
Standard Chartered PLC

Pillar 3 Disclosures

30 September 2021



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1 PURPOSE AND BASIS OF PREPARATION

The Pillar 3 disclosures comprise information on the underlying drivers of risk-weighted assets (RWA), capital, leverage and liquidity ratios as at 30 September 2021 in accordance with the European Union’s (EU) Capital Requirements Regulation (CRR) and the Prudential Regulation Authority’s (PRA) Rulebook.

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

This report presents the quarterly Pillar 3 disclosures of Standard Chartered PLC (‘the Group’) as at 30 September 2021 and should be read in conjunction with the Group’s 3Q 2021 Results 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 30 September, 30 June, 31 March and 31 December in line with the EBA guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013, and the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2014/14 and EBA/GL/2016/11). Disclosures are published on the Standard Chartered PLC website aligning with the publication date of the Group’s Interim, Half Year and Annual Report and Accounts.

3 VERIFICATION

Whilst the 30 September 2021 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 3Q 2021 Results Statement have been applied to confirm compliance with PRA regulations.

4 KEY PRUDENTIAL METRICS

Table 1: Key metrics for the Group (KM1)

	30.09.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020
	\$million	\$million	\$million	\$million	\$million
Available capital amounts					
Common Equity Tier 1 (CET1)	39,167	39,589	38,711	38,779	38,449
Common Equity Tier 1 (CET1) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	38,889	39,320	38,417	38,385	38,061
Tier 1	45,958	45,882	45,004	44,391	44,060
Tier 1 as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	45,680	45,613	44,710	43,997	43,672
Total capital	58,871	59,161	58,531	57,048	57,051
Total capital as IFRS 9 or analogous ECLs transitional arrangements had not been applied	58,593	58,892	58,237	56,654	56,663
Risk-weighted asset amounts					
Total risk-weighted assets (RWA)	267,555	280,227	276,670	268,834	266,664
Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	267,680	280,338	276,806	269,007	266,838
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio	14.6%	14.1%	14.0%	14.4%	14.4%
Common Equity Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.5%	14.0%	13.9%	14.3%	14.3%
Tier 1 ratio	17.2%	16.4%	16.3%	16.5%	16.5%
Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.1%	16.3%	16.2%	16.4%	16.4%
Total capital ratio	22.0%	21.1%	21.2%	21.2%	21.4%
Total capital ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.9%	21.0%	21.0%	21.1%	21.2%
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	0.16%	0.15%	0.14%	0.14%	0.15%
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	3.66%	3.65%	3.64%	3.64%	3.65%
CET1 available after meeting the bank's minimum capital requirements	8.31%	7.88%	7.72%	8.09%	8.05%
Total capital requirement ¹	9.99%	9.90%	9.91%	9.96%	10.00%
UK leverage ratio					
Total UK leverage ratio exposure measure	890,419	866,832	865,644	834,765	819,300
UK leverage ratio	5.1%	5.2%	5.1%	5.2%	5.2%
UK leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.1%	5.2%	5.1%	5.1%	5.2%
Liquidity Coverage Ratio					
Total HQLA	176,537	173,503	168,626	162,019	155,965
Total net cash outflow	120,739	119,357	115,284	111,378	108,095
LCR ratio ²	146.3%	145.5%	146.4%	145.5%	144.3%

1. Includes a Pillar 2A CET1 requirement of around 1.8 per cent being 56 per cent of the total Pillar 2A requirement. The Group's current Pillar 2A requirement has been set as a nominal value, at Q3'21 this represented is 3.3 per cent of RWA. This requirement will vary over time with RWA.

2. LCR ratio represents a rolling 12 month average LCR. The spot LCR as at 30 September 2021 was 145%

Standard Chartered applies the transitional arrangements to accounting provisions recognised after 1 January 2018 under IFRS 9, as permitted by Regulation (EU) 2017/2395 and amended by Regulation (EU) 2020/873 of the European Parliament and of the Council in response to the COVID-19 pandemic.

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. For the balance incurred up to 31 December 2019, the proportion phased in 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. For any increase in the balance after 1 January 2020 there is full relief in 2020 and 2021, followed by a proportionate phase in at each reporting period of 2022, 25 per cent; 2023, 50 per cent; and 2024, 75 per cent. From 2025 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)

	31.09.21	30.06.21	31.03.21	31.12.20	30.09.20
	\$million	\$million	\$million	\$million	\$million
Resolution group					
Total loss-absorbing capacity (TLAC) available	85,833	88,844	86,604	83,040	81,079
Fully loaded ECL accounting model TLAC available	85,564	88,575	86,310	82,646	80,714
Total RWA at the level of the resolution group	267,555	280,227	276,670	268,834	266,664
TLAC as a percentage of RWA	32.1%	31.7%	31.3%	30.9%	30.4%
Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	32.0%	31.6%	31.3%	30.7%	30.3%
Leverage ratio exposure measure at the level of the resolution group	890,419	866,832	865,644	834,765	819,300
TLAC as a percentage of leverage exposure measure	9.6%	10.2%	10.0%	9.9%	9.9%
Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure	9.6%	10.2%	10.0%	9.9%	9.9%
Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Yes	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	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	N/A

5 CAPITAL AND LEVERAGE

Table 3: Capital Base

	30.09.21	30.06.21	31.12.20
CET1	14.6%	14.1%	14.4%
Tier 1 capital	17.2%	16.4%	16.5%
Total capital	22.0%	21.1%	21.2%
	30.09.21	30.06.21	31.12.20
	\$million	\$million	\$million
CET1 instruments and reserves			
Capital instruments and the related share premium accounts	5,528	5,548	5,564
of which: share premium accounts	3,989	3,989	3,989
Retained earnings ¹	25,210	25,695	25,723
Accumulated other comprehensive income (and other reserves)	11,936	12,278	12,688
Non-controlling interests (amount allowed in consolidated CET1)	197	191	180
Independently reviewed interim and year-end profits/(losses)	2,691	1,924	718
Foreseeable dividends	(744)	(315)	(481)
CET1 capital before regulatory adjustments	44,818	45,321	44,392
CET1 regulatory adjustments			
Additional value adjustments (prudential valuation adjustments)	(569)	(632)	(490)
Intangible assets (net of related tax liability)	(4,164)	(4,072)	(4,274)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(152)	(109)	(138)
Fair value reserves related to net losses on cash flow hedges	24	38	52
Deduction of amounts resulting from the calculation of excess expected loss	(696)	(864)	(701)
Net gains on liabilities at fair value resulting from changes in own credit risk	45	53	52
Defined-benefit pension fund assets	(62)	(60)	(40)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(45)	(46)	(48)
Exposure amounts which could qualify for risk weighting of 1,250%	(32)	(40)	(26)
of which: securitisation positions	(32)	(33)	(18)
of which: free deliveries	-	(7)	(8)
Total regulatory adjustments to CET1	(5,651)	(5,732)	(5,613)
CET1 capital	39,167	39,589	38,779
Additional Tier 1 capital (AT1) instruments	6,811	6,313	5,632
AT1 regulatory adjustments	(20)	(20)	(20)
Tier 1 capital	45,958	45,882	44,391
Tier 2 capital instruments	12,943	13,309	12,687
Tier 2 regulatory adjustments	(30)	(30)	(30)
Tier 2 capital	12,913	13,279	12,657
Total capital	58,871	59,161	57,048
Total risk-weighted assets	267,555	280,227	268,834

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

	30.09.2021	31.12.2020
	\$million	\$million
Tier 1 capital (end point)	45,401	43,277
UK leverage exposure	890,419	834,765
UK leverage ratio	5.1%	5.2%
CRR leverage exposure	962,602	895,069
CRR leverage ratio	4.7%	4.8%
UK leverage exposure quarterly average	873,156	837,147
UK leverage ratio quarterly average	5.2%	5.2%
Countercyclical leverage ratio buffer	0.1%	0.0%
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)

	30.09.21		30.06.21		31.12.20	
	Risk-weighted assets	Regulatory capital requirement ¹	Risk-weighted assets	Regulatory capital requirement ¹	Risk-weighted assets	Regulatory capital requirement ¹
	\$million	\$million	\$million	\$million	\$million	\$million
Credit risk (excluding counterparty credit risk)²	183,872	14,710	194,869	15,590	189,258	15,141
Of which advanced IRB approach	147,450	11,796	159,567	12,765	156,191	12,495
Of which standardised approach	36,422	2,914	35,302	2,824	33,067	2,645
Counterparty credit risk³	22,300	1,784	21,167	1,693	18,986	1,519
Of which mark to market method	4,559	365	4,607	369	3,731	298
Of which internal model method (IMM)	9,513	762	9,647	772	10,335	827
Of which securities financing transactions	4,625	369	3,348	268	2,257	181
Of which risk exposure amount for contributions to the default fund of a CCP	258	21	295	24	228	18
Of which CVA	3,345	267	3,269	262	2,435	195
Settlement risk	2	-	1	-	1	-
Securitisation exposures in the banking book	5,317	425	5,649	452	4,803	384
Of which Sec ERBA	2,370	190	2,336	187	1,998	160
Of which Sec IRBA	2,947	235	3,313	265	2,805	224
Of which standardised approach	-	-	-	-	-	-
Market risk	20,811	1,665	23,763	1,901	21,593	1,727
Of which internal model approaches	12,202	976	14,971	1,198	13,608	1,089
Of which standardised approach	8,609	689	8,792	703	7,985	639
Large exposures	-	-	-	-	-	-
Operational risk⁴	27,116	2,169	27,116	2,169	26,800	2,144
Of which standardised approach	27,116	2,169	27,116	2,169	26,800	2,144
Amounts below the thresholds for deduction (subject to 250% risk weight)	8,137	651	7,661	613	7,393	591
Floor Adjustment	-	-	-	-	-	-
Total	267,555	21,404	280,227	22,418	268,834	21,507

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 decreased by \$1.3 billion, or 0.5 per cent from 31 December 2020 to \$267.6 billion. This was driven by a \$0.8 billion decrease in credit risk, including counterparty credit risk due to RWA optimisation initiatives, actions concerning specific stage 3 exposures, lower RWA density and FX movements being partially offset by asset growth. Market risk RWA was also down \$0.8 billion.

From 30 June 2021 RWA decreased 5 per cent or \$12.7 billion. This was driven by a \$9.7 billion reduction in credit risk, including counterparty credit risk with a \$6.6 billion benefit from RWA optimisation initiatives including model upgrades relating to Korean personal loans and actions concerning specific stage 3 exposures as well as a reduction in syndications. The impact of lower RWA density and FX movements were partly offset by volume growth and underlying credit migration inflation including the sovereign downgrade in one of our smaller markets. Market Risk RWA decreased by \$3.0 billion due to reduced internal models approach (IMA) positions and charges for IMA risks not in VaR.

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 2021	160,994	40,461	201,455	18,986	220,441	26,800	21,593	268,834
Asset size	5,147	2,426	7,573	2,307	9,880	-	-	9,880
Asset quality	1,240	-	1,240	42	1,282	-	-	1,282
Model updates	(27)	-	(27)	-	(27)	-	-	(27)
Methodology and policy	-	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-	-
Foreign exchange movements	(1,481)	(239)	(1,720)	(168)	(1,888)	-	-	(1,888)
Other, including non-credit risk movements ¹	(657)	317	(340)	-	(340)	316	2,170	2,146
As at 30 June 2021	165,216	42,965	208,181	21,167	229,348	27,116	23,763	280,227
Asset size	(3,718)	1,776	(1,942)	1,734	(208)	-	-	(208)
Asset quality	(3,579)	-	(3,579)	(14)	(3,593)	-	-	(3,593)
Model updates	(3,674)	-	(3,674)	-	(3,674)	-	-	(3,674)
Methodology and policy	-	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-	-
Foreign exchange movements	(1,478)	(210)	(1,688)	(172)	(1,860)	-	-	(1,860)
Other, including non-credit risk movements ¹	-	30	30	(415)	(385)	-	(2,952)	(3,337)
As at 30 September 2021	152,767	44,561	197,328	22,300	219,628	27,116	20,811	267,555

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

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

Table 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 2021	160,994	12,880
Asset size	5,147	412
Asset quality	1,240	99
Model updates	(27)	(2)
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	(1,481)	(119)
Other ²	(657)	(53)
As at 30 June 2021	165,216	13,217
Asset size	(3,718)	(298)
Asset quality	(3,579)	(286)
Model updates	(3,674)	(294)
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	(1,478)	(118)
Other ²	-	-
As at 30 September 2021³	152,767	12,221

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 \$147,449 million and securitisation of \$2,947 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 2021	10,335	827
Asset size	(663)	(53)
Asset quality	132	11
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	(157)	(13)
Other ¹	-	-
1 As at 30 June 2021	9,647	772
2 Asset size	(15)	(1)
3 Asset quality	21	2
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	(140)	(11)
8 Other ¹	-	-
9 As at 30 September 2021	9,513	762

1. RWA efficiencies are disclosed against 'Other'

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

	VaR	SVaR	IRC	CRM	Other ¹	Total RWA	Total capital requirement
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2021	3,058	4,838	-	-	5,712	13,608	1,089
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment at 1 January 2021	3,058	4,838	-	-	5,712	13,608	1,089
Movement in risk levels	(868)	1,396	-	-	835	1,363	109
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
At 30 June 2021	2,190	6,234	-	-	6,547	14,971	1,198
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment at 30 June 2021	2,190	6,234	-	-	6,547	14,971	1,198
Movement in risk levels	(326)	(519)	-	-	(1,924)	(2,769)	(222)
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
At 30 September 2021	1,864	5,715	-	-	4,623	12,202	976
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment at 30 September 2021	1,864	5,715	-	-	4,623	12,202	976

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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