
Standard Chartered PLC

Pillar 3 Disclosures

30 September 2017



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1 PURPOSE

The Pillar 3 Disclosures comprise information on the underlying drivers of risk-weighted assets (RWA) and capital ratios as at 30 September 2017 in accordance with the European Union's (EU) Capital Requirements Regulation (CRR) as implemented in the United Kingdom (UK) by the Prudential Regulation Authority (PRA).

The disclosures in this document supplement those in the Group's Q3 2017 Interim Management Statement: Balance sheet, capital and leverage.

In January 2015, the Basel Committee on Banking Supervision (BCBS) issued the requirements for the first phase of review of the Pillar 3 disclosures. The focus of this phase was the disclosure of credit, market, counterparty credit, equity and securitisation risks. In June 2016, the European Banking Authority (EBA) consulted on guidelines to ensure the harmonised and timely implementation of the revised BCBS Pillar 3 framework in the EU. The EBA Guidelines were finalised in December 2016 and will come into effect from 31 December 2017. The Group adopted a number of templates for the year-end 2016 disclosures as recommended by the EBA for Global Systemically Important Institutions, and the quarterly requirements from these templates are disclosed in this document. We have included the EBA table references in the titles of those early adopted templates in brackets.

2 CAPITAL AND LEVERAGE

Table 1: Capital base

Capital Ratios	30.09.17	30.06.17	31.12.16
CET1	13.6%	13.8%	13.6%
Tier 1 capital	16.0%	16.2%	15.7%
Total capital	21.0%	21.3%	21.3%

CRD IV Capital base	30.09.17	30.06.17	31.12.16
	\$million	\$million	\$million
CET1 instruments and reserves			
Capital instruments and the related share premium accounts	5,603	5,601	5,597
of which: share premium accounts	3,957	3,957	3,957
Retained earnings	25,383	25,463	26,000
Accumulated other comprehensive income (and other reserves)	12,495	12,229	11,524
Non-controlling interests (amount allowed in consolidated CET1)	836	833	809
Independently reviewed interim and year-end profits/(losses)	1,737	1,190	(247)
Foreseeable dividends net of scrip ¹	(721)	(509)	(212)
CET1 capital before regulatory adjustments	45,333	44,807	43,471
CET1 regulatory adjustments			
Additional value adjustments (prudential valuation adjustments)	(578)	(557)	(660)
Intangible assets (net of related tax liability)	(5,187)	(5,103)	(4,856)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(228)	(224)	(197)
Fair value reserves related to net losses on cash flow hedges	46	57	85
Deduction of amounts resulting from the calculation of excess expected loss	(968)	(1,044)	(740)
Net gains on liabilities at fair value resulting from changes in own credit risk	(106)	7	(289)
Defined-benefit pension fund assets	(9)	(11)	(18)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	1	1	(20)
Exposure amounts which could qualify for risk weighting of 1,250%	(141)	(152)	(168)
of which: securitisation positions	(128)	(136)	(134)
of which: free deliveries	(13)	(16)	(34)
Total regulatory adjustments to CET1	(7,170)	(7,026)	(6,863)
CET1 capital	38,163	37,781	36,608
Additional Tier 1 capital (AT1) instruments	6,717	6,708	5,704
AT1 regulatory adjustments	(20)	(20)	(20)
Tier 1 capital	44,860	44,469	42,292
Tier 2 capital instruments	13,902	13,896	15,176
Tier 2 regulatory adjustments	(30)	(30)	(30)
Tier 2 capital	13,872	13,866	15,146
Total capital	58,732	58,335	57,438
Total risk-weighted assets	279,989	274,163	269,445

¹Foreseeable dividends are a regulatory deduction made in accordance with the CRR, Article 26

UK Leverage Ratio

In August 2016, the PRA implemented the Bank of England's Financial Policy Committee's recommendation to allow firms to exclude claims on central banks from the calculation of the leverage exposure measure, to the extent that these are matched by deposits denominated in the same currency and of identical or longer maturity. This modification came into effect from 1 April 2017 and results in a UK leverage ratio being 30 basis points higher than on a CRR basis as at 30 September 2017. Table 2 below presents both the Group's UK, and CRR leverage ratios.

Table 2: Leverage Ratios

	30.09.17	30.06.17	31.12.16
	\$million	\$million	\$million
Tier 1 capital (end point)¹	43,104	42,722	40,557
UK leverage exposure	724,634	710,434	674,327
UK leverage ratio	5.9%	6.0%	6.0%
CRR leverage exposure	771,548	749,293	717,768
CRR leverage ratio	5.6%	5.7%	5.7%
UK leverage exposure quarterly average	720,040	705,547	-
UK leverage ratio quarterly average	6.0%	6.1%	-
Countercyclical leverage ratio buffer	0.1%	0.1%	-
G-SII additional leverage ratio buffer	0.2%	0.2%	0.1%

¹Tier 1 capital (end point) differs from Tier 1 capital in Table 1 due to the ineligibility of certain preference shares that do not qualify for inclusion in Tier 1 capital on an end point basis

The UK Leverage ratio decreased by 10 basis points in Q3 2017 with an increase in UK Leverage exposure, mainly due to an increase in loans and advances and investment securities, offset by an increase in Tier 1 capital.

Table 3 below presents the RWA and the regulatory capital requirements calculated at 8 per cent of RWA for each risk type and approach.

Table 3: Overview of RWA (EU OV1)

	30.09.17		30.06.17		31.12.16	
	Risk Weighted assets	Regulatory capital requirement ³	Risk Weighted assets	Regulatory capital requirement ³	Risk Weighted assets	Regulatory capital requirement ³
	\$million	\$million	\$million	\$million	\$million	\$million
Credit risk (excluding counterparty credit risk)¹	200,049	16,004	196,570	15,726	187,275	14,983
of which advanced Internal Ratings Based (IRB) approach <small>Table 5</small>	155,339	12,427	152,359	12,189	144,317	11,546
of which standardised approach	44,710	3,577	44,211	3,537	42,958	3,437
Counterparty credit risk²	15,709	1,257	14,088	1,127	17,353	1,388
of which mark to market method	12,002	960	11,136	891	12,800	1,024
of which risk exposure amount for contributions to the default fund of a CCP	106	8	192	15	338	27
of which CVA	485	39	535	43	2,290	183
Settlement risk	2	-	1	-	15	1
Securitisation exposures in the banking book	2,694	216	2,994	240	2,933	235
of which IRB ratings based approach	2,207	177	2,482	199	2,406	193
of which IRB supervisory formula approach	487	39	512	41	527	42
of which standardised approach	-	-	-	-	-	-
Market risk	23,642	1,891	22,964	1,837	21,877	1,750
of which internal model approaches <small>Table 6</small>	13,041	1,043	11,575	926	13,147	1,052
of which standardised approach	10,601	848	11,389	911	8,730	698
Large exposures	-	-	-	-	-	-
Operational risk	30,478	2,438	30,478	2,438	33,693	2,695
of which standardised approach	30,478	2,438	30,478	2,438	33,693	2,695
Amounts below the thresholds for deduction (subject to 250% risk weight)	7,415	593	7,068	565	6,299	504
Floor Adjustment	-	-	-	-	-	-
Total <small>Table 4</small>	279,989	22,399	274,163	21,933	269,445	21,556

¹ Credit risk (excluding counterparty credit risk) includes non credit obligation assets

² Counterparty credit risk includes assets which are assessed under IRB and Standardised approaches

³ The regulatory capital requirement is calculated as 8 per cent of the RWA representing the minimum total capital ratio in accordance with CRR Article 92 (1)

Total RWA increased by \$5.8 billion in the quarter to approximately \$280 billion. This was mainly driven by credit risk IRB model updates (see table 4) which are largely due to the application of loss-given default (LGD) floors to certain financial institution exposures. This followed agreement reached in the third quarter with the PRA to implement proposed changes to the Group's relevant internal ratings-based models. Further details on RWA movements can be found in tables 4, 5 and 6.

Table 4 below shows the significant drivers of credit risk, operational risk and market risk RWA movements from 1 January 2017.

Table 4: Movement analysis for RWA

	Credit Risk IRB	Credit Risk STA	Credit Risk Total ¹	Counterparty Credit Risk	Operational Risk	Market Risk	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
As at 1 January 2017	147,250	49,272	196,522	17,353	33,693	21,877	269,445
Asset size	4,315	1,413	5,728	(1,827)	-	-	3,901
Asset quality	1,519	-	1,519	15	-	-	1,534
Model updates	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	80	80
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	2,270	594	2,864	208	-	-	3,072
Other non-credit risk movements ²	-	-	-	(1,661)	(3,215)	1,007	(3,869)
As at 30 June 2017	155,354	51,279	206,633	14,088	30,478	22,964	274,163
Asset size	(1,867)	795	(1,072)	186	-	-	(886)
Asset quality	(1,282)	-	(1,282)	(7)	-	-	(1,289)
Model updates	5,632	-	5,632	1,613	-	-	7,245
Methodology and policy	(185)	-	(185)	(21)	-	(2,258)	(2,464)
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	381	53	434	87	-	-	521
Other non-credit risk movements ²	-	-	-	(237)	-	2,936	2,699
As at 30 September 2017	158,033	52,127	210,160	15,709	30,478	23,642	279,989

¹ See Table 3: Overview of RWA (OV1). Securitisation, Settlement risks and Amounts below the thresholds for deduction (subject to 250% risk weight) included in credit risk

² RWA efficiencies have been disclosed against 'Other non-credit risk movements'

Table 5 below shows the drivers of credit risk IRB RWA movements (excluding counterparty credit risk and standardised credit risk) from 1 January 2017.

Table 5: RWA flow statements of credit risk exposures under IRB (EU CR8)

	Risk Weighted assets ²	Regulatory capital requirements
	\$million	\$million
As at 1 January 2017	147,250	11,780
Asset size	4,315	345
Asset quality	1,519	122
Foreign exchange movements	2,270	181
As at 30 June 2017	155,354	12,428
Asset size	(1,867)	(149)
Asset quality	(1,282)	(103)
Model updates	5,632	451
Methodology and policy	(185)	(15)
Foreign exchange movements	381	31
As at 30 September 2017¹	158,033	12,643

¹ See Table 3: Overview of RWA (OV1). \$158,033 million in Table 5 comprises Advanced IRB \$155,339 million, Securitisation of \$2,694 million

² Includes securitisation and non credit obligation assets but excludes counterparty credit risk.

Table 6 below shows the drivers of market risk RWA movements under the Internal Models Approach (IMA) (excluding standardised market risk) from 1 January 2017.

Table 6: RWA flow statements of market risk exposures under an IMA (EU MR2-B)

	VaR	SVaR	IRC ¹	CRM ¹	Other ¹	Total RWA ²	Total capital requirements
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
As at 1 January 2017	3,161	7,931	-	-	2,055	13,147	1,052
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment as at 1 January 2017	3,161	7,931	-	-	2,055	13,147	1,052
Movement in risk levels	(1,047)	(783)	-	-	258	(1,572)	(126)
As at 30 June 2017	2,114	7,148	-	-	2,313	11,575	926
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment as at 30 June 2017	2,114	7,148	-	-	2,313	11,575	926
Movement in risk levels	93	873	-	-	500	1,466	117
As at 30 September 2017	2,207	8,021	-	-	2,813	13,041	1,043
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment as at 30 September 2017	2,207	8,021	-	-	2,813	13,041	1,043

¹ Other IMA capital add-ons for market risks not fully captured in either Value-at-risk (VaR) or Stressed VaR (SVaR). The Group does not have IMA approval for Incremental risk charge (IRC) or Comprehensive risk measure (CRM)

² See Table 3: Overview of RWA (OV1)

3 FORWARD LOOKING STATEMENTS

This document may contain “forward-looking statements” that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or other words of similar meaning. By their very nature, such statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group’s plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements.

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