
Standard Chartered PLC

Pillar 3 Disclosures

31 March 2020



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1 PURPOSE AND BASIS OF PREPARATION

The Pillar 3 disclosures comprise information on the underlying drivers of risk-weighted assets (RWA), capital, leverage and liquidity ratios as at 31 March 2020 in accordance with the European Union's (EU) Capital Requirements Regulation (CRR) and the Prudential Regulation Authority's (PRA) Rulebook.

The disclosures have been prepared in line with the disclosure templates introduced by the European Banking Authority's (EBA) guidelines on disclosure requirements (EBA/GL/2016/11) published in December 2016.

This report presents the quarterly Pillar 3 disclosures of Standard Chartered PLC ('the Group') as at 31 March 2020 and should be read in conjunction with the Group's Q1 2020 Interim Management Statement: Balance sheet, capital and leverage.

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

2 FREQUENCY

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

3 VERIFICATION

Whilst the 31 March 2020 Pillar 3 Disclosures are not required to be externally audited, the document has been verified internally in accordance with the Group's policies on disclosure and its financial reporting and governance processes. Controls comparable to those for the Group's Q1 2020 Interim Management Statement have been applied to confirm compliance with PRA regulations.

4 KEY PRUDENTIAL METRICS

Table 1: Key metrics for the Group (KM1)

	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019
	\$million	\$million	\$million	\$million	\$million
Available capital amounts					
Common Equity Tier 1 (CET1)	36,467	36,513	36,386	36,511	37,184
Common Equity Tier 1 (CET1) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	36,171	36,154	36,027	36,152	36,825
Tier 1	41,087	43,677	43,539	43,123	43,796
Tier 1 as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	40,791	43,318	43,180	42,764	43,437
Total capital	53,458	55,965	54,940	54,957	55,862
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	53,162	55,606	54,581	54,598	55,503
Risk-weighted asset amounts					
Total risk-weighted assets (RWA)	272,653	264,090	268,668	270,739	268,206
Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	272,783	264,220	268,798	270,869	268,336
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio	13.4%	13.8%	13.5%	13.5%	13.9%
Common Equity Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.3%	13.7%	13.4%	13.3%	13.7%
Tier 1 ratio	15.1%	16.6%	16.2%	15.9%	16.3%
Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.0%	16.4%	16.1%	15.8%	16.2%
Total capital ratio	19.6%	21.2%	20.4%	20.3%	20.8%
Total capital ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.5%	21.1%	20.3%	20.2%	20.7%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%	2.50%
Countercyclical buffer requirement	0.15%	0.35%	0.41%	0.40%	0.36%
Bank G-SIB and/or D-SIB additional requirements	1.00%	1.00%	1.00%	1.00%	1.00%
Total of bank CET1 specific buffer requirements	3.65%	3.85%	3.91%	3.90%	3.86%
CET1 available after meeting the bank's minimum capital requirements	6.54%	7.44%	7.15%	7.40%	7.70%
Total capital requirement ¹	10.04%	10.24%	10.00%	10.00%	10.00%
UK leverage ratio					
Total UK leverage ratio exposure measure	823,495	801,252	814,810	781,640	780,957
UK leverage ratio	4.9%	5.3%	5.1%	5.3%	5.4%
UK leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.8%	5.2%	5.1%	5.3%	5.3%
Liquidity Coverage Ratio					
Total HQLA	150,302	151,901	150,927	149,915	149,411
Total net cash outflow	107,446	107,632	102,518	98,316	95,748
LCR ratio ²	140.0%	141.3%	147.5%	152.9%	156.3%

¹ Includes a Pillar 2A CET1 requirement of around 1.9 per cent being 56 per cent of the total Pillar 2A requirement. The Group's current Pillar 2A requirement for 2020 is 3.38 per cent of RWA. This requirement can vary over time

² LCR ratio represents a rolling 12 month average LCR. The spot LCR as at 31 March 2020 was 141.5%

Standard Chartered applies the transitional arrangements to accounting provisions recognised after 1 January 2018 under IFRS 9, as permitted by Regulation (EU) 2017/2395 of the European Parliament and of the Council, including paragraph 4 of that regulation that introduces the transitional arrangement.

Under this approach, the balance of expected credit loss (ECL) provisions in excess of the regulatory defined expected loss (EL) and additional ECL on standardised portfolios, net of related tax, are phased into the CET1 capital base over five years. The proportion phased in for the balance at each reporting period is 2020, 30 per cent; 2021, 50 per cent; and 2022, 75 per cent. From 2023 onwards there is no transitional relief.

The application of the transitional relief results in a negligible effect on the CET1 ratio as the capital impact of ECL on the standardised portfolio, net of tax, has been largely offset. As there is no capital impact from additional provisions on advanced IRB portfolios, the related deferred tax asset continues to be recognised in full in CET1.

Table 2 shows information about the Group's total loss-absorbing capacity (TLAC) available, and TLAC requirements, applied at the resolution group level under a Single Point of Entry.

Table 2: Key metrics - TLAC requirements (KM2)

	31.03.20	31.12.19	30.09.19	30.06.19
	\$million	\$million	\$million	\$million
Resolution group				
Total loss-absorbing capacity (TLAC) available	77,585	75,649	74,359	70,856
Fully loaded ECL accounting model TLAC available	77,289	75,290	74,000	70,497
Total RWA at the level of the resolution group	272,653	264,090	268,668	270,739
TLAC as a percentage of RWA	28.5%	28.6%	27.7%	26.2%
Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	28.3%	28.5%	27.5%	26.0%
Leverage ratio exposure measure at the level of the resolution group	823,495	801,252	814,810	781,640
TLAC as a percentage of leverage exposure measure	9.4%	9.4%	9.1%	9.1%
Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure	9.4%	9.4%	9.1%	9.0%
Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Yes	Yes	Yes	Yes
Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No
If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A

5 CAPITAL AND LEVERAGE

Table 3: Capital Base

	31.03.20	31.12.19
CET1	13.4%	13.8%
Tier 1 capital	15.1%	16.5%
Total capital	19.6%	21.2%

	31.03.20	31.12.19
	\$million	\$million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	5,564	5,584
of which: share premium accounts	3,989	3,989
Retained earnings ¹	26,045	24,044
Accumulated other comprehensive income (and other reserves)	10,781	11,685
Non-controlling interests (amount allowed in consolidated CET1)	483	723
Independently reviewed interim and year-end profits/(losses)	510	2,301
Foreseeable dividends net of scrip	(283)	(871)
CET1 capital before regulatory adjustments	43,100	43,466
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	(604)	(615)
Intangible assets (net of related tax liability)	(4,899)	(5,318)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(133)	(129)
Fair value reserves related to net losses on cash flow hedges	130	59
Deduction of amounts resulting from the calculation of excess expected loss	(573)	(822)
Net gains on liabilities at fair value resulting from changes in own credit risk	(150)	(2)
Defined-benefit pension fund assets	(55)	(26)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(298)	(38)
Exposure amounts which could qualify for risk weighting of 1,250%	(51)	(62)
of which: securitisation positions	(34)	(57)
of which: free deliveries	(17)	(5)
Total regulatory adjustments to CET1	(6,633)	(6,953)
CET1 capital	36,467	36,513
Additional Tier 1 capital (AT1) instruments	4,640	7,184
AT1 regulatory adjustments	(20)	(20)
Tier 1 capital	41,087	43,677
Tier 2 capital instruments	12,401	12,318
Tier 2 regulatory adjustments	(30)	(30)
Tier 2 capital	12,371	12,288
Total capital	53,458	55,965
Total risk-weighted assets	272,653	264,090

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

UK Leverage Ratio

UK banks are currently subject to a minimum leverage ratio of 3.25 per cent. In addition, a supplementary leverage ratio buffer is applicable, set at 35 per cent of the corresponding G-SII capital buffer and the countercyclical capital buffer. These buffers are applied to individual banks.

Following the FPC's recommendation to the PRA to exclude qualifying claims on central bank exposures from the leverage exposure measure in the UK leverage ratio framework, and the corresponding waiver granted by the PRA, the Group has been reporting the leverage ratio on a UK basis (excluding qualifying claims on central banks exposures) from March 2017.

Table 4 below presents both the Group's UK, and CRR leverage ratios.

Table 4: UK and CRR leverage ratio

	30.03.2020	31.12.2019
	\$million	\$million
Tier 1 capital (end point)	39,973	42,006
UK leverage exposure	823,495	801,252
UK leverage ratio	4.9%	5.2%
CRR leverage exposure	875,016	843,395
CRR leverage ratio	4.6%	5.0%
UK leverage exposure quarterly average	829,542	816,244
UK leverage ratio quarterly average	4.9%	5.1%
Countercyclical leverage ratio buffer	0.1%	0.1%
G-SII additional leverage ratio buffer	0.4%	0.4%
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in	Fully phased-in

Table 5 below presents the RWA and the regulatory capital requirements calculated at 8 per cent of RWA for each risk type and approach.

Table 5: Overview of RWA (OV1)

	30.03.20		31.12.19	
	Risk-weighted assets	Regulatory capital requirement ¹	Risk-weighted assets	Regulatory capital requirement ¹
	\$million	\$million	\$million	\$million
Credit risk (excluding counterparty credit risk)²	189,415	15,153	188,759	15,101
Of which advanced IRB approach	149,528	11,962	147,365	11,789
Of which standardised approach	39,887	3,191	41,394	3,312
Counterparty credit risk³	21,726	1,738	15,405	1,232
Of which mark to market method	5,193	415	3,075	246
Of which internal model method (IMM)	11,162	893	8,032	643
Of which securities financing transactions	2,427	194	2,018	144
Of which risk exposure amount for contributions to the default fund of a CCP	231	18	167	13
Of which CVA	2,713	221	2,113	169
Settlement risk	40	3	1	-
Securitisation exposures in the banking book	4,861	389	3,992	319
Of which IRB ratings-based approach	1,768	141	2,727	218
Of which IRB supervisory formula approach	3,093	247	1,265	101
Of which standardised approach	-	-	-	-
Market risk	21,847	1,748	20,806	1,664
Of which internal model approaches	12,054	964	11,364	909
Of which standardised approach	9,793	783	9,442	755
Large exposures	-	-	-	-
Operational risk⁴	27,803	2,224	27,620	2,210
Of which standardised approach	27,803	2,224	27,620	2,210
Amounts below the thresholds for deduction (subject to 250% risk weight)	6,961	557	7,507	601
Floor Adjustment	-	-	-	-
Total	272,653	21,812	264,090	21,127

1 The regulatory capital requirement is calculated as 8 per cent of the risk-weighted assets, and represents the minimum total capital ratio in accordance with CRR Article 92(1)

2 Credit risk (excluding counterparty credit risk) includes non-credit obligation assets

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

4 To calculate operational risk standardised risk-weighted assets, a regulatory defined beta co-efficient is applied to average gross income for the previous three years, across each of the eight business lines prescribed in the CRR

RWA increased by \$8.6 billion, or 3.2 per cent from 31 December 2019 to \$272.7 billion. This was driven by an increase in counterparty credit risk RWA of \$6.3 billion and \$1.0 billion increases in both credit and market risk RWA.

Further details on RWA movements by risk type, and for credit risk IRB (excluding counterparty credit risk) and market risk IMA exposures can be found in tables 6, 7, 8 and 9 respectively.

Table 6: Movement analysis for RWA

	Credit risk IRB ²	Credit risk SA	Credit risk Total	Counterparty Credit risk	Total Credit & Counterparty Credit risk	Operational risk	Market risk	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
As at 1 January 2020	151,357	48,902	200,259	15,405	215,664	27,620	20,806	264,090
Asset size	3,573	(770)	2,803	6,281	9,084	-	-	9,084
Asset quality	1,673	-	1,673	346	2,019	-	-	2,019
Model updates	304	-	304	-	304	-	-	304
Methodology and policy	667	-	667	-	667	-	(1,200)	(533)
Acquisitions and disposals	-	-	-	-	-	-	-	-
Foreign exchange movements	(3,399)	(1,244)	(4,643)	(306)	(4,949)	-	-	(4,949)
Other, including non-credit risk movements ¹	214	-	214	-	214	183	2,241	2,638
As at 31 March 2020	154,389	46,888	201,277	21,726	223,003	27,803	21,847	272,653

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

2 See Table 5: Overview of RWA (OV1). Note that 'Securitisation', 'Settlement risk' and 'Amounts below the threshold for deduction (subject to 250% risk weight)' are included in credit risk

Table 7: RWA flow statements of credit risk exposures under IRB (CR8)

	Risk-weighted assets ¹	Regulatory capital requirement ¹
	\$million	\$million
As at 1 January 2020	151,357	12,109
Asset size	3,573	286
Asset quality	1,673	134
Model updates	304	24
Methodology and policy	667	53
Acquisitions and disposals	-	-
Foreign exchange movements	(3,399)	(272)
Other ²	214	17
As at 31 March 2020³	154,389	12,351

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

2 RWA efficiencies are disclosed against 'Other'

3 See Table 5: Overview of RWA (OV1). Comprises advanced IRB credit risk \$150,011 million and securitisation of \$4,861 million

Table 8: RWA flow statements of CCR exposures under the IMM (CCR7)

	Risk-weighted assets	Regulatory capital requirement
	\$million	\$million
As at 1 January 2020	8,032	643
Asset size	3,309	265
Asset quality	54	4
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	(233)	(19)
Other ¹	-	-
As at 31 March 2020	11,162	893

1 RWA efficiencies are disclosed against 'Other'

Table 9: RWA flow of market risk exposures under an IMA approach (MR2-B)

	VaR \$million	SVaR \$million	IRC \$million	CRM \$million	Other ¹ \$million	Total RWA \$million	Total capital requirement \$million
At 1 January 2020	1,786	6,226	-	-	3,352	11,364	909
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment at 1 January 2020	1,786	6,226	-	-	3,352	11,364	909
Movement in risk levels	-	-	-	-	-	-	-
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	300	700	-	-	(2,200)	(1,200)	(96)
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	1,128	1,056	-	-	(294)	1,890	151
At 31 March 2020	3,214	7,982	-	-	858	12,054	964
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment at 31 March 2020	3,214	7,982	-	-	858	12,054	964

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

6 FORWARD-LOOKING STATEMENTS

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

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to) changes in global, political, economic, business, competitive, market and regulatory forces or conditions, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement.

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