
Standard Chartered PLC

Pillar 3 Disclosures

30 September 2019



*Incorporated in England with registered number 966425
Principal Office: 1 Basinghall Avenue, London, EC2V 5DD, England*

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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 2019 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 2019 and should be read in conjunction with the Group's Q3 2019 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 30 September 2019 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 Q3 2019 Interim Management Statement have been applied to confirm compliance with PRA regulations.

4 KEY PRUDENTIAL METRICS

Table 1: Key metrics for the Group (KM1)

	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
	\$million	\$million	\$million	\$million	\$million
Available capital amounts					
Common Equity Tier 1 (CET1)	36,386	36,511	37,184	36,717	38,340
Common Equity Tier 1 (CET1) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	36,027	36,152	36,825	36,315	37,938
Tier 1	43,539	43,123	43,796	43,401	45,029
Tier 1 as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	43,180	42,764	43,437	42,999	44,627
Total capital	54,940	54,957	55,862	55,696	57,576
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	54,581	54,598	55,503	55,294	57,174
Risk-weighted asset amounts					
Total risk-weighted assets (RWA)	268,668	270,739	268,206	258,297	265,245
Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	268,798	270,869	268,336	258,442	265,390
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio	13.5%	13.5%	13.9%	14.2%	14.5%
Common Equity Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.4%	13.3%	13.7%	14.1%	14.3%
Tier 1 ratio	16.2%	15.9%	16.3%	16.8%	17.0%
Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.1%	15.8%	16.2%	16.6%	16.8%
Total capital ratio	20.4%	20.3%	20.8%	21.6%	21.7%
Total capital ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20.3%	20.2%	20.7%	21.4%	21.6%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement	2.5%	2.5%	2.5%	1.9%	1.9%
Countercyclical buffer requirement	0.4%	0.4%	0.4%	0.3%	0.3%
Bank G-SIB and/or D-SIB additional requirements	1.0%	1.0%	1.0%	0.8%	0.8%
Total of bank CET1 specific buffer requirements	3.9%	3.9%	3.9%	2.9%	2.9%
CET1 available after meeting the bank's minimum capital requirements	7.2%	7.4%	7.7%	8.1%	8.3%
Total capital requirement ¹	10.3%	10.0%	10.0%	9.0%	9.0%
UK leverage ratio					
Total UK leverage ratio exposure measure	814,810	781,640	780,957	740,602	742,828
UK leverage ratio	5.1%	5.3%	5.4%	5.6%	5.8%
UK leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.1%	5.3%	5.3%	5.6%	5.8%
Liquidity Coverage Ratio					
Total HQLA	150,927	149,915	149,411	146,470	142,382
Total net cash outflow	102,518	98,316	95,748	94,011	92,887
LCR ratio ²	147.5%	152.9%	156.3%	156.0%	153.5%

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 increased in 2019 to 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 30 September 2019 was 133%

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 2019, 15 per cent; 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)

	30.09.19	30.06.19
	\$million	\$million
Resolution group		
Total loss-absorbing capacity (TLAC) available	74,359	70,856
Fully loaded ECL accounting model TLAC available	74,000	70,497
Total RWA at the level of the resolution group	268,668	270,739
TLAC as a percentage of RWA	27.7%	26.2%
Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	27.5%	26.0%
Leverage ratio exposure measure at the level of the resolution group	814,810	781,640
TLAC as a percentage of leverage exposure measure	9.1%	9.1%
Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure	9.1%	9.0%
Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Yes	Yes
Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	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

5 CAPITAL AND LEVERAGE

Table 3: Capital Base

	30.09.19	30.06.19	31.12.18
CET1	13.5%	13.5%	14.2%
Tier 1 capital	16.2%	15.9%	16.8%
Total capital	20.4%	20.3%	21.6%

	30.09.19	30.06.19	31.12.18
	\$million	\$million	\$million
CET1 instruments and reserves			
Capital instruments and the related share premium accounts	5,584	5,615	5,617
of which: share premium accounts	3,989	3,989	3,965
Retained earnings	24,542	24,603	25,377
Accumulated other comprehensive income (and other reserves)	11,288	11,640	11,878
Non-controlling interests (amount allowed in consolidated CET1)	703	693	686
Independently reviewed interim and year-end profits/(losses)	2,241	1,481	1,072
Foreseeable dividends net of scrip	(1,054)	(449)	(527)
CET1 capital before regulatory adjustments	43,304	43,583	44,103
CET1 regulatory adjustments			
Additional value adjustments (prudential valuation adjustments)	(686)	(677)	(564)
Intangible assets (net of related tax liability)	(5,117)	(5,201)	(5,146)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(99)	(92)	(115)
Fair value reserves related to net losses on cash flow hedges	93	68	10
Deduction of amounts resulting from the calculation of excess expected loss	(851)	(930)	(875)
Net gains on liabilities at fair value resulting from changes in own credit risk	(78)	(68)	(412)
Defined-benefit pension fund assets	(5)	(10)	(34)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(101)	(90)	(127)
Exposure amounts which could qualify for risk weighting of 1,250%	(74)	(72)	(123)
of which: securitisation positions	(64)	(61)	(110)
of which: free deliveries	(10)	(11)	(13)
Total regulatory adjustments to CET1	(6,918)	(7,072)	(7,386)
CET1 capital	36,386	36,511	36,717
Additional Tier 1 capital (AT1) instruments	7,173	6,632	6,704
AT1 regulatory adjustments	(20)	(20)	(20)
Tier 1 capital	43,539	43,123	43,401
Tier 2 capital instruments	11,431	11,864	12,325
Tier 2 regulatory adjustments	(30)	(30)	(30)
Tier 2 capital	11,401	11,834	12,295
Total capital	54,940	54,957	55,696
Total risk-weighted assets	268,668	270,739	258,297

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

	30.09.2019	30.06.2019	31.12.2018
	\$million	\$million	\$million
Tier 1 capital (end point)	41,867	41,452	41,658
UK leverage exposure	814,810	781,640	740,602
UK leverage ratio	5.1%	5.3%	5.6%
CRR leverage exposure	848,647	828,190	795,736
CRR leverage ratio	4.9%	5.0%	5.2%
UK leverage exposure quarterly average	807,414	788,148	734,976
UK leverage ratio quarterly average	5.2%	5.2%	5.8%
Countercyclical leverage ratio buffer	0.1%	0.1%	0.1%
G-SII additional leverage ratio buffer	0.4%	0.4%	0.3%
Choice on transitional arrangements for the definition of the capital measure	Fully phased in	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)

	30.09.19		30.06.19		31.12.18	
	Risk-weighted assets \$million	Regulatory capital requirement ¹ \$million	Risk-weighted assets \$million	Regulatory capital requirement ¹ \$million	Risk-weighted assets \$million	Regulatory capital requirement ¹ \$million
Credit risk (excluding counterparty credit risk)²	191,012	15,281	195,608	15,649	188,522	15,082
Of which advanced IRB approach	149,428	11,954	152,595	12,208	148,537	11,883
Of which standardised approach	41,584	3,327	43,013	3,441	39,985	3,199
Counterparty credit risk³	16,573	1,326	14,702	1,176	12,998	1,040
Of which mark to market method	3,436	275	11,169	894	10,551	884
Of which internal model method (IMM)	8,859	709	-	-	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	263	21	342	27	59	5
Of which CVA	2,213	177	1,589	127	1,116	89
Settlement risk	2	-	-	-	3	-
Securitisation exposures in the banking book	3,651	292	3,144	252	3,219	258
Of which IRB ratings-based approach	2,614	209	2,410	193	2,596	208
Of which IRB supervisory formula approach	1,037	83	734	59	623	50
Of which standardised approach	-	-	-	-	-	-
Market risk	22,850	1,828	23,109	1,849	19,109	1,529
Of which internal model approaches	12,481	998	13,537	1,083	11,862	949
Of which standardised approach	10,369	830	9,571	766	7,247	580
Large exposures	-	-	-	-	-	-
Operational risk⁴	27,620	2,210	27,620	2,210	28,050	2,244
Of which standardised approach	27,620	2,210	27,620	2,210	28,050	2,244
Amounts below the thresholds for deduction (subject to 250% risk weight)	6,960	557	6,556	524	6,396	512
Floor Adjustment	-	-	-	-	-	-
Total	268,668	21,494	270,739	21,660	258,297	20,664

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 \$2.1 billion, or 0.8 per cent from 30 June 2019 to \$268.7 billion with asset growth offset by favourable foreign exchange movements and efficiency actions including model changes and the partial sale of the Group's Principal Finance portfolio.

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 2019	151,756	46,384	198,140	12,998	211,138	28,050	19,109	258,297
Asset size	9,010	1,750	10,760	1,895	12,655	-	-	12,655
Asset quality	(1,345)	-	(1,345)	198	(1,147)	-	-	(1,147)
Model updates	(703)	-	(703)	-	(703)	-	-	(703)
Methodology and policy	5	1,400	1,405	-	1,405	-	500	1,905
Acquisitions and disposals	-	-	-	-	-	-	-	-
Foreign exchange movements	(646)	35	(611)	1	(610)	-	-	(610)
Other, including non-credit risk movements ¹	(2,338)	-	(2,338)	(390)	(2,728)	(430)	3,500	342
As at 30 June 2019	155,739	49,569	205,308	14,702	220,010	27,620	23,109	270,739
Asset size	(102)	50	(52)	2,798	2,746	-	-	2,746
Asset quality	208	-	208	128	336	-	-	336
Model updates	34	-	34	(904)	(870)	-	-	(870)
Methodology and policy	-	-	-	-	-	-	300	300
Acquisitions and disposals	-	(677)	(677)	-	(677)	-	-	(677)
Foreign exchange movements	(1,616)	(396)	(2,012)	(151)	(2,163)	-	-	(2,163)
Other, including non-credit risk movements ¹	(1,184)	-	(1,184)	-	(1,184)	-	(559)	(1,743)
As at 30 September 2019	153,079	48,546	201,625	16,573	218,198	27,620	22,850	268,668

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 2019	151,756	12,140
Asset size	9,010	721
Asset quality	(1,345)	(108)
Model updates	(703)	(56)
Methodology and policy	5	-
Acquisitions and disposals	-	-
Foreign exchange movements	(646)	(52)
Other ²	(2,338)	(187)
As at 30 June 2019	155,739	12,459
Asset size	(102)	(8)
Asset quality	208	17
Model updates	34	3
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	(1,616)	(129)
Other ²	(1,184)	(95)
As at 30 September 2019³	153,079	12,246

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 \$149,428 million and securitisation of \$3,651 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 2019	-	-
Asset size	(923)	(74)
Asset quality	13	1
Model updates	9,773	782
Methodology and policy	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	(4)	-
Other ¹	-	-
As at 30 September 2019	8,859	709

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 2019	1,413	7,253	-	-	3,196	11,862	949
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment at 1 January 2019	1,413	7,253	-	-	3,196	11,862	949
Movement in risk levels	523	1	-	-	651	1,175	94
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	86	314	-	-	100	500	40
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
At 30 June 2019	2,022	7,568	-	-	3,947	13,537	1,083
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment at 30 June 2019	2,022	7,568	-	-	3,947	13,537	1,083
Movement in risk levels	46	(975)	-	-	(427)	(1,356)	(109)
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	51	162	-	-	87	300	24
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
At 30 September 2019	2,119	6,755	-	-	3,607	12,481	998
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment at 30 September 2019	2,119	6,755	-	-	3,607	12,481	998

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.

Except as required by any applicable laws or regulations, the Group expressly disclaims any 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.

Nothing in this document shall constitute, in any jurisdiction, an offer or solicitation to sell or purchase any securities or other financial instruments, nor shall it constitute a recommendation or advice in respect of any securities or other financial instruments or any other matter.