of the Bank's market risk policies and processes is to obtain a balance of risk and return while meeting clients' requirements.

The primary categories of market risk for the Bank are interest rate risk and currency exchange rate risk.

The Country Risk Committee, in conjunction with MTCR, provides market risk oversight, reporting and management of the market risk profile.

(b) Methods used to measure Market risk

Interest Rate Risk

The interest rate exposures arise from trading and non-trading activities. Structural interest rate risk on non-trading arises from the differing re-pricing characteristics of Government securities, commercial banking assets and liabilities.

Foreign Exchange Risk

The foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange trading exposures are principally derived from client driven transactions.

(c) Market Risk Management System

The BRC – Board Risk Committee - approves the Group's market risk appetite taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes. The Market and Traded Credit Risk management operating under the current approved market risk limits policy in force is responsible for setting Value at Risk (VaR) as the primary market risk measure within the Group's risk appetite. The CIBRC (Credit and Market Risk Committee) is responsible for approving policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books.

Market and Traded Credit Risk (MTCR) approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and position concentrations, where appropriate. Sensitivity measures are used in addition to VaR as a risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas, foreign exchange sensitivities are measured in terms of the underlying values or amounts involved. The Country Risk Committee reviews the market risk exposures in its periodic meetings.

(d) Policies and processes for mitigating market risk.

The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time. VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

Losses beyond the confidence interval are not captured by the VaR, which therefore gives no indication of the size of unexpected losses in these situations. The VaR measurement is complemented by regularly stress testing market risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both, historical market events and forward looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

Quantitative Disclosure:

Details of Market Risk as on 31 December 2018:

Capital requirements for:	**2018**	**2017**
	Taka	**Taka**
Interest rate risk	20,230,251	22,754,386
Equity position risk	-	-
Foreign exchange risk	92,724,887	88,905,881
Commodity risk	-	-
Total	**112,955,138**	**111,660,267**

H. Operational Risk

Qualitative Disclosures:

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. It is the Bank's objective to minimize exposure to operational risks, subject to cost trade-offs. This objective is ensured through a framework of policies and procedures that drive risk identification, assessment, control and monitoring at business / function, country levels.

Responsibility for the management of operational risks rests with the business and functional management as an integral part of their role. An independent Operational Risk function within the Group Risk function works alongside business and functional management, to ensure operational risk exposures are managed within acceptable risk tolerance limits. Group Operational Risk is responsible for setting the operational risk policy, defining standards for measurement and for the operational risk capital calculation.

Governance over operational risks is ensured through a defined structure of risk committees at group, business function and country levels. Country Operational Risk Committees ("CORC") have the responsibility for oversight of operational risks and significant issues at a country level. The monthly CORC process ensures that operational risks, losses and results of assurance reviews are managed within acceptable risk tolerance limits.

The bank's Pillar I approach is Basic Indicator Approach (BIA) as set out in the Guidelines on Risk Based Capital Adequacy.

The bank proactively monitors its exposure to material loss events by leveraging on internal experience (via risks and losses) and industry experience. The types of events that could result in a material operational risk loss / business disruption include:

- Internal and external fraud.
- Damage to physical assets.
- Business disruption and system failures.
- Failure in execution, delivery and process management.

Quantitative Disclosures:

Capital requirement for Operational risk as on 31 December 2018 was BDT 3,266,135,224

I. Leverage Ratio:

Leverage ratio is the ratio of tier 1 capital to total on and off-balance sheet exposures. The leverage ratio was introduced into the Basel III framework as a non-risk based backstop limit, to supplement risk-based capital requirements.

In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced by the Bangladesh Bank. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The leverage ratio is intended to achieve the following objectives:

- Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

The Bank has calculated the regulatory leverage ratio as per the guideline of Basel III. The numerator, capital measure is calculated using the new definition of Tier I capital applicable from 01 January 2015. The denominator, exposure measure, is calculated on the basis of the Basel III leverage ratio framework as adopted by the Bangladesh Bank. The exposure measure generally follows the accounting value, adjusted as follows:

- On-balance sheet, non derivative exposures are included in the exposure measure net of specific provision;
- Physical or financial collateral is not considered to reduce on-balance sheet exposure;
- Loans are not netted with deposits;
- Off balance sheet items are converted into credit exposure equivalents through the use of credit conversion factors (CCFs). Depending on the risk category of the exposure a CCF of 20%, 50% or 100% is applied. Commitments that are unconditionally cancellable at any time by the bank without prior notice, a CCF of 10% is applied;
- Item deducted from Tier I capital such as deferred tax assets is excluded.

Quantitative disclosures:	**2018**	**2017**
Leverage Ratio (%)	10.41%	10.06%
A. On Balance Sheet Exposure	371,273,410,540	280,337,117,889
B. Off Balance Sheet Exposure	99,945,763,193	117,418,315,188
C. Total Deduction From on and off balance sheet exposure/ Regulatory adjustment made to Tier I Capital	1,177,334,917	1,202,025,506
Total Exposure (A+B-C)	**470,041,838,816**	**396,553,407,570**

J. Liquidity Ratio

Qualitative disclosures:

Liquidity risk is the potential that the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost. Liquidity is managed by the Country Asset Liability Management Committee (ALCO) within the pre-defined liquidity limits set by and in compliance with Group liquidity policies and local regulatory requirements.

Liquidity management of the Bank is centered on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) based on BASEL III. The Bank has Asset Liability Management (ALM) desk to manage this risk with active monitoring and management from Market and Traded Credit Risk (MTCR) Department.

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) has been adopted by the bank for liquidity risk management. LCR ensures that banks maintain enough high quality unencumbered liquid assets to meet its liquidity needs for 30 calendar time-line whereas NSFR ensures availability of stable funding is greater than required funding over 1 year period.

ALCO monitors the liquidity risk on a monthly basis. Based on the detail recommendation from ALM desk, ALCO takes appropriate action to manage the liquidity risk. These ratios are regularly monitored at ALCO. Also Bank has internal risk control framework which outlines clear and consistent policies and principles for liquidity risk management.

Quantitative disclosures:	**2018**	**2017**
Liquidity Coverage Ratio (%)	341.19%	123.11%
Net Stable Funding Ratio (%)	127.91%	133.03%
Stock of High Liquid Assets	70,829,332,567	49,796,139,998
Total Net Cash Outflows over the next 30 Calender days	27,805,079,187	25,438,010,683
Available Amount of Stable Funding	298,167,490,641	249,076,774,832
Required Amount of Stable Funding	233,112,434,076	187,228,509,606

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K. **Remuneration**

Qualitative disclosures:

(a) Information relating to the bodies that oversee remuneration:

(i) Name, composition and mandate of the main body overseeing remuneration

The Remuneration Committee (the "Committee") of Standard Chartered PLC (the "Group") is comprised of independent non-executive directors. The Committee reviews, and is responsible for setting the principles, parameters and governance framework of the Group and its subsidiaries' remuneration policy. The terms of reference for the Committee can be found on the Group's website. Further information on the activities of the Committee can be found in the Group's Annual Report.

(ii) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.

The Committee is assisted in its considerations by PricewaterhouseCoopers LLP (PwC). This includes advice to the Committee relating to executive directors' remuneration and regulatory matters.

PwC were formally re-appointed by the Committee as its remuneration advisor in August 2017 following a review of potential advisors and the quality of advice received. It is the Committee's practice to undertake a detailed review of potential advisors every three to four years.

PwC is a signatory to the voluntary Code of Conduct in relation to remuneration consulting in the UK. PwC also provides professional services in the ordinary course of business including assurance, advisory and tax advice to the Group. The Committee considered PwC's role as an advisor to the Group, and determined that there was no conflict or potential conflict arising. The Committee is satisfied that the advice the Committee receives is objective and independent.

(iii) A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

Standard Chartered (the "Group") is regulated globally by the UK Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The remuneration rules of the PRA and FCA are based on the principles adopted by the G20 countries in relation to the Financial Stability Board's ("FSB") Principles for Sound Compensation Practices and their Implementation Standards. The rules also include the provisions of the European Union's Capital Requirements Directive IV.

(iv) A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.

The Group's Identification of Material Risk Takers ("MRTs") for Remuneration Purposes Policy was introduced in 2014 to comply with expanded rules for identifying key risk-taking staff in accordance with the European Banking Authority's ("EBA") Regulatory Technical Standards and the remuneration rules of the PRA and the FCA.

The table below summarises the groups of employees who have been identified as MRTs in accordance with the regulatory requirements:

Quantitative criteria	**Qualitative criteria**
The quantitative criteria capture employees who: - Have been awarded total remuneration of EUR500,000 or more in the previous financial year - Are within the 0.3 per cent of the number of staff on a global basis who have been awarded the highest total remuneration in the preceding financial year - In the preceding financial year were awarded total remuneration that was equal to or greater than the lowest total remuneration awarded that year to certain specified groups of employees	The qualitative criteria broadly identify the following employees: - Group executive and non-executive directors - A member of senior management which is defined as one or more of the following: o A Senior Manager under the PRA/FCA Senior Manager Regime o A member of the Group's Management Team o All senior management (top two levels beneath Group director level) o Senior employees within the audit, compliance, legal and risk functions o Senior employees within material business units o Employees who are members of certain committees o Employees who are able to initiate or approve credit risk exposures above a certain threshold and sign off on trading book transactions at or above a specific value at risk limit

Employees may be excluded from MRT classification if they are only identified by the quantitative criteria and it can be demonstrated that they do not have the ability to have a material impact on the Group's risk profile

EUR 500k-EUR 750k	The Group must notify exclusion to the relevant regional authority e.g. PRA
EUR 750k-EUR1m	Approval required from the relevant regional authority e.g. PRA
EUR1m+	Approval required from the EBA

(b) Information relating to the design and structure of remuneration processes:

(i) An overview of the key features and objectives of remuneration policy.

Our Fair Pay Charter

In 2018, the Group launched its Fair Pay Charter, which sets out the principles we use to determine and deliver fair pay for all employees globally.

1. We commit to pay a living wage in all our markets by 2020 and seek to go beyond compliance with minimum wage requirements

2. We provide an appropriate mix of fixed and variable pay and a core level of benefits to ensure a minimum level of earnings and security to colleagues and to reflect the Group's commitment to wellbeing

3. We support colleagues in working flexibly, in ways that balance both business needs and their personal circumstances, and provide colleagues with the opportunity to select the combination and level of benefits that is right for them

4. Pay is well administered with colleagues paid accurately, on time and in a way that is convenient

5. We provide a competitive total fixed and variable pay opportunity that enables us to attract, motivate and retain colleagues based on market rates for their role, location, performance, skills and experience

6. The structure of pay and benefits is consistent for colleagues based on their location and role, with a clear rationale for exceptions

7. We are committed to rewarding colleagues in a way that is free from discrimination on the basis of diversity, as set out in our Group Code of Conduct

8. We ensure pay decisions reflect the performance of the individual, the business they work in and the Group, and recognise the potential, conduct, behaviours and values demonstrated by each individual

9. We set clear expectations for how colleagues are rewarded and the principles guiding decisions, including clear personal objectives and feedback

10. We provide clear communication of pay and performance decisions, and seek feedback and input from colleagues on our pay structures and outcomes

Element		**Operation**
Fixed remuneration	Salary	• Salaries reflect individuals' skills and experience and are reviewed annually against market information and in the context of the annual performance assessment and affordability. • Increases may occur where there is a role change, increased responsibility or to ensure market competitiveness.
Fixed remuneration	Pension & benefits	• Benefits are provided, with the details depending on local market practice. Employees have access to country-specific, company-funded benefits such as pension schemes, private medical insurance, permanent health insurance, life insurance and cash allowances. The cost of providing the benefits is defined and controlled. • Employees who are relocated or spend a substantial portion of their time in more than one jurisdiction for business purposes may be provided with mobility benefits. If employees incur tax charges when travelling overseas in performance of their duties, these costs may be met by the Group • Sharesave is an all employee plan where participants are able to open a savings contract to fund the exercise of an option over shares. The option price is set at a discount of up to 20 per cent of the share price at the date of invitation (or such other discount as may be determined by the Committee). An equivalent cash or share plan is offered in countries where Sharesave may not be offered (typically due to tax, regulatory or securities law issues).

Element		Operation
Variable remuneration	Discretionary variable remuneration	• Employees are typically eligible to be considered for variable remuneration (based on Group, business and individual performance). • Individual incentives are linked to the Group scorecard, the individual's business area scorecard and individual performance. • Discretionary variable remuneration is delivered in the form of annual incentive and/or Long-Term Incentive Plan ("LTIP") awards depending on the category of employee. • Annual incentive is delivered in the form of cash, shares and/or deferred shares and deferred cash according to the Group's deferral mechanism. LTIP awards are delivered in shares and subject to long-term performance measures. • The variable remuneration of employees in the Risk and Compliance functions is set independently of the business they oversee. • The proportion of variable to fixed remuneration paid to employees is carefully monitored. • Guaranteed variable remuneration is only paid exceptionally, and is limited to the first year of employment. • Variable remuneration is subject to the Group Ex-Post Risk Adjustment of Remuneration policy, which enables the Group to: suspend payment of awards, suspend vesting of awards, apply in-year adjustments, and apply malus and claw-back to unvested and vested variable remuneration, in appropriate circumstances.

(ii) Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.

- The Group's remuneration policies are reviewed on an annual basis by the Remuneration Committee and a management-level committee, as appropriate. No material changes were made to the Group's remuneration policies for the 2018 performance year.

(iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.

Employees engaged in Risk and Compliance are independent, have appropriate authority, and are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Group

The methodology for determining individual variable remuneration awards ensures that colleagues in Control Functions (including Audit, Compliance and Risk) are not incentivised to drive the performance of the business areas they control.

c) **Description of the ways in which current and future risks are taken into account in the remuneration processes:**

i. **An overview of the key risks that the bank takes into account when implementing remuneration measures.**

The Group's variable remuneration is subject to approval by the Committee, based on a recommendation by management. When considering the Group's variable remuneration and its allocation between businesses and functions, the Committee considers performance and risk factors including (but not limited to):

- The Group's performance and capital position;
- The delivery of fair and competitive remuneration to all colleagues globally;
- The continued importance of rewarding and incentivising employees to execute the strategy;
- Shareholder returns;
- Regulatory expectations; and
- The risk and control environment, including current and future risks;
- Specific risk, control and conduct events; and
- That the Group's remuneration policies and practices do not encourage risk-taking that exceeds the Group's Risk Appetite.

At an individual level, employees are assessed annually in relation to what they have achieved and how they have achieved it, based on the valued behaviours they have demonstrated. This assessment feeds into decision-making in relation to individual variable remuneration.

ii. **An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed).**

The Group's approach to aligning remuneration to sound and effective risk management is supported by:

- *Balanced scorecards:* At a Group and business unit level, balanced scorecards play an integral role in the determination of Group discretionary variable remuneration. The scorecards take into consideration financial and non-financial targets, including those related to conduct and remediation programmes. This incentivises improvements in shareholder returns whilst ensuring that returns are not generated by excessive risk-taking. Measures in the Group scorecard are determined in alignment with the Group's strategy. The Committee is responsible for setting the individual measures, weightings and targets.

- *Conduct risk in bonus pools:* To account for current and future risks, we consider whether any remuneration adjustments are required. Adjustments can be made in relation to risks that are inherent in our business activities (ex-ante) or in relation to events and issues that have crystallised (ex-post). Our process includes adjustments which are automatic and discretionary. Automatic ex-ante and ex-post risk adjustments are applied at a collective level in relation to risks, events and issues that impact the financials of the Group and therefore have a direct impact on the Group's incentive funding. We may also apply additional incremental discretionary ex-ante and ex-post risk adjustments at a collective level where deemed necessary.

- *Identification of MRTs:* We identify employees whose professional activities have the ability to have a material impact on the risk profile of the Group in line with the Identification of MRTs Policy. A higher proportion of their variable remuneration is deferred over a longer period, compared with other employees.

- Individual performance assessment: Employees are assessed annually in relation to what they have achieved, against their objectives, and how they have achieved it, based on the valued behaviours they have demonstrated. Remuneration outcomes relate to the performance of the individual, the business unit they work in and the Group. This ensures that everyone is aligned to deliver long-term sustainable growth in the interests of shareholders and that variable remuneration recognises the achievement, conduct, behaviours and values of employees.

- *Deferral mechanism:* Depending on the quantum of an individual's variable remuneration, a portion is deferred into shares and/or other instruments according to the Group-wide deferral mechanism. This aligns the pay-out period for remuneration with the business cycle of the Group whilst taking into account the timeframe over which financial risks crystallise. The proportion deferred increases with the quantum of variable remuneration awarded.

- Individual risk adjustments: Consideration is given to whether variable remuneration should be adjusted when there is conduct that has resulted in significant losses to the Group, a material risk management failure or where the individual has failed to meet appropriate standards of values and behaviours. In determining a reasonable outcome, factors such as the impact of the event, the intent of the individual, the significance of the event, the speed of remediation and the frequency of issues are considered. Adjustments to variable remuneration can take the form of an in-year adjustment, malus or clawback.

- Governance processes: Additional governance processes provide further safeguards against inappropriate outcomes. Members of the Committee serve on other Board Committees, including the Audit, Board Financial Crime Risk, Board Risk and Brand Values & Conduct Committees. This overlap of membership brings a deeper understanding to the Committee of core business objectives and issues.

iii. A discussion of the ways in which these measures affect remuneration.

Please refer to (c)ii.

iv. A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.

- There have been no material changes to the framework discussed in (c)ii.

d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

i. An overview of main performance metrics for bank, top-level business lines and individuals.

Please refer to (c)ii.

(ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.

Please refer to (c)ii.

(iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.

Please refer to (c)ii.

(e) Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance:

(i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of varia`ble remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.

The Group applies specific rules to variable remuneration for MRTs:

- Variable remuneration is capped at two times fixed remuneration;

- A minimum of 40 per cent of variable remuneration is deferred, increasing to 60% when variable remuneration is greater than GBP500,000. Variable remuneration is deferred over a period of seven years for Senior Managers (vesting pro-rata over years three to seven), five years for Risk Managers (vesting pro-rata over years one to five) and three years for Other MRTs (vesting pro-rata over years one to three);

- At least 50 per cent of any variable remuneration (both deferred and non-deferred) is delivered in shares; and

- Upfront shares are subject to a minimum 12 months post-vest retention period. Deferred shares are subject to a minimum 12 months post-vest retention period for Senior Managers and Other MRTs, and a minimum six months post-vest retention period for Risk Managers.

- For other employees, annual variable remuneration over a defined threshold is subject to a graduated level of deferral, as shown below. Deferred variable remuneration is typically delivered 50% in shares and 50% in cash.

Variable remuneration value (USD)	Deferral percentage
≤100,000	0%
100,000 to 600,000	40%
>600,000	60% (flat rate applies to entire value)

(ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements

Variable remuneration is subject to the Group Ex-Post Risk Adjustment of Remuneration policy, which enables the Group to suspend payment or vesting of awards, apply in-year adjustments, apply malus to unvested awards and apply clawback to vested variable remuneration, in appropriate circumstances. Where legally possible, variable remuneration is subject to clawback for a period of at least seven years from the date on which it is awarded.

f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms. Disclosures should include:

(i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms

- Variable remuneration is delivered in cash and shares and is structured in line with the Group deferral framework (as set out above, unless superseded by regulatory requirements). The Group has the flexibility to pay zero variable remuneration.

(ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.

The Group-wide deferral mechanism is a series of thresholds based on the value of variable remuneration – the larger the variable remuneration award, the greater the proportion that is deferred. Deferred variable remuneration is typically delivered 50% in shares and 50% in cash.

The deferral amount is cumulative up to a variable remuneration value of USD 600,000, upon which a flat rate of deferral applies to the entire award.

The effective deferral level is USD 105,000. If the variable remuneration awarded is greater than USD 105,000 but less than or equal to USD 115,000 then the deferral is delivered as deferred cash only.

For MRTs, at least 40% of variable compensation must be deferred, increasing to at least 60% when variable remuneration is more than GBP500,000. Shares delivered to MRTs are subject to a post-vest retention period. Upfront shares are subject to a minimum 12 months post-vest retention period. Deferred shares are subject to a minimum 12 months post-vest retention period for Senior Managers and Other MRTs, and a minimum six months post-vest retention period for Risk Managers.

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Quantitative Disclosure:

g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	• In 2018, there were 5 RemCo meetings.
h)	• Number of employees having received a variable remuneration award during the financial year. • Number and total amount of guaranteed bonuses awarded during the financial year. • Number and total amount of sign-on awards made during the financial year. • Number and total amount of severance/termination payments made during the financial year.	• Employees with variable remuneration:1361 • Guaranteed bonuses: NIL • Sign-on awards: NIL • N/A
i)	• Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. • Total amount of deferred remuneration paid out in the financial year.	Outstanding deferred cash: BDT 3,929,925.00 Outstanding deferred shares value: BDT 3,929,925.00 Total deferred remuneration: BDT 7,859,850.00
j)	Breakdown of amount of remuneration awards for the financial year to show: • fixed and variable • deferred and non-deferred • different forms used (cash, shares and share linked instruments, other forms).	Fixed: BDT 2,905,842,733.00 Variable: BDT 533,581,698.00 Deferred: BDT 7,859,850.00 Non deferred: BDT 525,721,848.00 Upfront Cash: BDT 525,721,848. Upfront Shares: NIL
k)	Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration: Total amount of outstanding deferred remuneration and retained remuneration exposed to expost explicit and/or implicit adjustments. Total amount of reductions during the financial year due to ex post explicit adjustments. Total amount of reductions during the financial year due to ex post implicit adjustments.	Overall: BDT 57,728,016.00 Explicit: BDT NIL Implicit: BDT 18,793,438.00