2.2 Capital Resources continued

For regulatory purposes, capital is categorised into two tiers, depending on the degree of permanence and loss absorbency exhibited. These are Tier 1 and Tier 2 capital which are described below.

Further details of the Group's capital instruments are set out in the Regulatory Capital Instruments Main Features Document available on the Group's website at http://investors.sc.com/en/disclaimer3.cfm.

Tier 1 capital

Tier 1 capital is going concern capital and is available for unrestricted and immediate use to cover risks and losses whilst enabling the organisation to continue trading.

Tier 1 capital comprises permanent share capital, profit and loss account and other eligible reserves, equity non-controlling interests and Additional Tier 1 instruments, after the deduction of certain regulatory adjustments.

Permanent share capital is an item of capital issued by an organisation to an investor, which is fully paid-up and where the proceeds of issue are immediately and fully available. It can only be redeemed on the winding-up of the organisation.

Profit and loss account and other eligible reserves are accumulated resources included in shareholders' funds in an organisation's balance sheet, with certain regulatory adjustments applied.

Equity non-controlling interests represent the equity stakes held by non-controlling shareholders in the Group's undertakings.

Additional Tier 1 securities are deeply subordinated instruments which have loss absorbing qualities such as discretionary coupons, principal write-down or conversion to equity and can therefore be included as Tier 1 capital.

The following table sets out details of the Tier 1 instruments in issue and their primary terms:

Table 5 : Additional Tier 1 Capital instruments

Security Ref [1]#	ISIN	Issuer	Description	2014 $million	2013 $million
2	GB0008399700	SC PLC	£100 million 8.250 per cent Non-cumulative Irredeemable Preference shares [4]	144	152
3	GB0008401324	SC PLC	£100 million 7.375 per cent Non-cumulative Irredeemable Preference shares [4]	140	147
4	US85354AA86/ USGB84228AT58	SC PLC	$750 million 6.409 per cent Non-cumulative Redeemable Preference shares [4]	747	747
5	US853254AB69 / US853254AC43	SC PLC	$750 million7.014 per cent Non-cumulative Redeemable Preference shares [4]	747	747
6a	XS0129229141	SCB	£300 million 8.103 per cent Step-up Callable Perpetual Preferred securities [4]	467	493
6b	XS0129229141	SCB	£300 million 8.103 per cent Step-up Callable Perpetual Preferred securities [4]	555	586
N/A	XS0347919457	SCB	$1,500 million 9.5 per cent Step up Redeemable Preferred Securities (callable 2014)[2]	-	1,498
N/A	US500633AD41	SCBK	$300 million 7.267 per cent Hybrid tier 1 securities (callable 2014)[2]	-	320
Total [3]				2,800	4,690

1 Refer to the **Standard Chartered PLC Regulatory Capital Instruments Main Features Document** as published on the Standard Chartered website.

2 The right to redeem these securities was exercised in full on the respective callable date and the securities are not included in the Reporting Capital Instruments Main Features Document.

3 Includes ineligible minority interest

4 These securities are not CRR compliant and will be fully phased out by 1 January 2022

Tier 2 capital

Tier 2 capital is going concern capital to help ensure senior creditors and depositors can be repaid in the event of the organisation's failure. Tier 2 capital consists of capital instruments which are normally of medium to long-term maturity with an original maturity of at least five years. For regulatory purposes, it is a requirement that these instruments be amortised on a straight-line basis in their final five years of maturity. The following table sets out the Tier 2 instruments in issue and their primary terms:

Basel III for securitisation positions

The calculation of risk-weighted exposure amounts for securitisation positions is based on the following two calculation methods advised by the PRA:

- IRB method for third party senior securitisation positions bought and securitisation positions originated and retained by the Group (including haircuts due to currency and collateral mismatch); and
- Standardised Approach for the residual risk-weighted exposure amounts for all other securitisation positions originated by the Group and sold. For instance, risk-weight substitution under the Standardised Approach is adopted in unfunded transactions where cash collateral is with a third party.

All existing securitisation transactions originated by the Group, in Table 38, meet the credit risk transfer requirement to be accounted for as securitisations under the CRR.

CRD IV

The new legislation CRD IV implementing Basel III agreement was published on 27 June 2013 and fully entered into force on 17 July 2013. Institutions were required to apply the new rules from the 1 January 2014. The securitisation framework in CRD IV is broadly similar with BIPRU's and hence had minimal impact on the existing CLO programmes.

Accounting
The Group's approach to accounting for SPEs can be found in the notes to the financial statements in the 2014 Annual Report.

All programmes listed in the tables below are rated by an external credit assessment institution, namely Moody's with the exception of Start VI and Sumeru, which are not rated.

Table 38: Securitisation programmes (as originator)

2014 CRD IV

	Underlying facilities hedged	Public/ Private	Start date	Scheduled maturity	Maximum notional $million	Retained exposures[1] $million	Outstanding exposures[2] $million	Capital requirement before securitisation $million	Capital requirement after securitisation[3] $million
Sealane II	Trade Finance	Public	08/2011	02/2015	2,982	2,802	1,747	91	38
Shangren II	Trade Finance	Private	12/2011	03/2015	2,496	2,325	2,284	123	22
Pamir	Trade Finance	Private	10/2011	04/2015	1,494	1,404	1,399	82	23
Start VII	Commercial Loan	Public	12/2011	06/2015	2,000	1,860	1,810	111	44
Pumori	Commercial Loan	Private	03/2012	09/2015	1,248	1,160	1,095	73	25
Oryza 1	Commercial Loan	Private	06/2012	12/2015	1,488	1,383	1,310	86	22
Start VIII	Commercial Loan	Public	11/2012	05/2016	1,489	1,384	1,326	90	23
Mana IV	Trade Finance	Private	06/2014	06/2016	4,000	3,760	3,837	213	71
Start IX	Commercial Loan	Public	04/2014	10/2017	1,500	1,395	1,415	102	34
Sumeru II	Commercial Loan	Private	12/2014	06/2018	3,500	3,255	3,303	231	76
Total					22,197	20,728	19,526	1,202	378

2013 Basel II

	Underlying facilities hedged	Public/ Private	Start date	Scheduled maturity	Maximum notional $million	Retained exposures[1] $million	Outstanding exposures[2] $million	Capital requirement before securitisation $million	Capital requirement after securitisation[3] $million
Start VI	Commercial Loan	Public	11/2010	04/2014	1,250	1,162	750	40	22
Mana III	Trade Finance	Private	12/2012	06/2014	3,496	3,286	3,214	190	52
Sumeru	Commercial Loan	Private	06/2010	09/2014	3,443	3,176	2,533	159	72
Sealane II	Trade Finance	Public	08/2011	02/2015	2,996	2,816	2,835	174	54
Shangren II	Trade Finance	Private	12/2011	03/2015	2,499	2,325	2,335	143	23
Pamir	Trade Finance	Private	10/2011	04/2015	1,498	1,408	1,416	88	27
Start VII	Commercial Loan	Public	12/2011	06/2015	2,000	1,860	1,770	118	42
Pumori	Commercial Loan	Private	03/2012	09/2015	1,249	1,161	1,070	74	25
Oryza 1	Commercial Loan	Private	06/2012	12/2015	1,500	1,395	1,373	91	32
Start VIII	Commercial Loan	Public	11/2012	05/2016	1,500	1,395	1,354	100	32
Total					21,431	19,984	18,650	1,177	381

[1] Exposures that have not been sold to investors but have been retained by the Group

[2] Underlying exposures that have been securitised in the programmes

[3] Capital requirements after securitisation includes $57 million capital retained due to currency and collateral haircuts (2013 : $64 million)

3.11. Securitisation continued

In the following table, securitisation programmes present the maximum notional of the securitised exposures by geography. The securitised exposures in 2014 and 2013 are lower than the maximum notional (as shown in Table 40), due to several programmes (Start VII and Sealane II in 2014; Start VI, Mana III, Sumeru and Sealane II in 2013) were not replenished to the maximum notional.

Table 40: Securitisation positions by region

	2014 CRD IV			2013 Basel II		
	Securitisation programmes $million	ABS $million	Total $million	Securitisation programmes $million	ABS $million	Total $million
Greater China	6,741	174	6,915	6,060	-	6,060
North East Asia	1,003	765	1,768	1,458	500	1,958
South Asia	2,862	-	2,862	3,197	-	3,197
ASEAN	4,333	1,536	5,869	4,243	1,145	5,388
MENAP	2,745	-	2,745	2,780	-	2,780
Africa	1,478	-	1,478	1,132	-	1,132
Americas	1,049	2,262	3,311	766	1,257	2,023
Europe	1,067	5,444	6,511	1,019	3,692	4,711
Total	21,278	10,181	31,459	20,655	6,594	27,249

4. Market risk

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Group's exposure to market risk arises predominantly from providing clients access to financial markets, facilitation of which entails the Group's taking moderate market risk positions. All trading teams support client activity; there are no proprietary trading teams. Hence, income earned from market risk related activities is broadly stable. Market risk also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high quality liquid debt securities and from the translation of non-US dollar denominated assets, liabilities and earnings.

The primary categories of market risk for the Group are:

- interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
- equity price risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options;
- commodity price risk: arising from changes in commodity prices and commodity option implied volatilities; covering energy, precious metals, base metals and agriculture; and
- currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options.

Valuation framework

Valuation of financial assets and liabilities held at fair value is subject to an independent review by Valuation Control within the Finance function. For those financial assets and liabilities whose fair value is determined by reference to externally quoted prices or market observable pricing inputs or to a valuation model, an assessment is made by Valuation Control against external market data and consensus services. Valuation Control also ensures adherence to the valuation adjustment policies to incorporate bid/ask spreads, model risk and other reserves, and, where appropriate, to mark all positions in accordance with prevailing accounting and regulatory guidelines.

The Valuation and Benchmarks Committee (VBC), a sub-committee of the Market Traded Credit Risk Committee, provides oversight and governance of all Financial Markets valuation adjustment and price testing policies and reviews the results of the valuation control process on a monthly basis. In addition, the VBC also provides governance over SCB's benchmark rates review process.

Our approach to market risk can be found in the Risk review section in the 2014 Annual Report. Market risk VaR coverage and Group Treasury market risk, including the table which shows Group Treasury Net Interest Income (NII) sensitivity to parallel shifts in yield curves, can be found in the Risk review section in the 2014 Annual Report.

Market risk changes

The average levels of VaR in 2014 were slightly higher than in 2013: Total VaR +4.7 per cent, Non-trading VaR +3.1 per cent, Trading VaR +8.7 per cent. The increases were driven by increases in interest rate risk +3.3 per cent and equity risk +16.1 per cent, offset by decreases in foreign exchange risk (14.1 per cent) and commodity risk (4.7 per cent).

The actual levels of VaR at 31 December were considerably lower in 2014 than in 2013: Total VaR (31.1 per cent), Non-trading VaR (23.0 per cent), Trading VaR (16 per cent), with all asset class risks being reduced except trading book equities which was higher by +10.8 per cent.

4. Market Risk continued

Table 41: Daily value at risk by risk type (VaR at 97.5 per cent, one day)

	2014 CRD IV				2013 Basel II			
By risk type	Average $million	High[4] $million	Low[4] $million	Actual[5] $million	Average $million	High[4] $million	Low[4] $million	Actual[5] $million
Trading and non-trading[1]								
Interest rate risk[2]	25.8	36.8	19.0	22.0	25.0	37.4	18.2	23.3
Foreign exchange risk	3.6	6.7	2.2	4.7	4.2	7.6	2.3	7.0
Commodity risk	1.4	2.9	0.7	0.7	1.5	2.6	0.9	1.5
Equity risk	17.9	20.0	15.1	16.4	15.4	18.4	13.0	18.3
Total[3]	34.4	47.4	25.2	26.5	32.8	44.8	22.1	38.5
Trading[1]								
Interest rate risk[2]	9.3	21.3	5.7	5.7	9.1	15.0	6.5	8.1
Foreign exchange risk	3.6	6.7	2.2	4.7	4.2	7.6	2.3	7.0
Commodity risk	1.4	2.9	0.7	0.7	1.5	2.6	0.9	1.5
Equity risk	1.6	2.4	1.3	2.0	1.5	2.1	1.1	1.8
Total[3]	10.6	20.8	7.1	7.6	9.8	14.9	7.3	9.1
Non-trading								
Interest rate risk[2]	20.9	27.4	14.6	18.0	22.6	34.3	16.9	22.1
Equity risk	17.2	19.1	15.5	16.1	14.9	17.6	12.4	17.4
Total[3]	30.1	39.0	17.3	25.1	29.2	34.9	19.6	32.7

1 Trading book for market risk is defined in accordance with the EU Capital Requirements Regulation (CRD IV/CRR) Part 3 Title I Chapter 3 which restricts the positions permitted in the trading book. This regulatory definition is narrower than the accounting definition of the trading book within IAS 39 'Financial Instruments: Recognition and Measurement'
2 Interest rate risk VaR includes credit spread risk arising from securities held for trading or available-for-sale
3 The total VaR shown in the tables above is not a sum of the component risks due to offsets between them
4 Highest and lowest VaR for each risk factor are independent and usually occur on different days
5 Actual one day VaR at period end date

The following table sets out how trading and non-trading VaR is distributed across the Group's products.

Table 42: Daily value at risk by product (VaR at 97.5 per cent, one day)

	2014 CRD IV				2013 Basel II			
By product	Average $million	High[3] $million	Low[3] $million	Actual[4] $million	Average $million	High[3] $million	Low[3] $million	Actual[4] $million
Total Trading and Non-trading	34.4	47.4	25.2	26.5	32.8	44.8	22.1	38.5
Trading[1]								
Rates	6.3	13.7	3.7	3.9	6.4	12.2	3.5	5.5
Global FX	3.6	6.7	2.2	4.7	4.2	7.6	2.3	7.0
Credit Trading & Capital Markets	3.9	8.2	2.8	2.8	3.1	4.3	2.2	3.4
Commodities	1.4	2.9	0.7	0.7	1.5	2.6	0.9	1.5
Equities	1.6	2.4	1.3	2.0	1.5	2.1	1.1	1.8
Total[2]	10.6	20.8	7.1	7.6	9.8	14.9	7.3	9.1
Non-trading								
ALM	20.6	26.6	14.5	17.7	22.2	33.9	17.1	21.2
Other FM non-trading book	1.2	1.5	0.9	1.3	1.6	2.4	1.0	1.3
Listed private equity	17.2	19.1	15.5	16.1	14.9	17.6	12.4	17.4
Total[2]	30.1	39.0	17.3	25.1	29.2	34.9	19.6	32.7

1 Trading book for market risk is defined in accordance with the EU Capital Requirements Regulation (CRD IV/CRR) Part 3 Title I Chapter 3 which restricts the positions permitted in the trading book. This regulatory definition is narrower than the accounting definition of the trading book within IAS 39 'Financial Instruments: Recognition and Measurement'
2 The total VaR shown in the tables above is not a sum of the component risks due to offsets between them
3 Highest and lowest VaR for each risk factor are independent and usually occur on different days
4 Actual one day VaR at period end date

4. Market risk continued

Market risk regulatory capital requirements

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

The PRA has granted the Group permission to use the Internal Model Approach (IMA) covering the majority of interest rate, foreign exchange, precious metals, base metals, energy and agriculture market risk in the trading book. Positions outside the IMA scope are assessed according to standard PRA rules.

At 31 December 2014 the Group's market risk regulatory capital requirement was $1,624 million (31 December 2013: $1,850 million). The reduction from 2013 was largely attributable to a reduction in capital requirements on options under CRDIV standard rules which came into effect on 1 January 2014.

The minimum regulatory market risk capital requirements for the trading book are presented below for the Group.

Table 43: Market risk regulatory capital requirements

	2014 CRD IV		2013 Basel II	
Market risk capital requirements for trading book	Regulatory capital requirement $million	Risk Weighted Assets $million	Regulatory capital requirement $million	Risk Weighted Assets $million
Interest rate[1]	398	4,973	371	4,638
Equity	88	1,100	231	2,888
Options	152	1,900	542	6,776
Commodity[2]	28	350	41	513
Foreign exchange[2]	222	2,775	122	1,525
Internal Models Approach[3]	736	9,197	543	6,788
Total	1,624	20,295	1,850	23,128

1 Securitisation positions contributed $5 million to the interest rate position risk requirement (PRR) and $63 million to interest rate RWA as at 31 December 2014 (securitised positions contributed $4.1 million to the interest rate PRR and $51.3 million to interest rate RWA as at 31 December 2013)

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

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

The minimum regulatory market risk capital requirement for the trading book is presented below for the Group's significant subsidiaries in accordance with local regulatory requirements applicable in the countries in which they are incorporated.

Table 44: Market risk regulatory capital requirements for significant subsidiaries

	2014		
Market risk capital requirements for trading book	Standard Chartered Bank $million	Standard Chartered Bank (HK) Ltd $million	Standard Chartered Bank Korea Ltd $million
Local Regulators	PRA	HKMA	FSS
Interest rate[1]	398	107	20
Equity	88	34	14
Options	152		
Commodity[2]	28	-	-
Foreign exchange[2]	222	16	-
Internal Models Approach[3]	736	6	86
Total	1,624	163	120
Market Risk – RWA	20,295	2,033	1,505

1 For Standard Chartered Bank securitisation positions contributed $4.7 million to the interest rate PRR and $58.7 million to interest rate RWA as at 31 December 2014 (securitised positions contributed $4.1 million to the interest rate PRR and $51.3 million to interest rate RWA as at 31 December 2013)

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

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

4. Market risk continued

Internal Models Approach – Stressed VaR

The table below shows the average, high and low Stressed VaR for the period January 2014 to December 2014 and the actual position on 31 December 2014. The Stressed VaR results reflect only the Group portfolio covered by the internal model approach and are calculated at a 99 per cent confidence level

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Table 45: Stressed VaR

	January to December 2014				January to December 2013			
	Average $million	High[1] $million	Low[1] $million	Actual[2] $million	Average $million	High[1] $million	Low[1] $million	Actual[2] $million
Stressed VaR	41.5	69.5	21.7	40.9	35.3	59.1	20.7	40.9

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

2 Actual one day VaR as at period end date

Stressed VaR contributes to the Group level internal model approach to market risk capital requirements as follows;

Table 46: Stressed VaR contribution to Group level IMA capital requirements

	2014 CRD IV		2013 Basel II	
IMA market risk capital requirements for the trading book	Regulatory capital requirement $million	Risk-Weighted Assets $million	Regulatory capital requirement $million	Risk-Weighted Assets $million
VaR - based[1]	244	3,050	186	2,325
Stressed VaR - based	492	6,150	357	4,463
Incremental risk charge[2]	-	-	-	-
All price risk[2]	-	-	-	-
Total	736	9,200	543	6,788

1 Including conservative capital estimates for Risks-not-in-VaR which are not included in VaR or cannot be captured in VaR

2 There is no internal model approach contribution from incremental risk charge or all price risk

5. Operational risk

Measurement

The Group uses the Standardised Approach consistent with the CRR requirements to assess its regulatory and internal capital requirements for operational risk. Under the Standardised Approach, a pre-determined beta co-efficient is applied to the average income for the previous three years across each of the eight business lines prescribed in CRR, to determine the operational risk capital requirement. Our approach to the management of operational risk can be found in the Risk review section of the 2014 Annual Report. The table below details the operational risk capital requirement for the Group:

Table 47: Operational risk regulatory capital requirement and RWA by business

	2014 CRD IV		2013 Basel II	
	Regulatory capital requirement $million	Risk-Weighted Assets $million	Regulatory capital requirement $million	Risk-Weighted Assets $million
Corporate and Institutional Clients	1,786	22,322	1,693	21,166
Commercial Clients	222	2,778	211	2,634
Private Banking Clients	72	902	68	855
Retail Clients	729	9,105	691	8,634
Total	2,809	35,107	2,663	33,289

Key points

- The increase in operational risk capital requirement reflects the change in income of the Group over the period.

The table below details the operational risk regulatory capital requirement for the Group’s significant subsidiaries presented in accordance with the regulatory requirements applicable in the countries in which they are incorporated

Table 48: Operational risk regulatory capital requirement for significant subsidiaries

		2014	
Subsidiary	Local Regulators	Regulatory capital requirement $million	Risk-Weighted Assets $million
Standard Chartered Bank	PRA	2,815	35,186
Standard Chartered Bank (HK) Ltd	HKMA	482	6,025
Standard Chartered Bank Korea Ltd	FSS	198	2,475

6. Forward-looking statements

It is possible that this document could or 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 anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they 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.

There are several factors that could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

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.

The Group undertakes no 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.

Annex 1. Standard Chartered Bank (Solo Consolidated)

Regulatory view

The capital resources and minimum credit risk, market risk and operational risk capital requirements of Solo Consolidated, a UK regulated entity including overseas branches and certain subsidiaries which are permitted to be consolidated for capital adequacy purposes, are presented in the tables below.

Table A: CRD IV Capital resources

	2014 CRD IV $million
Local Regulator	PRA
Common Equity Tier 1 (CET1)	
Capital instruments and the related share premium accounts	20,859
Of which: Share premium accounts	296
Retained earnings	10,217
Accumulated other comprehensive income (and other reserves)	795
Non-controlling interests (amount allowed in consolidated CET1)	-
Independently reviewed interim profits net of any foreseeable charge or dividend	(1,225)
Common Equity Tier 1 capital before regulatory adjustments	30,646
Common Equity Tier 1 : regulatory adjustments	
Additional value adjustments	(108)
Intangible assets (net of related tax liability)	(4,569)
Deferred tax assets that rely on future profitability	(90)
Fair value reserves related to gains or losses on cash flow hedges	55
Negative amounts resulting from the calculation of expected loss	(1,583)
Gains or losses on liabilities at fair value resulting from changes in own credit	(73)
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (transiti	(3,337)
Defined-benefit pension fund assets	(13)
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(6)
Exposure amounts which could qualify for risk weighting	(200)
Of which: securitisation positions	(177)
Of which: free deliveries	(23)
Regulatory adjustments relating to unrealised gains	(178)
Other	-
Total regulatory adjustments to Common Equity Tier 1	(10,102)
Common Equity Tier 1 /Core Tier 1 capital	20,544
Additional Tier 1 (AT1) capital: instruments	2,231
Tier 1 capital (T1 = CET1 + AT1)	22,775
Tier 2 (T2) capital	15,545
Total capital (TC = T1 + T2)	38,320

Annex for Standard Chartered Bank (Solo Consolidated) - continued

Table B: Regulatory capital requirements and risk-weighted assets

Credit Risk Capital Requirements	2014 CRD IV $million
IRB Exposure Class	
Central governments or central banks	753
Institutions	1,213
Corporates	7,536
Retail, of which	323
Secured by real estate collateral	29
Qualifying revolving retail	148
Other retail	146
Equity	2,030
Securitisation positions	183
Non-credit obligation assets	2
Other	-
Total IRB	12,040
Standardised Exposure Class	
Central governments or central banks	22
Institutions	10
Corporates	434
Retail	209
Secured on real estate property	182
Past due items	3
Items belonging to regulatory high risk categories	50
Securitisation positions	-
Other items	923
Total Standardised	1,833
Counterparty credit risk capital component (credit risk in the trading book)	1,533
Credit Valuation Adjustment (CVA)	500
Concentration risk capital component	-
Total	15,906

Operational Risk Capital Requirements	
Operational risk	1,625

Market Risk Capital Requirements for the Trading Book	
Interest rate	294
Equity	88
Commodity	28
Foreign Exchange	350
Internal Models Approach	720
Total	1,480

Risk-weighted assets	
Credit risk	192,576
Credit Valuation Adjustment (CVA)	6,256
Operational risk	20,310
Market risk	18,495
Total	237,637

Annex 2. Standard Chartered Bank

Capital management

The Capital section of the 2014 Standard Chartered Bank Accounts sets out our approach to capital management. Table C below summarises the consolidated capital position of Standard Chartered Bank.

Table C: CRD IV Capital resources

	2014 CRD IV Transitional position $million	2014 CRD IV End-point adjustment $million	2014 CRD IV End-point position $million
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Capital instruments and the related share premium accounts	21,150	-	21,150
Of which: Share premium accounts	296	-	296
Retained earnings[1]	16,108	-	16,108
Accumulated other comprehensive income (and other reserves)	4,044	-	4,044
Non-controlling interests (amount allowed in consolidated CET1)	1,565	-	1,565
Independently reviewed interim and year-end profits[2]	1,874	-	1,874
Foreseeable dividends net of scrip[3]	(1,160)	-	(1,160)
Common Equity Tier 1 capital before regulatory adjustments	43,583	-	43,583
Common Equity Tier 1 capital: regulatory adjustments			
Additional value adjustments	(200)	-	(200)
Intangible assets	(5,041)	-	(5,041)
Deferred tax assets that rely on future profitability	(180)	-	(180)
Fair value reserves related to gains or losses on cash flow hedges	58	-	58
Negative amounts resulting from the calculation of expected loss	(1,717)	-	(1,717)
Gains or losses on liabilities at fair value resulting from changes in own credit	(167)	-	(167)
Defined-benefit pension fund assets	(13)	-	(13)
Fair value gains and losses from own credit risk related to derivative liabilities	(9)	-	(9)
Exposure amounts which could qualify for risk weighting	(199)	-	(199)
Of which: securitisation positions	(177)	-	(177)
Of which: free deliveries	(22)	-	(22)
Regulatory adjustments relating to unrealised gains	(469)	469	-
Other	-	-	-
Total regulatory adjustments to Common Equity Tier 1	(7,937)	469	(7,468)
Common Equity Tier 1 capital	35,646	469	36,115
Additional Tier 1 (AT1) capital: instruments			
Capital Instruments and the related share premium accounts	2,434	(2,434)	-
Significant direct and indirect holdings of CET1 instruments of relevant entities	-	-	-
Tax on excess expected losses	-	-	-
Additional Tier 1 (AT1) capital before regulatory adjustments	2,434	(2,434)	-
Additional Tier 1 capital	2,434	(2,434)	-
Tier 1 capital (T1 = CET1 + AT1)	38,080	(1,965)	36,115
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	12,815	-	12,815
Qualifying items and the related share premium accounts subject to phase out from T2	928	(928)	-
Qualifying own funds instruments included in T2 issued by subsidiaries and held by third parties	4,067	(1,494)	2,573
Credit risk adjustments	-	-	-
Tier 2 capital before regulatory adjustments	17,810	(2,422)	15,388
Tier 2 capital: regulatory adjustments			
Direct and indirect holdings by an institution of own Tier 2 instruments and subordinated loans	-	-	-
Deductions from total capital	(4)	-	(4)
Total regulatory adjustments to Tier 2 capital	(4)	-	(4)
Tier 2 capital	17,806	(2,422)	15,384
Total capital (TC = T1 + T2)	55,886	(4,387)	51,499

Table D : CRD IV Capital ratios and risk-weighted assets

	2014 CRD IV Transitional position $million	2014 CRD IV End-point adjustment $million	2014 CRD IV End-point position $million
Amounts below the thresholds for deduction (before risk weighting)			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,206	-	1,206
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,164	-	1,164
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	403	-	403
Risk-weighted assets			
Credit risk	277,653	-	277,653
Credit valuation adjustment	6,709	-	6,709
Operational risk	35,186	-	35,186
Market risk	20,295	-	20,295
Total risk-weighted assets[4]	339,842	-	339,842
Capital ratios			
Common Equity Tier 1 (CET1) for CRD IV	10.5%	0.1%	10.6%
Tier 1 capital	11.2%	(0.6%)	10.6%
Total capital	16.4%	(1.2%)	15.2%

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

[2] Independently reviewed interim profits for CRD IV are in accordance with the regulatory consolidation

[3] Foreseeable dividends include the proposed final dividend for FY 2014.The final dividend element is reported net of scrip (using 25% scrip dividend assumption)

[4] The risk-weighted assets are not covered by the scope of the Audit

Acronyms

ABS	Asset Backed Securities
ALM	Asset and Liability Management
ARROW	Advanced Risk Response Operating Framework
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BSC	Balance Sheet Committee
BIPRU	Prudential Sourcebook for Banks, Building Societies and Investment Firms
BRC	Board Risk Committee
CAD2	Capital Adequacy Directive 2
CCF	Credit Conversion Factor
CCPL	Credit Card, Personal Loans
CCR	Counterparty Credit Risk
CDOs	Collateralised Debt Obligations
CET1	Common Equity Tier 1
CIC	Corporate and Institutional and Commercial
CMBS	Commercial Mortgage Backed Securities
CRC	Credit Risk Committee
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
DRR	Directors Remuneration Report
DVA	Debit Valuation Adjustment
EAD	Exposure at default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
EDTF	Enhanced Disclosures Task Force
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
FSS	Financial Supervisory Service (South Korea)
GALCO	Group Asset and Liability Committee
GBBSC	Global Business Balance Sheet Committee
GCMC	Group Capital Management Committee
GCRO	Group Chief Risk Officer
GENPRU	General Prudential Sourcebook for Banks, Building Societies, Insurers, and Investment Firms
GIA	Group Internal Audit
GRC	Group Risk Committee
GRPC	Group Reward Plan Committee
G-SII	Global Systemically Important Institutions
HKMA	Hong Kong Monetary Authority
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
IMA	Internal Model Approach
IRB	advanced Internal Ratings Based approaches
IFRS	International Financial Reporting Standards
LGD	Loss Given Default
LMC	Liquidity Management Committee
MAC	Model Assessment Committee
MR	Market Risk
MTM	Mark-to-Market
NII	Net Interest Income
PD	Probability of Default
PFE	Potential Future Exposure
PIP	Portfolio Impairment Provision
PM	Portfolio Management
PRA	Prudential Regulation Authority
PRR	Position Risk Requirement
PVA	Prudent Valuation Adjustment
RMB	Renminbi
RMBS	Residential Mortgage Backed Securities
RPC	Reward Plan Committee

RWA	Risk-Weighted Assets
SFT	Securities Financing Transactions
SIF	Significant Influence Function
SME	Small and Medium - sized Enterprise
SPE	Special Purpose Entity
SREP	Supervisory Review and Evaluation Process
VaR	Value at Risk
VBC	Valuation and Benchmarks Committee

Glossary

Arrears	A debt or other financial obligation is considered to be in a state of arrears when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'delinquency'.
ASEAN	Association of South East Asian Nations (ASEAN) which includes the Group's operation in Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
Asset Backed Securities (ABS)	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and in the case of Collateralised Debt Obligations (CDOs), the reference pool may be ABS.
Attributable profit to ordinary shareholders	Profit for the year after non-controlling interests and the declaration of dividends on preference shares classified as equity.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
Basel 2.5	In 2009 the European Commission proposed further changes to CRD III to address the lessons of the financial crisis. These changes reflected international developments and follow the agreements reached by the Basel Committee on Banking Supervision (BCBS). They included higher capital requirements for re-securitisations, upgrading disclosure standards for securitisation exposures and strengthening market risk capital requirements.
Basel III	In December 2010, the BCBS issued the Basel III rules text, which were updated in June 2011, and represents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. The new requirements will be phased in and fully implemented by 1 January 2019.
BIPRU	The PRA's Prudential Sourcebook for Banks, Building Societies and Investment Firms.
Capital resources	Sum of Tier 1 and Tier 2 capital after regulatory adjustments.
Common Equity Tier 1 capital	Common Equity Tier 1 capital consists of the common shares issued by the bank and related share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, eligible non-controlling interests and regulatory adjustments required in the calculation of Common Equity Tier 1.
Common Equity Tier 1 ratio	Common Equity Tier 1 capital as a percentage of risk-weighted assets.
Core Tier 1 capital	Core Tier 1 capital comprises called-up ordinary share capital and eligible reserves plus non-controlling interests, less goodwill and other intangible assets and deductions relating to excess expected losses over eligible provisions and securitisation positions as specified by the UK's PRA.
Core Tier 1 ratio	Core Tier 1 capital as a percentage of risk-weighted assets.
Counterparty credit risk	The risk that a counterparty defaults before satisfying its obligations under a contract.
CRD III	See Basel 2.5.
CRD IV	Represents the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) that implement the Basel III proposals in Europe.
Credit Conversion Factor (CCF)	Either prescribed by BIPRU / CRR or modelled by the bank, an estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default.
Credit quality step	Credit Quality Steps (CQS) are used to derive the risk-weight to be applied to exposures treated under the Standardised approach to credit risk.
Credit risk	Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group in accordance with agreed terms. Credit exposures may arise from both the banking and trading books.
Credit risk mitigation (CRM)	Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees.
Credit Valuation Adjustment (CVA)	Additional regulatory capital in respect of mark to market losses associated with derivative transactions.
Debit Valuation Adjustment (DVA)	Adjustments required to Tier 1 capital to derecognise any unrealised fair value gains and losses associated with fair valued liabilities that are attributable to the market's perception of the Group's credit worthiness.
Equity price risk	The financial risk involved in holding equity in a particular investment. Arises from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.
Expected Loss (EL)	The Group measure of anticipated loss for exposures captured under an internal ratings based credit risk approach for capital adequacy calculations. It is measured as the Group-modelled view of anticipated loss based on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), with a one-year time horizon.
Exposure	Credit exposures represent the amount lent to a customer, together with any undrawn commitment.

Exposure at default (EAD)	The estimation of the extent to which the Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty's default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit.
External Credit Assessment Institutions (ECAI)	For the Standardised Approach to credit risk for sovereigns, corporates and institutions, external ratings are used to assign risk-weights. These external ratings must come from PRA approved rating agencies, known as External Credit Assessment Institutions (ECAI); namely Moody's, Standard & Poor's, Fitch and Dun and Bradstreet.
Fair value	The value of an asset or liability when it is transacted on an arm's length basis between knowledgeable and willing parties.
Foundation Internal Ratings Based (Foundation IRB) Approach	A method of calculating credit risk capital requirements using internal PD models but with supervisory estimates of LGD and conversion factors for the calculation of EAD.
Free delivery	When a bank takes receipt of a debt or equity security, a commodity or foreign exchange without making payment, or where a bank delivers a debt or equity security, a commodity or foreign exchange without receiving payment.
General Prudential Sourcebook(GENPRU)	The PRA's General Prudential Sourcebook for Banks, Building Societies, Insurers and Investment Firms.
Greater China	Greater China includes the Group's operation in the People's Republic of China, the Hong Kong Special Administrative Region of the People's Republic of China and Taiwan.
Haircut	A haircut, or volatility adjustment, ensures the value of exposures and collateral are adjusted to account for the volatility caused by foreign exchange or maturity mismatches, when the currency and maturity of an exposure differ materially to the currency and maturity of the associated collateral.
Held-to-maturity	Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity.
Impaired loans	Loans where individually assessed impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.
Individually assessed loan impairment provisions	Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group. Typically assets within the Corporate and Institutional and Commercial client segments of the Group are assessed individually.
Individual impairment charge	The amount of individually assessed loan impairment provisions that are charged to the income statement in the reporting period.
Individual liquidity guidance	Guidance given to the Group about the amount, quality and funding profile of liquidity resources that the PRA has asked the Group to maintain.
Innovative Tier 1 Capital	Innovative Tier 1 capital consists of instruments which incorporate certain features, the effect of which is to weaken (but only marginally) the key characteristics of Tier 1 capital (that is, fully subordinated, perpetual and non-cumulative). Innovative Tier 1 capital is subject to a limit of 15 per cent of total Tier 1 capital.
Institution	A credit institution or an investment firm.
Internal Capital Adequacy Assessment Process (ICAAP)	A requirement on institutions under Pillar 2 of the Basel II / Basel III framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other mitigants are not available.
Internal Model Approach (IMA)	The approach used to calculate market risk capital and RWA with an internal market risk model approved by the PRA under the terms of CRD IV/CRR. Formerly referred to as CAD2.
Interest rate risk (IRR)	Interest rate risk arises due to the investment of equity and reserves into rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements.
Internal ratings-based approach ('IRB')	An approach used to calculate risk-weighted assets based on a firm's own estimates of certain parameters.
Items belonging to regulatory high-risk categories	In relation to the Standardised Approach to credit risk, items which attract a risk-weight of 150 per cent. This includes exposures arising from venture capital business and certain positions in collective investment schemes.
Leverage ratio	A ratio introduced under CRD IV that compares Tier 1 capital to total exposures, including certain exposures held off balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk based backstop measure.
Loans and advances	This represents lending made under bilateral agreements with customers entered into in the normal course of business and is based on the legal form of the instrument. An example of a loan product is a home loan.
Loss Given Default (LGD)	LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default in economic downturn periods.
Mark-to-market approach	One of the approaches available to banks to calculate the exposure value associated with derivative transactions. The approach calculates the current replacement cost of derivative contracts, by

	determining the market value of the contract and considering any potential future exposure.
Market risk	The potential for loss of earnings or economic value due to adverse changes in financial market rates or prices.
Maturity	The time from the reporting date to the contractual maturity date of an exposure, capped at five years. Maturity is considered as part of the calculation of risk-weights for the Group's exposures treated under the IRB approach to credit risk and for the calculation of market risk capital requirements.
MENAP	Middle East, North Africa and Pakistan (MENAP) includes the Group's operation in Afghanistan, Bahrain, Egypt, Islamic Republic of Iran, Iraq, Jordan, Lebanon, Oman, Pakistan, Occupied Palestinian Territory , Qatar, Saudi Arabia and United Arab Emirates (UAE).
Minimum capital requirement	Minimum capital required to be held for credit, market and operational risk.
Model validation	The process of assessing how well a model performs using a predefined set of criteria including the discriminatory power of the model, the appropriateness of the inputs, and expert opinion.
Multilateral Development Banks	An institution created by a group of countries to provide financing for the purpose of development. Under the Standardised approach to credit risk, eligible multilateral development banks attract a zero per cent risk-weight.
North East (NE) Asia	North East (NE) Asia includes the Group's operation in the Democratic Republic of Korea and Japan.
Operational risk	The potential for loss arising from the failure of people, process, or technology, or the impact of external events.
Over-the-Counter (OTC) traded products / OTC derivatives	A bilateral transaction that is not exchange traded and is valued using valuation models.
Past due items	A loan payment that has not been made as of its due date.
Pillar 1	The first Pillar of the three pillars of Basel II / Basel III which provides the approach to the calculation of the minimum capital requirements for credit, market and operational risk. Minimum capital requirements are 8 per cent of the Group's risk-weighted assets.
Pillar 2	Pillar 2, 'Supervisory Review', requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available.
Pillar 3	Pillar 3 aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.
Point in time (PIT)	Considers the economic conditions at the point in the economic cycle at which default occurs when estimating the probability of default.
Portfolio Impairment Provision (PIP)	The amount of loan impairment provisions assessed on the collective portfolio that are charged to the income statement in the reporting period.
Potential Future Exposure (PFE)	As estimate of the potential exposure that may arise on a derivative contract in future, used to derive the exposure amount.
Probability of Default (PD)	PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation within 12 months.
Prudent Valuation Adjustment (PVA)	This represents adjustments to Tier 1 capital where the prudent value of a position in the trading book is assessed by the Group as being materially below the fair value recognised in the financial statements.
Qualifying Revolving Retail Exposure (QRRE)	Retail IRB exposures that are revolving, unsecured, and, to the extent they are not drawn, immediately and unconditionally cancellable, such as credit cards.
Regulatory capital	Regulatory capital represents the sum of Tier 1 Capital and Tier 2 Capital after taking into account any regulatory adjustments. The Group is required to maintain regulatory capital at a minimum of 8 per cent of its risk-weighted assets.
Repurchase agreement (repo) / reverse repurchase agreement (reverse repo)	A short term funding agreement which allows a borrower to sell a financial asset, such as ABS or Government bonds as collateral for cash. As part of the agreement the borrower agrees to repurchase the security at some later date, usually less than 30 days, repaying the proceeds of the loan. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.
Residential Mortgage-Backed Securities (RMBS)	Securities that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Residual maturity	The remaining maturity of a facility from the reporting date until either the contractual maturity of the facility or the effective maturity date.
Retail Internal Ratings Based (Retail IRB) Approach	In accordance with the PRA handbook BIPRU 4.6 / CRR, the approach to calculating credit risk capital requirements for eligible retail exposures.
Risk appetite	Risk appetite is an expression of the amount of risk we are willing to take in pursuit of our strategic objectives, reflecting our capacity to sustain losses and continue to meet our obligations arising from a range of different stress trading conditions.
Risk-weighted assets (RWAs)	A measure of a bank's assets adjusted for their associated risks, expressed as a percentage of an exposure value in accordance with the applicable Standardised or IRB approach rules.

RWA density	The risk-weighted asset as a percentage of exposure at default
Securities Financing Transactions (SFT)	The act of loaning a stock, derivative, other security to an investor.
Securitisation	Securitisation is a process by which debt instruments are aggregated into a pool, which is used to back new securities. A company sells assets to a special purpose entity (SPE) who then issues securities backed by the assets based on their value. This allows the credit quality of the assets to be separated from the credit rating of the original company and transfers risk to external investors.
Securitisation position(s)	The positions assumed by the Group following the purchase of securities issued by Asset-Backed Securitisation programmes or those retained following the origination of a securitisation programme.
South Asia	South Asia includes the Group's operation in the People's Republic of Bangladesh, India, Nepal and Sri Lanka.
Special Purpose Entities (SPEs)	SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities. Transactions with SPEs take a number of forms, including: the provision of financing to fund asset purchases, or commitments to provide finance for future purchases; derivative transactions to provide investors in the SPE with a specified exposure; the provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties; and direct investment in the notes issued by SPEs.
Standardised Approach	In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk-weights. In relation to operational risk, a method of calculating the operational risk capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Stressed Value at Risk (VaR)	A regulatory market risk measure based on potential market movements for a continuous one-year period of stress for a trading portfolio.
Sub-prime	Sub-prime is defined as loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgements and bankruptcies.
Through the cycle (TTC)	Reduces the volatility in the estimation of the probability of default by considering the average conditions over the economic cycle at the point of default, versus the point in time (PIT) approach, which considers the economic conditions at the point of the economic cycle at which the default occurs.
Tier 1 capital	Tier 1 capital comprises Common Equity Tier 1 capital plus Additional Tier 1 securities and related share premium accounts.
Tier 1 capital ratio	Tier 1 capital as a percentage of risk-weighted assets.
Tier 2 capital	Tier 2 capital comprises qualifying subordinated liabilities and related share premium accounts.
Trading book	The trading book consists of all position in CRD financial instrument and commodities held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or ability to be hedged.
Value at Risk (VaR)	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.
Write downs	After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write downs will occur when and to the extent that, the whole or part of a debt is considered irrecoverable.

Summary of differences between Pillar 3 Disclosures and the Risk review section of the Annual Report

The Group's Pillar 3 Disclosures for 31 December 2014 provide details from a regulatory perspective on certain aspects of credit risk, market risk and operational risk. The quantitative disclosures in the Pillar 3 Disclosures will not, however, be directly comparable to those in the Risk review of the Annual Report as they are largely based on internally modeled risk metrics such as PD, LGD and EAD under Basel rules, whereas the quantitative disclosures in the Risk review are based on IFRS. EAD differs from the IFRS exposure primarily due to the inclusion of undrawn credit lines and off-balance sheet commitments. In addition, a number of the credit risk disclosures within the Pillar 3 Disclosures are only provided for the internal ratings based portfolio, which represents 78 per cent of the Group's credit risk RWA.

Summary of differences between Pillar 3 Disclosures and the risk review and capital section of the Annual Report

Topic	Annual Report	Pillar 3 Disclosures
Basis of requirements	• The Group's Annual Report is prepared in accordance with the requirements of IFRS, the UK Companies Act 2006, and the UK, Hong Kong and India Listing rules.	• The Group's Pillar 3 Disclosures, provides details on risk from a regulatory perspective to fulfil Basel III / CRD IV rule requirements which have been implemented in UK by the Prudential Regulatory Authority (PRA) via EU legislation, Capital Requirement Regulation (CRR), Part Eight.
Basis of preparation	• The quantitative credit risk disclosures in the Risk review are based on IFRS. • Loans and advances are analysed between the four client segments of Corporate & Institutional, Commercial, Private Banking and Retail (split by industry classification codes). • Market risk disclosures are presented using VaR methodology for the trading and non-trading books.	• Provides details from a regulatory perspective on certain aspects of credit risk, market risk and operational risk. For credit risk this is largely based on internally modeled risk metrics such as PD, LGD and EAD under Basel rules. • Loans and advances are analysed between those that are internal ratings basis (IRB) and standardised, split by standard CRR categories. • Market risk and operational risk disclosures are based on the capital required.
Coverage	• All external assets which have an exposure to credit risk. • Market risk exposure is the trading and non-trading books. • Liquidity risk analysis of contractual maturities, liquid assets and encumbered assets.	• The credit risk disclosures are provided for approved portfolios as per the IRB approach and remaining portfolios are assessed as per Standardised rules as prescribed in the CRR. • The PRA has granted the Group permission to use the Internal Model Approach (IMA) covering the majority of market risk in the trading book. Positions outside the IMA scope are assessed according to standard CRR rules. • The Standardised Approach consistent with the CRR requirements is used to assess its regulatory operational risk capital requirement.

Summary of cross references between Pillar 3 Disclosures and the risk review and capital section of the Annual Report

Credit rating and measurement	• Overview of credit risk management credit grading and the use of IRB models is on page 108. • Maximum exposure to credit risk set out on page 64. • Internal credit grading analysis provided by business for loans neither past due nor impaired on page 75. • External credit grading analysis for unimpaired debt securities and treasury bills is set out on page 84.	• Details of IRB and Standardised approach to credit risk is set out on pages 14 to 17. • For the IRB portfolio, pages 36 to 43 provides an indicative mapping of the Group's credit grades in relation to Standard & Poor's credit ratings. • Minimum regulatory capital requirements for credit risk on page 18. • Credit grade analysis provided for the IRB portfolio only. EAD within the IRB portfolio after CRM, Undrawn commitments, exposure weighted average LGD and weighted average risk-weight internal credit grade on pages 30 to 35. • Credit quality step analysis for Standardised portfolio is provided on page 44.
Credit risk mitigation	• CRM approach is set out on page 100. • Overview of collateral held and other credit risk mitigants provided on page 70. Quantitative overview of other risk mitigants including: - Securitisations - includes disclosures of both retail transferred and synthetic securitisation. - Master netting, CSAs and cash collateral for derivatives.	• Provides details on CRM from a regulatory perspective by providing EAD after CRM by IRB exposure class. Explanation is given on what constitutes eligible collateral including explanations of funded and unfunded protection. The main type of collateral for the Group's Standardised portfolio is also disclosed. Please refer to pages 26 and 27. • Extensive disclosures on securitisation including notional and carrying amounts, details of securitisation programmes where the Group is an originator, the accounting and governance of securitisation activities and retained exposures and carrying value by risk-weight band and by geography. Please refer to pages 48 to 53. • EAD for items subject to CCR risk pre and post credit mitigation is disclosed. The products that are covered under CCR include 'repo style' transactions and derivative transactions. Please refer to pages 45 to 47.
Loan portfolio	• Group overview of the loan portfolio provided by business by geography is on page 66. A more detailed analysis by industry classification and Retail product is set out on page 67. Maturity analysis provided on page 68.	• EAD by geography, split between IRB and Standardised portfolios page 20 and by industry types on page 22. • Maturity of EAD, split by IRB and Standardised on page 24.
Problem credit management and provisioning	• Provisioning approach set out on page 110 and definition of non-performing loans on page 74. • Disclosures of non-performing loans, neither past due nor impaired, past due and impaired loans, individual impairment charge and portfolio impairment charge by geography, product and industry.	• Disclosures around the expected loss model used for regulatory purposes and a tabular disclosure showing the regulatory expected loss against the net individual impairment charge. Please refer to page 28.
Market risk	• Details of the VaR methodology, and VAR (trading and non trading) is disclosed by risk type on pages 89. • Details on Group Treasury's market risk, including a table showing a parallel shift in the yield curves, on page 92.	• Provides details of the internal model approvals, such as the CAD2 granted by the PRA and the extension of the CAD2 scope to include coal market risk. • Market risk capital requirements for the trading book disclosed by risk type on page 56.