Standard Chartered






PILLAR 3 DISCLOSURES 30 JUNE 2019

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Standard Chartered Bank is headquartered in London where it is authorised by the UK's Prudential Regulation Authority (PRA), and Standard Chartered PLC Group and Standard Chartered Bank are regulated by the Financial Conduct Authority (FCA) and the PRA. Within this document 'the Group' refers to Standard Chartered PLC together with its subsidiary undertakings. The regions of Greater China, North East (NE) Asia, South Asia, ASEAN, and MENAP, are defined in the Glossary. Throughout this document unless specified the disclosures are at Group level. Throughout this document, unless another currency is specified, the word 'dollar' or symbol $ means United States dollar. Throughout this document IRB refers to internal ratings based models. The Group does not use the Foundation IRB approach.

1. Introduction

1.1 Purpose and basis of preparation

The Pillar 3 Disclosures comprise detailed information on the underlying drivers of risk-weighted assets (RWA), capital, leverage and liquidity ratios as at 30 June 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.

The Group are also early adopting some of the templates from Basel Pillar 3 disclosures Phase 2[1] relating to the total loss-absorbing capacity (TLAC) regime for global systemically important banks (G-SIBs). These templates have been prepared using the EU's version of the Financial Stability Board's (FSB) TLAC standard for G-SIBs, in the form of minimum requirements for own funds and eligible liabilities ('MREL'), implemented by the Capital Requirements Directive II (CRR II) which was published in the Official Journal of the European Union on 7 June 2019 and came into effect on 27 June 2019.

This report presents the Pillar 3 disclosures of Standard Chartered PLC ('the Group') as at 30 June 2019 and should be read in conjunction with the Group's Half Year Report 2019.

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

1.2 Highlights

- The Group's capital and leverage position is managed within the Board-approved risk appetite. The Group is well capitalised with low leverage and high levels of loss-absorbing capacity
- The Group is well capitalised with an end point Common Equity Tier 1 (CET1) ratio of 13.5 per cent that is well ahead of the minimum requirement of 10.0 per cent
- The Group is not highly leveraged and its leverage ratio of 5.3 per cent is well ahead of the 2019 minimum requirement of 3.73 per cent
- Full impact of share buy-back is deducted in CET1 capital ($1 billion)
- The Group continues to manage its balance sheet proactively, with a particular focus on the efficient management of RWA

1.3 Verification

Whilst the 30 June 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 Half Year Report have been applied to confirm compliance with PRA regulations.

Items excluded on the grounds of materiality are quantitative disclosures of specialised lending exposures where the simple risk-weight approach is used, non-deducted participations in insurance undertakings, composition of collateral for exposures to derivatives and securities financing transactions, off-balance sheet collateral received, effect on the RWAs of credit derivatives used as CRM techniques, and RWA flow statements of CCR exposures under the IMM.

In relation to the regulatory consolidation of the Group, the approach to Interest Rate Risk in the Banking Book risk management, and the risk management of other risk types, there have been no material change compared to the information disclosed within the Group's Pillar 3 Disclosures 2018. Please refer to the following sections in our Pillar 3 Disclosures 2018 for further detail:

- Regulatory Consolidation: Table 2: Regulatory Consolidation on page 5
- Credit risk: Section 3 on page 22
- Traded risk: Section 4 on page 69
- Interest rate risk in the banking book: Section 5 on page 84

1 https://www.bis.org/bcbs/publ/d400.pdf

1.4 Key prudential metrics

Table 1: Key metrics for the Group (KM1)

	30.06.19 $million	31.03.19 $million	31.12.18 $million	30.09.18 $million	30.06.18 $million
Available capital amounts[1]					
Common Equity Tier 1 (CET1)	**36,511**	37,184	36,717	38,340	38,512
Common Equity Tier 1 (CET1) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**36,152**	36,825	36,315	37,938	38,110
Tier 1	**43,123**	43,796	43,401	45,029	45,204
Tier 1 as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**42,764**	43,437	42,999	44,627	44,802
Total capital	**54,957**	55,862	55,696	57,576	58,019
Total capital as IFRS 9 or analogous ECLs transitional arrangements had not been applied	**54,598**	55,503	55,294	57,174	57,617
Risk-weighted assets amounts					
Total risk-weighted assets (RWA)	**270,739**	268,206	258,297	265,245	271,867
Total risk-weighted assets if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**270,869**	268,336	258,442	265,390	272,012
Risk-based capital ratios as a percentage of RWA[1]					
Common Equity Tier 1 ratio	**13.5%**	13.9%	14.2%	14.5%	14.2%
Common Equity Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**13.3%**	13.7%	14.1%	14.3%	14.0%
Tier 1 ratio	**15.9%**	16.3%	16.8%	17.0%	16.6%
Tier 1 ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**15.8%**	16.2%	16.6%	16.8%	16.5%
Total capital ratio	**20.3%**	20.8%	21.6%	21.7%	21.3%
Total capital ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**20.2%**	20.7%	21.4%	21.6%	21.2%
Additional CET1 buffer requirements as a percentage of RWA[1]					
Capital conservation buffer requirement	**2.50%**	2.50%	1.88%	1.88%	1.88%
Countercyclical buffer requirement	**0.4%**	0.36%	0.28%	0.26%	0.25%
Bank G-SIB and/or D-SIB additional requirements	**1.0%**	1.00%	0.75%	0.75%	0.75%
Total of bank CET1 specific buffer requirements	**3.9%**	3.86%	2.91%	2.89%	2.88%
CET1 available after meeting the bank's minimum capital requirements	**7.4%**	7.7%	8.1%	8.3%	7.9%
UK leverage ratio					
Total UK leverage ratio exposure measure	**781,640**	780,957	740,602	472,828	743,552
UK leverage ratio	**5.3%**	5.4%	5.6%	5.8%	5.8%
UK leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	**5.3%**	5.3%	5.6%	5.8%	5.8%
Liquidity Coverage Ratio					
Total HQLA	**149,915**	149,411	146,470	142,382	142,423
Total net cash outflow	**98,316**	95,748	94,011	92,877	95,016
LCR ratio	**152.9%**	156.3%	156.0%	153.5%	150.0%

1 Capital requirements are presented using transitional provisions

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)

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

2. Capital

2.1 Capital management

The Group's capital and leverage positions are managed within the Board-approved risk appetite. The Group is well capitalised with low leverage and high levels of loss-absorbing capacity.

2.2 Capital resources

All capital instruments included in the capital base meet the requirements set out in the CRR for their respective tier of capital, except for those that are subject to a grandfathering period. Grandfathered capital instruments will be fully phased out of their respective tier of capital by 1 January 2022.

Table 3 below summarises the consolidated capital position of the Group.

Table 3: Reconciliation between financial total equity and regulatory CET1 before regulatory adjustments

	30.06.19 $million	31.12.18 $million
Total equity per balance sheet (financial view)	**50,439**	50,352
Regulatory adjustments	**553**	1,054
Total equity per balance sheet (regulatory view)	**50,992**	51,406
Foreseeable dividend net of scrip	**(449)**	(527)
Other equity instruments (included in AT1)	**(6,454)**	(6,455)
Non-controlling interests	**(506)**	(321)
Common Equity Tier 1 capital before regulatory adjustments	**43,583**	44,103

2.2 Capital resources continued

Table 4: Composition of regulatory capital (CC1)

	30.06.19 Transitional position $million	30.06.19 End point adjustment $million	30.06.19 End point position $million	31.12.18 Transitional position $million
Common Equity Tier 1 (CET1) capital: instruments and reserves				
Capital instruments and the related share premium accounts	5,615	–	5,615	5,617
Of which: Share premium accounts	3,989	–	3,989	3,965
Retained earnings[1]	24,603	–	24,603	25,377
Accumulated other comprehensive income (and other reserves)	11,640	–	11,640	11,878
Non-controlling interests (amount allowed in consolidated CET1)	693	–	693	686
Independently reviewed interim and year-end profits/(loss)[2]	1,481	–	1,481	1,072
Foreseeable dividends net of scrip[3]	(449)	–	(449)	(527)
Common Equity Tier 1 capital before regulatory adjustments	43,583	–	43,583	44,103
Common Equity Tier 1 capital: regulatory adjustments				
Additional value adjustments	(677)	–	(677)	(564)
Intangible assets	(5,201)	–	(5,201)	(5,146)
Deferred tax assets that rely on future profitability	(92)	–	(92)	(115)
Fair value reserves related to gains or losses on cash flow hedges	68	–	68	10
Negative amounts resulting from the calculation of expected loss amounts	(930)	–	(930)	(875)
Gains or losses on liabilities at fair value resulting from changes in own credit	(68)	–	(68)	(412)
Defined-benefit pension fund assets	(10)	–	(10)	(34)
Fair value gains and losses from own credit risk related to derivative liabilities	(90)	–	(90)	(127)
Exposure amounts which could qualify for risk weight of 1250%	(72)	–	(72)	(123)
Of which: securitisation positions	(61)	–	(61)	(110)
Of which: free deliveries	(11)	–	(11)	(13)
Total regulatory adjustments to Common Equity Tier 1 capital	(7,072)	–	(7,072)	(7,386)
Common Equity Tier 1 capital	36,511	–	36,511	36,717
Additional Tier 1 (AT1) capital: instruments				
Capital Instruments and the related share premium accounts	6,632	(1,671)	4,961	6,704
Of which: classified as equity under applicable accounting standards	6,455	(1,494)	4,961	6,455
Of which: classified as liabilities under applicable accounting standards	177	(177)	–	249
Additional Tier 1 (AT1) capital before regulatory adjustments	6,632	(1,671)	4,961	6,704
Additional Tier 1 capital: regulatory adjustments				
Direct and indirect holdings by an institution of own Additional Tier 1 (AT1) instruments and subordinated loans	(20)	–	(20)	(20)
Total regulatory adjustments to Additional Tier 1 capital	(20)	–	(20)	(20)
Additional Tier 1 capital	6,612	(1,671)	4,941	6,684
Tier 1 capital (T1 = CET1 + AT1)	43,123	(1,671)	41,452	43,401
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts[4]	11,207	1,742	12,949	11,708
Qualifying items and the related share premium accounts subject to phase out from T2	323	(323)	–	240
Qualifying own funds instruments included in consolidated T2 issued by subsidiaries and held by third parties	334	–	334	377
Tier 2 capital before regulatory adjustments	11,864	1,419	13,283	12,325
Tier 2 capital: regulatory adjustments				
Direct and indirect holdings by an institution of own Tier 2 instruments and subordinated loans	(30)	–	(30)	(30)
Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	–	–	–	N/A

2.2 Capital resources continued

Table 4: Composition of regulatory capital (CC1) continued

	30.06.19 Transitional position $million	30.06.19 End point adjustment $million	30.06.19 End point position $million	31.12.18 Transitional position $million
Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–	–	–	N/A
Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	–	–	–	N/A
Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–	–	N/A
Total regulatory adjustments to Tier 2 capital	**(30)**	**–**	**(30)**	(30)
Tier 2 capital	**11,834**	**1,419**	**13,253**	12,295
Total capital (TC = T1 + T2)	**54,957**	**(252)**	**54,705**	55,696
Total risk-weighted assets[5]	**270,739**	**–**	**270,739**	258,297
Capital ratios and buffers				
Common Equity Tier 1 capital	**13.5%**	**–**	**13.5%**	14.2%
Tier 1 capital	**15.9%**	**(0.6)%**	**15.3%**	16.8%
Total capital	**20.3%**	**(0.1)%**	**20.2%**	21.6%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirement, plus systemic risk buffer, plus systemically important instituition buffer expressed as a percentage of risk exposure amount.)	**10.0%**	**–**	**10.0%**	9.0%
Of which: capital conservation buffer requirement	**2.50%**	**–**	**2.50%**	1.88%
Of which: countercyclical buffer requirement	**0.38%**	**–**	**0.38%**	0.28%
Of which systemic risk buffer requirement	**–**	**–**	**–**	–
Of which: Global systemically important institution (G-SII) or Other Systemically important institution (O-SII) buffer	**1.00%**	**–**	**1.00%**	0.75%
Common Equity Tier 1 available to meet buffers (as percentage of risk exposure amount)	**7.4%**	**(0.4)%**	**7.0%**	8.1%
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)	**1,420**	**–**	**1,420**	1,774
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)	**1,791**	**–**	**1,791**	1,633
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)	**831**	**–**	**831**	925
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	**–**	**–**	**–**	N/A
Cap on inclusion of provisions in Tier 2 under standardised approach	**628**	**–**	**628**	N/A
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**–**	**–**	**–**	N/A
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	**1,003**	**–**	**1,003**	N/A

1 Retained earnings under CRD IV include the effect of regulatory consolidation adjustments and have been reduced to reflect the full $1 billion pro forma impact of the share buy-back programme announced in April 2019

2 Independently reviewed interim and year-end profits are in accordance with regulatory consolidation rules

3 Foreseeable dividends as at H1 2019 represent ordinary dividends and preference dividends payable during the next six months in 2019

4 End point Tier 2 capital includes ineligible Additional Tier1 capital subject to grandfathering including any excess over AT1 limit

5 Risk-weighted assets are not subject to audit

Tier 2 capital decreased by $0.5 billion to $11.8 billion driven by $0.6 billion of amortisation of subordinated debt offset by recognition of ineligible AT1 as Tier 2.

2.2 Capital resources continued

Table 5: Reconciliation of regulatory capital to balance sheet (CC2)

	30.06.19	
	Balance sheet as in published financial statements $million	Under regulatory scope of consolidation $million
Assets		
Cash and balances at central banks	58,822	59,550
Financial assets designated at fair value	93,402	93,470
Derivative financial instruments	49,237	49,256
Loans and advances to banks	58,065	58,565
Loans and advances to customers	260,891	268,207
Reverse repurchase agreements and other similar secured lending	3,849	3,849
Investment Securities	128,036	128,873
Other assets	39,338	39,837
Current tax assets	507	507
Prepayments and accrued income	2,797	2,871
Investments in associates and joint ventures	2,512	1,749
Goodwill and intangible assets	5,111	5,250
Of which: goodwill	3,089	3,217
Of which: other intangibles (excluding MSRs)	2,022	2,033
Of which: MSRs	–	–
Property, plant and equipment	7,750	7,790
Deferred tax assets	924	1,057
Assets classified as held for sale	1,263	1,157
Total assets	712,504	721,988
Liabilities		
Deposits from banks	30,783	30,909
Customer accounts	401,598	409,614
Repurchase agreements and other similar secured borrowing	5,920	5,920
Financial liabilities designated at fair value through profit or loss	61,781	61,769
Derivative financial instruments	50,353	50,359
Debt securities in issue	46,672	46,672
Other liabilities	42,855	43,194
Current tax liabilities	550	547
Accruals and deferred income	4,893	4,937
Subordinated liabilities	15,245	15,478
Of which: considered as Additional Tier 1 capital	248	252
Of which: considered as Tier 2 capital	14,996	15,226
Deferred tax liabilities	549	570
Of which: DTLs related to goodwill	511	530
Of which: DTLs related to intangible assets (excluding MSRs)	38	40
Of which: DTLs related to MSRs	–	–
Provisions for liabilities and charges	393	393
Retirement benefit obligation	473	476
Total liabilities	662,065	670,838
Shareholders' Equity		
Share capital and share premium account	7,109	7,113
Of which: amount eligible for CET1	2,149	2,153
Of which: amount eligible for AT1	4,960	4,960
Other reserves & Retained earnings	37,958	37,878
Total parent company shareholders' equity	45,067	44,991
Other equity instruments	4,961	4,960
Non-controlling interest	411	1,199
Total equity	50,439	51,150
Total equity and liabilities	712,504	721,998

2.2 Capital resources continued

Table 6 shows details of the composition of the Group's TLAC.

Table 6: TLAC composition for G-SIBs (TLAC1)

	30.06.19 $million
Regulatory capital elements of TLAC and adjustments	
Common Equity Tier 1 capital (CET1)	36,511
Additional Tier 1 capital (AT1) before TLAC adjustments	6,612
AT1 ineligible as TLAC as issued out of subsidiaries to third parties	–
Other adjustments	–
AT1 instruments eligible under the TLAC framework	6,612
Tier 2 capital (T2) before TLAC adjustments	11,834
Amortised portion of T2 instruments where remaining maturity > 1 year	1,495
Other adjustments	(141)
T2 instruments eligible under the TLAC framework	13,188
TLAC arising from regulatory capital	56,311
Non-regulatory capital elements of TLAC	
External TLAC instruments issued directly by the bank and subordinated to excluded liabilities	–
External TLAC instruments issued directly by the bank which are not subordinated to excluded liabilities but meet all other TLAC term sheet requirements	14,555
Of which: amount eligible as TLAC after application of the caps	14,555
External TLAC instruments issued by funding vehicles prior to 1 January 2022	–
Eligible ex ante commitments to recapitalise a G-SIB in resolution	–
TLAC arising from non-regulatory capital instruments before adjustments	14,555
Non-regulatory capital elements of TLAC: adjustments	
Deductions of exposures between MPE resolution groups that correspond to items eligible for TLAC (not applicable to SPE G-SIBs)	–
Deduction of investments in own other TLAC liabilities	(10)
Other adjustments to TLAC	–
TLAC after deductions	70,856
Risk-weighted assets and leverage exposure measure for TLAC purposes	
Total risk-weighted assets adjusted as permitted under the TLAC regime	270,739
Leverage exposure measure	781,640
TLAC ratios and buffers	
TLAC (as a percentage of risk-weighted assets adjusted as permitted under the TLAC regime)	26.2%
TLAC (as a percentage of leverage exposure)	9.1%
CET1 (as a percentage of risk-weighted assets) available after meeting the resolution group's minimum capital and TLAC requirements	7.4%
Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	3.9%
Of which: capital conservation buffer requirement	2.5%
Of which: bank specific countercyclical buffer requirement	0.4%
Of which: higher loss absorbency requirement	1.0%

TLAC 2 is a G-SII disclosure requirement to provide the ranking of the liability structure of all of the Group's material subsidiaries in foreign jurisdictions as defined by the FSB TLAC Term Sheet. The group has 4 material subsidiaries in foreign jurisdictions; Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank Korea Limited, Standard Chartered Bank (China) Limited, and Standard Chartered Bank (Singapore) Limited for which disclosure would be required. However, as only one material subsidiary is required to comply with TLAC rules on a local basis as at 30 June 2019 (Standard Chartered Bank (Singapore) Limited), the Group has chosen not to early adopt the disclosure of the TLAC 2 tables at this time.

2.2 Capital resources continued

Table 7 shows information regarding the ranking of the Group's liabilities at the resolution group level.

Table 7: – Resolution entity – creditor ranking for Standard Chartered PLC (TLAC3)

	30.06.19			
	Creditor ranking			
	1 $million	2 $million	3 $million	Total $million
Description of creditor ranking	Tertiary non-preferential debt[2]	Tertiary non-preferential debt – Tier 2 securities	Ordinary non-preferential debt[3]	
Total capital and liabilities net of credit risk mitigation[1]	6,720	13,448	20,509	40,677
Of which: are excluded liabilities	–	–	(768)	(768)
Total capital and liabilities less excluded liabilities	6,720	13,448	19,741	39,909
Of which: are potentially eligible as TLAC	6,720	13,448	14,555	34,723
Of which: with 1 year ≤ residual maturity < 2 years	–	–	2,156	2,156
Of which: with 2 years ≤ residual maturity < 5 years	–	4,988	4,620	9,608
Of which: with 5 years ≤ residual maturity < 10 years	–	3,782	5,728	9,510
Of which: with residual maturity ≥ 10 years, but excluding perpetual securities	–	4,502	2,051	6,553
Of which: is perpetual securities	6,720	176	–	6,896

1 Excludes CET1 and is based on accounting carrying values

2 AT1 Preference shares and Contingent Convertible Capital Instruments

3 Senior bonds, derivative liabilities, tax claims etc

2.3 Capital requirements

The Group currently estimates that its expected CET1 requirement for 2020 is 10.0 per cent, comprising:

- A minimum Pillar 1 CET1 requirement of 4.5 per cent
- A Pillar 2A CET1 requirement of around 1.6 per cent (subject to ongoing PRA assessment) being 56 per cent of the total Pillar 2A requirement
- A capital conservation buffer of 2.5 per cent by 1 January 2020
- A G-SII buffer of 1.0 per cent by 1 January 2020
- A countercyclical capital buffer of around 0.4 per cent, effective from 2020

Any further countercyclical capital buffer applied to the Group would increase the Group's CET1 requirement.

The Combined Buffer comprises the Group's capital conservation buffer, G-SII buffer and the countercyclical capital buffer.

Pillar 1 and Pillar 2A CET1 requirements and the Combined Buffer requirement together represent the Group's Maximum Distributable Amount threshold. The Group will be subject to restrictions on discretionary distributions if the CET1 ratio goes below this threshold. The Group expects to continue to operate with a prudent management buffer above this threshold.

Over time, the Group may also be subject to a PRA buffer. The PRA buffer is intended to ensure that the Group remains well capitalised during periods of stress. When setting the Group's PRA buffer, it is understood that the PRA considers results from the Bank of England (BoE) stress test, the biennial exploratory scenario, and bank-specific scenarios undertaken as part of Internal Capital Adequacy Assessment Processes (ICAAPs), as well as other relevant information. The PRA buffer is additional to the existing CRD IV buffer requirements, and is applied if and to the extent that the PRA considers the existing CRD IV buffers do not adequately address the Group risk profile. The PRA buffer is not disclosed.

Table 8 presents the Group's RWA and capital requirements (calculated as 8 per cent of RWA).

Further information on credit RWAs can be found in Table 24 for credit risk exposures under IRB (which include CCR); Table 10 for the RWA flow statements for credit risk exposures under IRB (which includes securitisation balances below); Table 36 for exposures under the standardised approach (which include amounts below the threshold for deduction) and section 4.2 for exposures subject to counterparty credit risk.

2.3 Capital requirements continued

Table 8: Overview of RWA (OV1)

		30.06.19		31.03.19		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
1	**Credit risk (excluding counterparty credit risk)[2]**	195,608	15,649	194,264	15,541	188,522	15,082
4	Of which advanced IRB approach (Table 23)	152,595	12,208	152,790	12,223	148,537	11,883
2	Of which standardised approach (Table 35)	43,013	3,441	41,474	3,318	39,985	3,199
6	**Counterparty credit risk[3]**	14,702	1,176	15,406	1,232	12,998	1,040
7	Of which mark to market method	11,169	894	10,884	871	10,551	884
10	Of which internal model method (IMM)	–	–	–	–	–	–
11	Of which risk exposure amount for	342	27	144	12	59	5
12	Of which CVA (Table 48)	1,589	127	1,399	112	1,116	89
13	**Settlement risk**	–	–	1	–	3	–
14	**Securitisation exposures in the banking book**	3,144	252	2,788	223	3,219	258
15	Of which IRB ratings based approach	2,410	193	2,290	183	2,596	208
16	Of which IRB supervisory formula approach	734	59	498	40	623	50
18	Of which standardised approach	–	–	–	–	–	–
19	**Market risk (Table 38)**	23,109	1,849	21,469	1,718	19,109	1,529
21	Of which internal model approaches	13,537	1,083	12,109	969	11,862	949
20	Of which standardised approach	9,571	766	9,360	749	7,247	580
22	Large exposures	–	–	–	–	–	–
23	**Operational risk[4]**	27,620	2,210	27,620	2,210	28,050	2,244
25	Of which standardised approach	27,620	2,210	27,620	2,210	28,050	2,244
27	**Amounts below the thresholds for deduction (subject to 250% risk weight) (Table 35)**	6,556	524	6,658	533	6,396	512
28	**Floor Adjustment**	–	–	–	–	–	–
29	**Total**	270,739	21,660	268,206	21,457	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 increased by $12.4 billion from 31 December 2018 to $270.7 billion. This was due to an increase in credit risk RWA of $7.1 billion and increases in both market and counterparty credit risk RWA of $4.0 billion and $1.7 billion respectively.

→ Credit risk including counterparty credit risk increased to $210.3 bn. The increase was driven by:
  - $12.7 billion increase driven by asset balance growth across Corporate & Institutional Banking, Treasury Markets, and Retail Banking
  - $2.7 billion decrease mainly due to $2.1 billion of benefit from RWA efficiency initiatives on Treasury Markets exposures, and a $0.6 billion reduction as a result of RWA efficiency initiatives relating to credit risk mitigation
  - $0.7 billion decrease in model, methodology and policy changes following regulatory approval of changes to Korean Personal Loans models
  - $1.4 billion increase from the implementation of the IFRS16 standard relating to leases on property
  - $1.1 billion decrease due to net credit migration
  - $0.6 billion decrease from foreign currency translation

→ Market risk RWA increased to $23.1 billion. This change was primarily due to increased trading book debt security holdings and to an increase in internal models approach (IMA) RWA

2.3 Capital requirements continued

Table 9 shows the significant drivers of credit risk, market risk and operational risk RWA movements from 1 January 2019.

Table 9: Movement analysis for RWA

	Credit risk IRB $million	Credit risk SA $million	Credit risk Total $million	Counterparty Credit risk $million	Total Credit & Counterparty Credit risk $million	Operational risk $million	Market risk $million	Total $million
As at 1 January 2019	151,756	46,384	198,140	12,998	211,138	28,050	19,109	258,297
Asset size	4,060	235	4,295	2,488	6,783	–	–	6,783
Asset quality	757	–	757	(79)	678	–	–	678
Model updates	(703)	–	(703)	–	(703)	–	–	(703)
Methodology and policy	–	1,400	1,400	–	1,400	–	(700)	700
Acquisitions and disposals	–	–	–	–	–	–	–	–
Foreign exchange movements	(63)	114	51	(1)	50	–	–	50
Other, including non-credit risk movements[1]	(229)	–	(229)	–	(229)	(430)	3,060	2,401
As at 31 March 2019	**155,578**	**48,133**	**203,711**	**15,406**	**219,117**	**27,620**	**21,469**	**268,206**
Asset size	**4,950**	**1,515**	**6,465**	**(593)**	**5,872**	**–**	**–**	**5,872**
Asset quality	**(2,102)**	**–**	**(2,102)**	**277**	**(1,825)**	**–**	**–**	**(1,825)**
Model updates	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Methodology and policy	**5**	**–**	**5**	**–**	**5**	**–**	**1,200**	**1,205**
Acquisitions and disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange movements	**(583)**	**(79)**	**(662)**	**2**	**(660)**	**–**	**–**	**(660)**
Other, including non-credit risk movements[1]	**(2,109)**	**–**	**(2,109)**	**(390)**	**(2,499)**	**–**	**440**	**(2,059)**
As at 30 June 2019[2]	**155,739**	**49,569**	**205,308**	**14,702**	**220,010**	**27,620**	**23,109**	**270,739**

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

2 See Table 8: 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

2.3 Capital requirements continued

Table 10 shows the significant drivers of credit risk, IRB RWA movements (excluding counterparty credit risk and Standardised credit risk) from 1 January 2019.

Table 10: RWA flow statements of credit risk exposures under IRB (CR8)

		Risk-weighted assets[1] $million	Regulatory capital requirement[1] $million
	As at 1 January 2019	151,756	12,140
	Asset size	4,060	325
	Asset quality	757	61
	Model updates	(703)	(56)
	Methodology and policy	–	–
	Acquisitions and disposals	–	–
	Foreign exchange movements	(63)	(5)
	Other[2]	(229)	(18)
1	**As at 31 March 2019**	**155,578**	**12,446**
2	Asset size	**4,950**	**396**
3	Asset quality	**(2,102)**	**(168)**
4	Model updates	**–**	**–**
5	Methodology and policy	**5**	**0**
6	Acquisitions and disposals	**–**	**–**
7	Foreign exchange movements	**(583)**	**(47)**
8	Other[2]	**(2,109)**	**(169)**
9	**As at 30 June 2019[3]**	**155,739**	**12,459**

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

2 RWA efficiencies are disclosed against 'Other'

3 See Table 8: Overview of RWA (OV1). Comprises advanced IRB credit risk $152,595 million and securitisation of $3,144 million

IRB credit RWAs increased by $4.0 billion from 31 December 2018 driven by:

- $9.0 billion increase driven by asset balance growth across multiple business areas
- $1.3 billion decrease due to net credit migration
- $0.7 billion decrease in model, methodology and policy changes following regulatory approval of changes to Korean Personal Loans models
- $0.6 billion decrease from foreign currency translation against the US dollar
- $2.1 billion decrease due to the benefit from RWA efficiency initiatives on Treasury Markets' exposures

2.3 Capital requirements continued

Table 11 shows the RWA flow statements of market risk RWA exposures under the Internal Model Approach (IMA) from 1 January 2019.

Table 11: 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 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	166	78	–	–	703	947	76
	Model updates/changes	–	–	–	–	–	–	–
	Methodology and policy	(114)	(586)	–	–	–	(700)	(56)
	Acquisitions and disposals	–	–	–	–	–	–	–
	Foreign exchange movements	–	–	–	–	–	–	–
	Other	–	–	–	–	–	–	–
1	**At 31 March 2019**	**1,465**	**6,745**	**–**	**–**	**3,899**	**12,109**	**969**
1a	Regulatory adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1b	**RWAs post adjustment at 31 March 2019**	**1,465**	**6,745**	**–**	**–**	**3,899**	**12,109**	**969**
2	Movement in risk levels	**357**	**(77)**	**–**	**–**	**(52)**	**228**	**18**
3	Model updates/changes	**–**	**–**	**–**	**–**	**–**	**–**	**–**
4	Methodology and policy	**200**	**900**	**–**	**–**	**100**	**1,200**	**96**
5	Acquisitions and disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**
6	Foreign exchange movements	**–**	**–**	**–**	**–**	**–**	**–**	**–**
7	Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**
8a	**At 30 June 2019**	**2,022**	**7,568**	**–**	**–**	**3,947**	**13,537**	**1,083**
8b	Regulatory adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
8	**RWAs post adjustment at 30 June 2019**	**2,022**	**7,568**	**–**	**–**	**3,947**	**13,537**	**1,083**

1 Other IMA capital add-ons for market risks not fully captured in either VaR or SVar. More details on Risks not in VaR can be found in the Group's Half Year Report 2019 on page 56

Market risk RWAs under an IMA approach increased by $1.7 billion from 31 December 2018 mainly driven by an increase in the capital multiplier as a result of increased backtesting exceptions.

2.4 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 and are phased in.

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.

At 30 June 2019, the Group's current minimum leverage requirement is 3.73 per cent. The Group's currently expected future leverage requirement from 2020 is 3.73 per cent comprising (i) the minimum 3.25 per cent (ii) a 0.35 per cent G-SII leverage ratio buffer and (iii) a 0.13 per cent countercyclical leverage ratio buffer (based on current and known pending countercyclical capital buffer rates and assuming a constant proportion of exposures to the relevant jurisdictions).

The UK leverage ratio at 30 June 2019 was 5.3 per cent, well above the current and expected future leverage requirements. The UK leverage ratio went down by 0.3 per cent compared to 31 December 2018. This was driven by an increase in banking book exposures and derivatives and the share buy-back programme, partially offset by profits net of dividend for the period.

2.4 Leverage ratio continued

Table 12: UK and CRR leverage ratio

	30.06.19 $million	31.03.19 $million	31.12.18 $million
Tier 1 capital (end point)	**41,452**	42,125	41,658
UK leverage exposure	**781,640**	780,957	740,602
UK leverage ratio	**5.3%**	5.4%	5.6%
CRR leverage exposure	**828,190**	827,211	795,736
CRR leverage ratio	**5.0%**	5.1%	5.2%
UK leverage exposure quarterly average	**788,148**	771,650	734,976
UK leverage ratio quarterly average	**5.2%**	5.4%	5.8%
Countercyclical leverage ratio buffer	**0.1%**	0.1%	0.1%
G-SII additional leverage ratio buffer	**0.4%**	0.4%	0.3%

Table 13: Summary reconciliation of accounting assets and leverage exposure

		30.06.19 $million	31.12.18 $million
1	Total assets as per published financial statements	**712,504**	688,762
2	Adjustment difference between the accounting scope of consolidation and the regulatory scope of consolidation	**9,484**	9,613
4	Adjustments for derivative financial instruments	**(13,844)**	(19,408)
5	Adjustments for securities financing transactions (SFTs)	**7,913**	8,281
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**119,047**	115,335
7	Other adjustments	**(6,914)**	(6,847)
8	**Total leverage ratio exposure**	**828,190**	795,736

2.4 Leverage ratio continued

Table 14: Leverage ratio common disclosure

		30.06.19 $million	31.12.18 $million
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**614,818**	591,004
2	(Asset amounts deducted in determining Tier 1 capital)	**(6,914)**	(6,847)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**607,904**	584,157
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**9,391**	5,476
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	**31,298**	28,498
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	**–**	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	**(6,636)**	(8,967)
8	(Exempted CCP leg of client-cleared trade exposures)	**–**	–
9	Adjusted effective notional amount of written credit derivatives	**20,473**	14,392
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**(19,114)**	(13,171)
11	**Total derivative exposures**	**35,412**	26,228
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**59,476**	65,191
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(1,562)**	(3,456)
14	Counterparty credit risk exposure for SFT assets	**7,913**	8,281
16	**Total securities financing transaction exposures**	**65,827**	70,016
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	**393,234**	378,467
18	(Adjustments for conversion to credit equivalent amounts)	**(274,187)**	(263,132)
19	**Other off-balance sheet exposures**	**119,047**	115,335
	Capital and total exposures		
20	**Tier 1 capital (end point)**	**41,452**	41,658
	Leverage ratio total exposure measure	**828,190**	795,736
22	**Leverage ratio**	**5.0%**	5.2%
	Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	**Full phased in**	Fully phased in

2.4 Leverage ratio continued

Table 15: Leverage ratio: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		30.06.19 $million	31.12.18 $million
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**614,818**	591,004
EU-2	Trading book exposures	**46,586**	47,976
EU-3	Banking book exposures, of which:	**568,232**	543,028
EU-4	Covered bonds	**5,442**	5,572
EU-5	Exposures treated as sovereigns	**177,493**	178,735
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**56**	54
EU-7	Institutions	**80,323**	77,344
EU-8	Secured by mortgages of immovable properties	**82,962**	75,601
EU-9	Retail exposures	**27,532**	27,098
EU-10	Corporates	**150,372**	133,634
EU-11	Exposures in default	**6,826**	7,470
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	**37,226**	37,520

3. Credit risk

3.1 Exposure values

Credit quality of exposures

Credit risk EAD is based on the current outstanding exposure and accrued interest and fees, which are recognised in the Group's balance sheet in accordance with IFRS, plus a proportion of any undrawn facility. For Standardised EAD, the proportion of any undrawn facility included is dependent on the facility type and tenor, and for IRB exposure classes this proportion is modelled.

Tables 16 to 18 break down defaulted and non-defaulted exposures by exposure class, as defined in the CRR, and by industry and geography. Exposure values presented in the tables are before the impact of credit conversion factors (CCF) and funded credit risk mitigation (CRM) but after substitution.

All Standard Chartered accounting provisions are categorised as specific credit risk adjustments according to the EBA Regulatory Technical Standards (RTS) on specification of the calculation of specific and general credit risk adjustments (EBA/RTS/2013/04). The column for general credit risk adjustments as included in the prescribed templates of the EBA disclosure guidelines has therefore been removed. Net values equate to EAD after deduction of specific credit risk adjustments.

Values in Tables 19 to 22 are gross carrying values in accordance with IFRS. Tables 19 and 20 depict past-due exposures, broken down by past-due bands and provide further information on non-performing and forborne exposures.

3.1 Exposure values continued

Table 16: Credit quality of exposures by exposure class and instruments (CR1-A)

		30.06.19				
		EAD before the effect of CCF & CRM[1]				
		Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period $million	Net values $million
	IRB Exposure Class					
1	Central governments or central banks	–	299,336	46	(4)	299,291
2	Institutions	–	280,601	6	1	280,595
3	Corporates	6,459	452,896	4,300	(27)	455,055
4	Of which specialised lending	751	32,206	465	(9)	32,492
5	Of which SME	478	8,618	209	(70)	8,887
6	Retail	643	116,791	342	(46)	117,092
7	Secured by real estate collateral	198	67,479	35	(3)	67,642
8	Of which SME	6	387	1	–	392
9	Of which Non SME	192	67,092	34	(3)	67,249
10	Qualifying revolving retail	148	31,327	114	(7)	31,361
11	Other retail	296	17,986	193	(36)	18,089
12	Of which SME	87	2,570	55	14	2,602
13	Of which Non SME	209	15,416	138	(50)	15,487
	Non-credit obligation assets	93	985	–	–	1,078
15	**Total IRB[2]**	7,194	1,150,610	4,693	(76)	1,153,111
	Standardised Exposure Class					
16	Central governments or central banks	–	116,726	2	(4)	116,724
19	Multilateral development banks	–	26,221	5	(1)	26,217
21	Institutions	–	21,268	1	(1)	21,267
22	Corporates	1,038	72,027	628	(313)	72,438
23	Of which SME	322	39,606	167	(52)	39,761
24	Retail	101	21,633	123	(79)	21,612
25	Of which SME	35	4,440	28	(7)	4,446
26	Secured on real estate property	109	10,261	80	6	10,290
27	Of which SME	14	4,085	14	–	4,085
29	Items belonging to regulatory high risk categories	849	1,249	121	28	1,977
33	Equity	–	1,791	–	–	1,791
34	Other Items[3]	–	11,950	–	–	11,950
35	**Total Standardised**	2,097	283,128	960	(363)	284,265
	Of which past due items	2,097	–	777	(317)	1,320
36	**Total[4]**	9,291	1,433,738	5,653	(439)	1,437,376
37	Of which Loans	6,771	299,420	5,141	(406)	301,050
38	Of which Debt securities	534	122,442	257	(7)	122,719
39	Of which Off-balance-sheet exposures	1,622	737,210	255	(26)	738,577

1 EAD before the effect of credit conversion factor and collateral but after substitution

2 Excludes Securitisation exposures

3 Other items include cash, fixed assets, prepayments and accrued income

4 Amount written off during the year is $935 million

3.1 Exposure values continued

Table 16: Credit quality of exposures by exposure class and instruments (CR1-A) continued

		31.12.18				
		EAD before the effect of CCF & CRM[1]				
		Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period $million	Net values $million
	IRB Exposure Class					
1	Central governments or central banks	–	296,457	49	(260)	296,408
2	Institutions	–	267,385	5	(272)	267,379
3	Corporates	7,234	430,843	4,327	(651)	433,750
4	Of which specialised lending	799	31,957	474	(23)	32,281
5	Of which SME	591	8,370	279	(36)	8,681
6	Retail	683	115,822	388	1	116,117
7	Secured by real estate collateral	197	67,764	38	(121)	67,923
8	Of which SME	5	402	1	(1)	406
9	Of which Non SME	192	67,362	38	(120)	67,516
10	Qualifying revolving retail	153	30,431	121	27	30,464
11	Other retail	333	17,626	229	96	17,730
12	Of which SME	109	2,453	41	6	2,521
13	Of which Non SME	224	15,173	188	90	15,210
	Non-credit obligation assets	63	1,028	–	–	1,091
15	**Total IRB[2]**	7,980	1,111,535	4,769	(1,182)	1,114,745
	Standardised Exposure Class					
16	Central governments or central banks	–	113,867	6	(115)	113,861
19	Multilateral development banks	–	26,391	6	(17)	26,386
21	Institutions	–	38,769	2	(42)	38,767
22	Corporates	1,381	60,389	941	282	60,829
23	Of which SME	320	37,203	218	(82)	37,305
24	Retail	128	20,894	201	(16)	20,820
25	Of which SME	40	4,362	35	(26)	4,366
26	Secured on real estate property	113	9,871	74	(13)	9,910
27	Of which SME	15	3,839	14	(2)	3,839
29	Items belonging to regulatory high risk categories	647	1,414	93	(405)	1,968
33	Equity	–	1,633	–	(2)	1,633
34	Other Items[3]	–	9,997	–	–	9,997
35	**Total Standardised**	2,269	283,224	1,323	(330)	284,170
	Of which past due items	2,269	–	1,094	(268)	1,175
36	**Total[4]**	10,249	1,394,758	6,092	(1,511)	1,398,915
37	Of which Loans	7,686	301,834	5,547	(1,430)	303,973
38	Of which Debt securities	500	121,120	264	(33)	121,357
39	Of which Off-balance-sheet exposures	1,571	704,940	281	(48)	706,230

1 EAD before the effect of credit conversion factor and collateral but after substitution

2 Excludes securitisation exposures

3 Other items include cash, fixed assets, prepayments and accrued income

4 Amount written off during the year is $2,223 million

3.1 Exposure values continued

Table 17: Credit quality of exposures by industry types (CR1-B)

	30.06.19				
	EAD before the effect of CCF & CRM[1]				
	Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period $million	Net values $million
Loans to individuals mortgage	**276**	**73,022**	**88**	**–**	**73,210**
Loans to individuals other	**568**	**63,183**	**356**	**(128)**	**63,395**
SME	**1,342**	**61,076**	**487**	**(120)**	**61,930**
Commerce	**1,048**	**69,530**	**955**	**(39)**	**69,623**
Manufacturing	**2,108**	**113,852**	**1,239**	**206**	**114,721**
Commercial real estate	**255**	**21,750**	**102**	**10**	**21,903**
Government	**–**	**389,795**	**45**	**(6)**	**389,750**
Financing Insurance and business services	**354**	**486,541**	**641**	**(82)**	**486,255**
Transport, storage and communication	**963**	**30,222**	**526**	**(34)**	**30,659**
Other	**2,377**	**124,767**	**1,215**	**(246)**	**125,929**
Total[2, 3]	**9,291**	**1,433,738**	**5,653**	**(439)**	**1,437,376**

	31.12.18				
	EAD before the effect of CCF & CRM[1]				
	Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period $million	Net values $million
Loans to individuals mortgage	284	72,992	87	(58)	73,189
Loans to individuals other	563	61,679	485	(417)	61,757
SME	1,395	57,684	607	607	58,471
Commerce	1,286	66,459	994	249	66,751
Manufacturing	1,689	112,229	1,033	(2,699)	112,885
Commercial real estate	563	21,853	92	(27)	22,324
Government	–	388,060	51	51	388,009
Financing Insurance and business services	374	466,896	723	80	466,546
Transport, storage and communication	1,021	28,604	560	(306)	29,065
Other	3,075	118,303	1,461	1,010	119,917
Total[2,3]	10,249	1,394,758	6,092	(1,511)	1,398,915

1 EAD before the effect of credit conversion factor and collateral but after substitution

2 Refer to Table 16 (CR1-A) for total net values

3 Accumulated write-off for the year is $935 million (2018: $2,223 million)

3.1 Exposure values continued

Table 18: Credit quality of exposures by geography (CR1-C)

	30.06.19				
	EAD before the effect of CCF & CRM[1]				
	Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period $million	Net values $million
Greater China & North Asia	1,106	476,461	586	(35)	476,981
ASEAN & South Asia	4,477	281,485	2,706	(229)	283,256
Africa & Middle East	2,832	139,782	1,896	(34)	140,718
Europe & Americas	876	536,010	465	(141)	536,422
Total[2,3]	9,291	1,433,738	5,653	(439)	1,437,376

	31.12.18				
	EAD before the effect of CCF & CRM[1]				
	Defaulted exposures $million	Non-defaulted exposures $million	Specific credit risk adjustment $million	Credit risk adjustment changes in the period $million	Net values $million
Greater China & North Asia	1,124	468,821	621	100	469,324
ASEAN & South Asia	5,002	272,382	2,936	(1,041)	274,448
Africa & Middle East	3,373	136,604	1,929	(544)	138,048
Europe & Americas	750	516,951	606	(26)	517,095
Total[2,3]	10,249	1,394,758	6,092	(1,511)	1,398,915

1 EAD before the effect of credit conversion factor and collateral but after substitution

2 Refer to Table 16 (CR1-A) for total net values

3 Accumulated write-off for the year is $935 million (2018: $2,223 million)

Table 19: Ageing of past-due exposures (CR1-D)

		30.06.19					
		Gross carrying values					
		≤ 30 days $million	> 30 days ≤ 60 days $million	> 60 days ≤ 90 days $million	> 90 days ≤ 180 days $million	> 180 days ≤ 1 year $million	> 1 year $million
1	Loans	3,487	659	415	488	1,288	3,439
2	Debt securities	–	–	38	–	–	–
3	**Total**	3,487	659	453	488	1,288	3,439

		31.12.18					
		Gross carrying values					
		≤ 30 days $million	> 30 days ≤ 60 days $million	> 60 days ≤ 90 days $million	> 90 days ≤ 180 days $million	> 180 days ≤ 1 year $million	> 1 year $million
1	Loans	3,160	436	333	705	1,879	3,291
2	Debt securities	–	–	39	–	–	–
3	**Total**	3,160	436	372	705	1,879	3,291

3.1 Exposure values continued

Table 20: Non-performing and forborne exposures (CR1-E)

	30.06.19												
	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
				Of which non-performing				On performing exposures		On non-performing exposures			
	$million	Of which performing but past due > 30 days and ≤ 90 days $million	Of which performing forborne $million	$million	Of which defaulted $million	Of which impaired $million	Of which forborne $million	$million	Of which forborne $million	$million	Of which forborne $million	On non-performing exposures $million	Of which forborne exposures $million
020 Loans and advances	**455,784**	**629**	**859**	**6,742**	**6,647**	**6,742**	**2,413**	**(812)**	**–**	**(4,076)**	**(1,506)**	**1,109**	**638**
010 Debt securities	**129,922**	**–**	**–**	**234**	**234**	**234**	**–**	**(55)**	**–**	**(207)**	**–**	**–**	**–**
030 Off-balance sheet exposures	**195,182**	**N/A**	**–**	**533**	**533**	**N/A**	**–**	**(111)**	**–**	**(161)**	**–**	**6**	**–**

	31.12.18												
	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
				Of which non-performing				On performing exposures		On non-performing exposures			
	$million	Of which performing but past due > 30 days and ≤ 90 days $million	Of which performing forborne $million	$million	Of which defaulted $million	Of which impaired $million	Of which forborne $million	$million	Of which forborne $million	$million	Of which forborne $million	On non-performing exposures $million	Of which forborne exposures $million
020 Loans and advances	451,380	746	810	7,726	7,018	7,726	2,796	(973)	–	(4,573)	(1,562)	1,338	776
010 Debt securities	128,180	–	–	232	213	232	–	(59)	–	(206)	–	13	–
030 Off-balance sheet exposures	194,722	N/A	–	599	441	N/A	–	(124)	–	(157)	–	8	–

3.1 Exposure values continued

Table 21: Changes in the stock of general and specific credit risk adjustments (CR2-A)

		30.06.19	
		Accumulated specific credit risk adjustment $million	Accumulated general credit risk adjustment $million
1	**Opening balance**	**6,092**	**N/A**
2	Increases due to amounts set aside for estimated loan losses during the period	**804**	**N/A**
3	Decreases due to amounts reversed for estimated loan losses during the period	**(384)**	**N/A**
4	Decreases due to amounts taken against accumulated credit risk adjustments	**(1,021)**	**N/A**
5	Transfers between credit risk adjustments	**–**	**N/A**
6	Impact of exchange rate differences	**41**	**N/A**
7	Business combinations, including acquisitions and disposals of subsidiaries	**–**	**N/A**
8	Other adjustments	**121**	**N/A**
9	**Closing balance**	**5,653**	**N/A**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	**(135)**	**N/A**
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	**389**	**N/A**

		31.12.18	
		Accumulated specific credit risk adjustment[1] $million	Accumulated general credit risk adjustment $million
1	**Opening balance**	7,602	N/A
2	Increases due to amounts set aside for estimated loan losses during the period	1,920	N/A
3	Decreases due to amounts reversed for estimated loan losses during the period	(822)	N/A
4	Decreases due to amounts taken against accumulated credit risk adjustments	(2,228)	N/A
5	Transfers between credit risk adjustments	–	N/A
6	Impact of exchange rate differences	(290)	N/A
7	Business combinations, including acquisitions and disposals of subsidiaries	–	N/A
8	Other adjustments	(90)	N/A
9	**Closing balance**	6,092	N/A
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	(312)	N/A
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	965	N/A

1 2018 comparatives have been represented under a regulatory scope of consolidation

Table 22: Changes in the stock of defaulted and impaired loans and debt securities (CR2-B)

		30.06.19 Gross carrying value of defaulted exposures $million	31.12.18 Gross carrying value of defaulted exposures[1] $million
1	**Opening balance**	**8,384**	10,165
2	Loans and debt securities that have defaulted or impaired since the last reporting period	**885**	2,869
3	Returned to non-defaulted status	**(65)**	(220)
4	Amounts written off	**(1,133)**	(2,423)
5	Other changes	**(581)**	(2,007)
6	**Closing balance**	**7,490**	8,384

1 2018 comparatives have been represented under a regulatory scope of consolidation

3.2 Risk grade profile

Table 23 sets out credit risk EAD within the IRB portfolios by regulatory exposure classes. EAD has been calculated after taking into account the impact of credit risk mitigation. Where an exposure is guaranteed or covered by credit derivatives, it is shown against the exposure class of the guarantor or derivative issuer. A further split of the major exposure classes by credit grade can be seen in Tables 24 to 32.

IRB credit risk excluding counterparty credit risk EAD increased by $18.9 billion and RWAs increased by $4.1 billion (Tables 24 to 32):

- Central governments and central banks EAD increased $3.3 billion and RWA decreased by $0.2 billion driven by an increase in nostro exposures, mainly in Europe and Americas
- Institutions EAD increased $2.5 billion and RWA decreased by $0.5 billion driven by an increase in short term loans
- IRB corporates EAD increased $12.8 billion across multiple product lines

Table 23: IRB – Credit risk exposure by exposure class

	30.06.19											
	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
IRB Exposure Class												
Central governments or central banks	134,972	145,721	1	137,464	0.17	0.3	45	1.38	20,972	15	102	46
Institutions	81,282	153,088	6	91,205	0.21	1.7	38	0.91	16,938	19	61	6
Corporates	130,726	266,880	21	185,225	3.93	22.6	42	1.49	92,269	50	4,305	4,286
Of which Specialised lending[3]	17,666	18,398	18	17,463	5.95	1.2	33	1.89	10,096	58	479	452
Of which SME	4,876	4,177	26	5,796	9.06	7.2	28	1.49	3,656	63	224	209
Retail	81,160	36,510	50	99,263	1.51	4,278.9	34		21,338	21	842	342
Of which secured by real estate	65,441	2,236	100	67,681	0.59	353.1	13		4,054	6	76	35
– SME	388	5	74	392	2.99	2.7	–		–	–	–	1
– Non SME	65,053	2,230	100	67,289	0.58	350.4	13		4,054	6	76	34
Of which qualifying revolving retail	3,422	28,053	44	15,815	2.48	3,301.4	83		4,508	29	263	114
Of which other retail	12,297	6,221	60	15,767	4.49	624.4	78		12,776	81	503	193
– SME	1,964	930	7	1,803	6.65	33.8	64		1,224	68	76	55
– Non SME	10,334	5,291	69	13,964	4.21	590.5	80		11,552	83	426	138
Non-credit obligation assets	1,078	–	–	1,078	–				1,078	100		–
Total IRB[4]	429,219	602,199	14	514,235	1.78	4,303.0	41	1.06	152,595	30	5,310	4,680

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties for central governments or central banks, institutions and corporates and on individual pools of clients for retail

3 Corporates of which specialised lending includes exposures for specialised lending subject to supervisory slotting criteria

4 Refer to Table 8 (OV1) for RWA

3.2 Risk grade profile continued

Table 23: IRB – Credit risk exposure by exposure class continued

	31.12.18											
	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjustments and provisions $million
IRB Exposure Class												
Central governments or central banks	132,026	144,666	1	134,146	0.23	0.3	45	1.36	21,197	16	135	49
Institutions	81,086	141,343	6	88,730	0.21	1.6	39	0.98	17,478	20	60	5
Corporates	117,247	255,464	21	172,417	4.65	22.9	40	1.52	87,206	51	4,128	4,327
Of which Specialised lending[3]	17,201	17,695	15	16,786	6.51	1.2	33	2.21	10,099	60	506	474
Of which SME	5,238	3,599	23	5,944	10.19	7.6	28	1.56	3,274	55	270	279
Retail	82,141	34,649	49	98,932	1.49	4,175.0	34		21,564	22	809	388
Of which secured by real estate	66,406	1,555	100	67,965	0.55	334.6	13		3,710	5	68	38
– SME	402	5	68	405	2.85	2.8	–		–	–	–	1
– Non SME	66,004	1,550	100	67,560	0.53	331.8	13		3,710	5	68	38
Of which qualifying revolving retail	3,498	27,087	44	15,460	2.65	3,249.9	83		4,574	30	276	121
Of which other retail	12,237	6,007	59	15,506	4.48	5,590.4	78		13,281	86	465	229
– SME	1,940	907	7	1,723	8.00	36.2	64		1,328	77	65	41
– Non SME	10,297	5,101	68	13,784	4.04	554.2	80		11,952	87	400	188
Non-credit obligation assets	1,091	–	–	1,091	–				1,091	100		–
Total IRB[4]	413,591	576,122	14	495,316	2.01	4,199.8	40	1.07	148,537	30	5,131	4,769

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties for central governments or central banks, institutions and corporates and on individual pools of clients for retail

3 Corporates of which Specialised lending includes exposures for specialised lending subject to supervisory slotting criteria

4 Refer to Table 8 (OV1) for RWA

3.2 Risk grade profile continued

Table 24: IRB credit risk exposure by internal PD grade for central governments or central banks (CR6)

	30.06.19											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	117,038	128,678	1	120,507	0.02	0.1	45	1.36	8,362	7	10	
0.15 to <0.25	7,274	2,995	–	7,281	0.22	–	45	1.99	3,194	44	7	
0.25 to <0.50	300	1,558	5	317	0.41	–	45	2.30	206	65	1	
0.50 to <0.75	809	–	–	809	0.67	–	46	0.84	511	63	2	
0.75 to <2.50	8,260	10,212	–	7,537	1.56	0.1	45	1.09	7,133	95	53	
2.50 to <10.00	1,121	1,376	–	843	5.23	–	45	1.08	1,273	151	20	
10.00 to <100.00	170	901	–	170	13.46	–	37	1.01	294	173	9	
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	
Total	134,972	145,721	1	137,464	0.17	0.3	45	1.38	20,972	15	102	46

	31.12.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	114,046	127,714	1	116,616	0.02	0.2	45	1.36	7,819	7	10	
0.15 to <0.25	6,634	2,456	–	6,700	0.22	–	45	1.73	2,756	41	7	
0.25 to <0.50	439	1,249	–	394	0.43	–	45	1.55	226	57	1	
0.50 to <0.75	1,312	–	–	1,312	0.67	–	45	1.06	858	65	4	
0.75 to <2.50	8,030	11,269	1	7,657	1.10	0.1	45	1.09	7,068	92	55	
2.50 to <10.00	895	1,075	2	782	4.84	–	42	1.11	1,005	129	16	
10.00 to <100.00	670	903	–	684	13.77	–	45	1.08	1,465	214	43	
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	
Total	132,026	144,666	1	134,146	0.23	0.3	45	1.36	21,197	16	135	49

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 25: IRB credit risk exposure by internal PD grade for institutions (CR6)

	30.06.19											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjustments and provisions $million
0.00 to <0.15	62,430	114,371	5	72,116	0.04	0.8	40	1.00	7,945	11	12	
0.15 to <0.25	5,858	12,575	13	7,014	0.22	0.1	31	0.74	1,963	28	5	
0.25 to <0.50	4,405	8,875	8	4,252	0.48	0.2	33	0.60	1,813	43	7	
0.50 to <0.75	879	2,199	5	824	0.67	0.1	37	0.48	464	56	2	
0.75 to <2.50	7,446	14,132	13	6,697	1.58	0.4	31	0.40	4,571	68	32	
2.50 to <10.00	245	924	14	281	3.87	0.1	14	0.74	132	47	2	
10.00 to <100.00	19	12	13	20	14.51	–	46	0.98	50	246	1	
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	
Total	**81,282**	**153,088**	**6**	**91,205**	**0.21**	**1.7**	**38**	**0.91**	**16,938**	**19**	**61**	**6**

	31.12.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjustments and provisions $million
0.00 to <0.15	61,792	104,558	5	70,362	0.04	0.8	41	1.07	8,444	12	12	
0.15 to <0.25	5,891	10,290	10	6,447	0.22	0.1	32	0.73	1,801	28	5	
0.25 to <0.50	4,775	8,936	6	4,435	0.47	0.2	39	0.65	2,362	53	8	
0.50 to <0.75	695	2,374	3	628	0.68	–	33	0.63	319	51	1	
0.75 to <2.50	7,607	13,840	13	6,499	1.52	0.4	31	0.44	4,353	67	31	
2.50 to <10.00	291	1,204	12	337	3.87	0.1	15	1.02	160	47	2	
10.00 to <100.00	34	141	7	22	15.83	–	34	0.67	39	174	1	
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	
Total	81,086	141,343	6	88,730	0.21	1.6	39	0.98	17,478	20	60	5

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 26: IRB credit risk exposure by internal PD grade for Corporates (CR6)

30.06.19												
PD range %	**Original on-balance sheet gross exposure $million**	**Off-balance sheet exposure pre CCF $million**	**Average CCF %**	**EAD post CRM and post CCF $million**	**Average PD[1] %**	**Number of obligors[2] thousands**	**Average LGD[1] %**	**Average maturity[1] years**	**RWA $million**	**RWA density[1] %**	**Expected loss $million**	**Value adjust-ments and provisions $million**
0.00 to <0.15	**44,039**	**117,693**	**18**	**74,267**	**0.08**	**3.1**	**45**	**1.53**	**16,148**	**22**	**27**	
0.15 to <0.25	**15,096**	**37,499**	**22**	**23,402**	**0.22**	**2.5**	**43**	**1.38**	**8,938**	**38**	**22**	
0.25 to <0.50	**19,828**	**48,221**	**22**	**29,196**	**0.45**	**3.3**	**38**	**1.58**	**14,534**	**50**	**50**	
0.50 to <0.75	**7,750**	**14,935**	**22**	**10,163**	**0.67**	**1.3**	**42**	**1.39**	**6,432**	**63**	**28**	
0.75 to <2.50	**22,718**	**35,535**	**25**	**28,397**	**1.52**	**5.4**	**35**	**1.51**	**21,429**	**75**	**157**	
2.50 to <10.00	**8,208**	**8,291**	**22**	**7,649**	**5.55**	**3.6**	**38**	**1.18**	**9,206**	**120**	**161**	
10.00 to <100.00	**4,921**	**2,468**	**33**	**3,743**	**35.54**	**2.1**	**38**	**1.36**	**9,152**	**244**	**268**	
100.00 (default)	**4,663**	**976**	**–**	**4,646**	**100.00**	**1.1**	**55**	**1.11**	**3,145**	**68**	**3,552**	
Total	**127,223**	**265,617**	**21**	**181,463**	**3.93**	**22.6**	**42**	**1.48**	**88,983**	**50**	**4,267**	**4,286**

31.12.18												
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	37,243	112,275	20	69,270	0.08	3.0	44	1.52	14,600	21	24	
0.15 to <0.25	13,199	37,339	22	21,317	0.22	2.4	41	1.50	7,857	37	20	
0.25 to <0.50	16,352	41,078	22	25,217	0.44	3.2	35	1.63	11,889	47	42	
0.50 to <0.75	6,646	15,210	21	9,315	0.68	1.3	38	1.49	5,550	60	25	
0.75 to <2.50	22,403	37,440	23	27,377	1.56	5.7	34	1.65	20,637	75	153	
2.50 to <10.00	8,617	7,636	24	7,810	5.60	3.7	36	1.14	9,176	117	163	
10.00 to <100.00	5,259	2,707	35	4,503	40.21	2.4	39	1.31	11,445	254	371	
100.00 (default)	4,983	914	–	4,948	100.00	1.2	53	1.12	3,801	77	3,310	
Total	114,702	254,599	21	169,756	4.65	22.9	40	1.52	84,955	51	4,107	4,327

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 27: IRB credit risk exposure by internal PD grade for corporates – specialised lending (CR6)

	30.06.19											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	2,672	3,207	20	2,951	0.10	0.2	31	2.30	571	19	1	
0.15 to <0.25	2,256	2,080	18	2,358	0.22	0.1	35	1.18	662	28	2	
0.25 to <0.50	3,056	3,184	22	3,057	0.47	0.2	31	2.04	1,279	42	5	
0.50 to <0.75	565	1,535	15	654	0.67	0.1	35	1.59	350	54	2	
0.75 to <2.50	4,016	6,160	15	3,529	1.58	0.5	31	2.11	2,624	74	21	
2.50 to <10.00	735	610	10	335	5.75	0.1	36	1.52	418	125	8	
10.00 to <100.00	286	299	50	281	63.23	–	27	2.05	608	217	19	
100.00 (default)	578	61	8	536	100.00	0.1	47	1.08	298	56	383	
Total	14,164	17,137	18	13,701	5.95	1.2	33	1.89	6,811	50	441	452

	31.12.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	2,916	2,414	9	3,036	0.09	0.2	34	2.53	662	22	1	
0.15 to <0.25	1,881	2,300	14	1,963	0.22	0.1	36	1.60	615	31	2	
0.25 to <0.50	2,801	3,529	22	2,865	0.46	0.2	30	2.49	1,276	45	6	
0.50 to <0.75	689	1,988	15	824	0.67	0.1	32	1.31	414	50	3	
0.75 to <2.50	4,226	5,334	12	3,826	1.47	0.4	30	2.50	2,786	73	21	
2.50 to <10.00	1,024	987	8	564	5.81	0.1	33	1.64	688	122	14	
10.00 to <100.00	540	215	61	438	44.83	–	30	2.18	924	211	34	
100.00 (default)	580	63	44	608	100.00	0.1	46	1.09	483	80	405	
Total	14,657	16,830	15	14,125	6.51	1.2	33	2.21	7,849	56	485	474

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 28: IRB credit risk exposure by internal PD grade for corporates – SME (CR6)

	30.06.19											
PD range %	**Original on-balance sheet gross exposure $million**	**Off-balance sheet exposure pre CCF $million**	**Average CCF %**	**EAD post CRM and post CCF $million**	**Average PD[1] %**	**Number of obligors[2] thousands**	**Average LGD[1] %**	**Average maturity[1] years**	**RWA $million**	**RWA density[1] %**	**Expected loss $million**	**Value adjust-ments and provisions $million**
0.00 to <0.15	**94**	**489**	**7**	**133**	**0.12**	**–**	**58**	**4.54**	**73**	**55**	**–**	
0.15 to <0.25	**498**	**639**	**28**	**700**	**0.24**	**0.5**	**21**	**1.36**	**109**	**16**	**–**	
0.25 to <0.50	**510**	**463**	**22**	**623**	**0.49**	**0.8**	**22**	**1.07**	**137**	**22**	**1**	
0.50 to <0.75	**284**	**235**	**22**	**343**	**0.69**	**0.3**	**24**	**1.17**	**103**	**30**	**1**	
0.75 to <2.50	**1,787**	**1,482**	**35**	**2,263**	**1.71**	**1.9**	**27**	**1.56**	**1,271**	**56**	**11**	
2.50 to <10.00	**1,065**	**516**	**25**	**1,088**	**5.69**	**2.3**	**25**	**1.31**	**723**	**66**	**16**	
10.00 to <100.00	**363**	**235**	**21**	**344**	**33.69**	**1.1**	**29**	**1.44**	**553**	**161**	**23**	
100.00 (default)	**276**	**119**	**22**	**301**	**100.00**	**0.3**	**65**	**1.82**	**688**	**228**	**173**	
Total	**4,876**	**4,177**	**26**	**5,796**	**9.06**	**7.2**	**28**	**1.49**	**3,656**	**63**	**224**	**209**

	31.12.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	61	276	22	127	0.07	–	40	2.79	28	22	–	
0.15 to <0.25	468	643	24	655	0.23	0.6	27	1.34	122	19	–	
0.25 to <0.50	986	448	27	1,130	0.45	0.8	29	1.72	421	37	1	
0.50 to <0.75	233	206	17	250	0.70	0.3	17	1.36	52	21	–	
0.75 to <2.50	1,617	1,253	24	1,902	1.76	2.0	26	1.72	947	50	9	
2.50 to <10.00	1,082	462	23	1,075	5.83	2.3	23	1.29	659	61	15	
10.00 to <100.00	407	157	24	405	24.98	1.3	27	1.18	532	131	20	
100.00 (default)	384	155	10	400	100.00	0.3	51	1.58	514	128	224	
Total	5,238	3,599	23	5,944	10.19	7.6	28	1.56	3,274	55	270	279

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 29: IRB credit risk exposure by internal PD grade for retail (CR6)

	30.06.19											
PD range %	**Original on-balance sheet gross exposure $million**	**Off-balance sheet exposure pre CCF $million**	**Average CCF %**	**EAD post CRM and post CCF $million**	**Average PD[1] %**	**Number of obligors[2] thousands**	**Average LGD[1] %**	**Average maturity[1] years**	**RWA $million**	**RWA density[1] %**	**Expected loss $million**	**Value adjustments and provisions $million**
0.00 to <0.15	**56,218**	**19,977**	**56**	**67,479**	**0.06**	**1,576.4**	**24**		**2,815**	**4**	**12**	
0.15 to <0.25	**5,466**	**3,980**	**45**	**7,264**	**0.23**	**308.7**	**33**		**775**	**11**	**6**	
0.25 to <0.50	**4,377**	**1,939**	**54**	**5,401**	**0.40**	**236.7**	**50**		**1,578**	**29**	**11**	
0.50 to <0.75	**2,531**	**3,142**	**49**	**4,061**	**0.68**	**223.9**	**62**		**1,461**	**36**	**17**	
0.75 to <2.50	**6,554**	**4,370**	**42**	**8,289**	**1.72**	**691.1**	**67**		**6,241**	**75**	**100**	
2.50 to <10.00	**4,398**	**2,443**	**26**	**4,981**	**5.80**	**858.9**	**71**		**5,544**	**111**	**205**	
10.00 to <100.00	**1,025**	**644**	**28**	**1,194**	**30.83**	**315.6**	**67**		**2,013**	**169**	**220**	
100.00 (default)	**592**	**14**	**24**	**595**	**100.00**	**67.7**	**55**		**911**	**153**	**271**	
Total	**81,160**	**36,510**	**50**	**99,263**	**1.51**	**4,278.9**	**34**		**21,338**	**21**	**842**	**342**

	31.12.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjustments and provisions $million
0.00 to <0.15	58,686	17,491	52	67,852	0.05	1,461.8	22		2,382	4	10	
0.15 to <0.25	3,913	4,392	51	6,129	0.23	340.1	43		865	14	6	
0.25 to <0.50	4,010	2,426	62	5,470	0.42	250.6	54		1,820	33	12	
0.50 to <0.75	2,332	2,920	51	3,779	0.67	197.4	61		1,308	35	16	
0.75 to <2.50	7,739	4,268	44	9,499	1.70	676.6	68		7,330	77	114	
2.50 to <10.00	3,947	2,407	25	4,496	5.39	844.1	71		4,910	109	170	
10.00 to <100.00	881	731	28	1,071	31.41	331.2	68		1,867	174	207	
100.00 (default)	633	15	24	636	100.00	73.2	55		1,082	170	273	
Total	82,141	34,649	49	98,932	1.49	4,175.0	34		21,564	22	809	388

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 30: IRB credit risk exposure by internal PD grade for retail – secured by real estate property (CR6)

	30.06.19											
PD range %	**Original on-balance sheet gross exposure $million**	**Off-balance sheet exposure pre CCF $million**	**Average CCF %**	**EAD post CRM and post CCF $million**	**Average PD[1] %**	**Number of obligors[2] thousands**	**Average LGD[1] %**	**Average maturity[1] years**	**RWA $million**	**RWA density[1] %**	**Expected loss $million**	**Value adjust-ments and provisions $million**
0.00 to <0.15	54,400	1,673	100	56,078	0.06	262.6	12		2,016	4	5	
0.15 to <0.25	4,885	329	100	5,215	0.22	29.4	16		415	8	2	
0.25 to <0.50	2,453	91	100	2,544	0.42	20.9	16		354	14	2	
0.50 to <0.75	1,269	44	100	1,312	0.66	12.8	16		217	16	1	
0.75 to <2.50	1,577	68	99	1,644	1.40	15.5	14		392	24	3	
2.50 to <10.00	445	28	100	473	6.09	6.1	14		244	52	4	
10.00 to <100.00	219	1	99	221	42.29	2.9	15		177	80	14	
100.00 (default)	192	1	100	193	100.00	3.1	32		240	124	45	
Total	**65,441**	**2,236**	**100**	**67,681**	**0.59**	**353.1**	**13**		**4,054**	**6**	**76**	**35**
	31.12.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	57,184	1,188	100	58,378	0.05	255.4	12		1,843	3	4	
0.15 to <0.25	3,349	159	100	3,507	0.22	24.8	16		304	9	1	
0.25 to <0.50	2,178	73	100	2,251	0.43	18.4	17		320	14	2	
0.50 to <0.75	1,251	33	99	1,285	0.66	11.3	16		208	16	1	
0.75 to <2.50	1,640	74	99	1,714	1.40	14.0	14		418	24	3	
2.50 to <10.00	440	26	100	465	5.68	4.8	15		252	54	4	
10.00 to <100.00	172	1	88	173	41.91	2.7	14		134	77	10	
100.00 (default)	192	1	100	193	100.00	3.2	30		230	120	43	
Total	66,406	1,555	100	67,965	0.55	334.6	13		3,710	5	68	38

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 31: IRB credit risk exposure by internal PD grade for retail – qualifying revolving (CR6)

PD range %	30.06.19 Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	939	15,796	48	8,538	0.07	1,212.9	85		359	4	5	
0.15 to <0.25	214	3,230	40	1,509	0.25	261.2	80		165	11	3	
0.25 to <0.50	153	1,100	51	713	0.43	153.8	76		114	16	2	
0.50 to <0.75	276	2,715	49	1,599	0.68	172.9	88		425	27	10	
0.75 to <2.50	600	2,834	36	1,611	1.74	485.3	81		790	49	23	
2.50 to <10.00	813	1,859	25	1,283	6.24	704.7	79		1,467	114	63	
10.00 to <100.00	280	518	26	414	27.26	277.0	79		857	207	89	
100.00 (default)	147	1	–	147	100.00	33.5	63		330	224	67	
Total	3,422	28,053	44	15,815	2.48	3,301.4	83		4,508	29	263	114

PD range %	31.12.18 Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	950	15,125	48	8,231	0.07	1,180.3	85		346	4	5	
0.15 to <0.25	220	3,231	40	1,514	0.25	265.7	80		165	11	3	
0.25 to <0.50	149	1,111	50	699	0.44	149.0	76		113	16	2	
0.50 to <0.75	276	2,455	49	1,480	0.68	159.7	88		393	27	9	
0.75 to <2.50	627	2,678	37	1,616	1.72	443.5	81		787	49	23	
2.50 to <10.00	824	1,875	26	1,308	6.23	699.2	78		1,490	114	64	
10.00 to <100.00	300	610	26	460	27.23	315.5	79		952	207	99	
100.00 (default)	152	1	–	152	100.00	37.0	63		329	216	70	
Total	3,498	27,087	44	15,460	2.65	3,249.9	83		4,574	30	276	121

1 Weighted averages are based on exposure at default

2 Number of obligors is based on the number of counterparties within each PD grade

3.2 Risk grade profile continued

Table 32: IRB credit risk exposure by internal PD grade for retail – SME (CR6)

	30.06.19											
PD range %	**Original on-balance sheet gross exposure $million**	**Off-balance sheet exposure pre CCF $million**	**Average CCF %**	**EAD post CRM and post CCF $million**	**Average PD[1] %**	**Number of obligors[2] thousands**	**Average LGD[1] %**	**Average maturity[1] years**	**RWA $million**	**RWA density[1] %**	**Expected loss $million**	**Value adjust-ments and provisions $million**
0.00 to <0.15	67	43	14	71	0.10	2.3	69		9	13	–	
0.15 to <0.25	105	57	20	105	0.26	2.0	66		28	26	–	
0.25 to <0.50	117	30	22	91	0.44	3.2	68		34	37	–	
0.50 to <0.75	87	20	8	68	0.68	2.0	73		35	51	–	
0.75 to <2.50	927	380	5	846	1.76	13.5	66		563	67	10	
2.50 to <10.00	543	334	5	511	5.30	8.0	58		376	74	16	
10.00 to <100.00	72	55	10	66	46.91	2.2	62		128	193	14	
100.00 (default)	45	11	11	46	100.00	0.6	59		51	111	36	
Total	**1,964**	**930**	**7**	**1,803**	**6.65**	**33.8**	**64**		**1,224**	**68**	**76**	**55**

	31.12.18											
PD range %	Original on-balance sheet gross exposure $million	Off-balance sheet exposure pre CCF $million	Average CCF %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2] thousands	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %	Expected loss $million	Value adjust-ments and provisions $million
0.00 to <0.15	72	44	15	73	0.10	2.6	69		10	13	–	
0.15 to <0.25	101	46	21	97	0.26	2.0	68		26	27	–	
0.25 to <0.50	124	36	20	87	0.45	3.9	70		33	38	–	
0.50 to <0.75	88	26	13	63	0.69	2.3	71		31	50	–	
0.75 to <2.50	904	377	4	802	1.78	14.4	67		535	67	9	
2.50 to <10.00	512	316	5	469	5.31	8.0	57		333	71	14	
10.00 to <100.00	72	50	9	64	47.91	2.3	65		141	222	13	
100.00 (default)	66	12	12	67	100.00	0.7	57		219	327	27	
Total	1,940	907	7	1,723	8.00	36.2	64		1,328	77	65	41

1 Weighted averages are based on EAD

2 Number of obligors is based on the number of counterparties within each PD grade

3.3 Credit risk mitigation

Table 33 shows the unfunded credit protection held by the Group, consisting of credit derivatives and guarantees, and funded credit protection, including financial collateral. Exposure class has been defined based on the guarantor of the exposure.

Table 33: CRM techniques – overview (CR3)

		30.06.19				
		Exposures unsecured $million	**Exposures secured $million**	**Exposures secured by collateral $million**	**Exposures secured by financial guarantees $million**	**Exposures secured by credit derivatives $million**
	IRB Exposure Class					
1	Total loans	**187,901**	**132,901**	**108,405**	**24,496**	**–**
2	Total debt securities	**120,485**	**2,485**	**1,873**	**612**	**–**
3	**Total exposures**	**308,386**	**135,386**	**110,278**	**25,108**	**–**
4	Of which defaulted	**5,572**	**1,013**	**1,013**	**–**	**–**

		31.12.18				
		Exposures unsecured $million	Exposures secured $million	Exposures secured by collateral $million	Exposures secured by financial guarantees $million	Exposures secured by credit derivatives $million
	IRB Exposure Class					
1	Total loans	174,886	133,516	111,500	22,017	–
2	Total debt securities	117,091	4,522	3,894	628	–
3	**Total exposures**	291,977	138,038	115,394	22,645	–
4	Of which defaulted	6,092	1,455	1,455	–	–

Table 34: Effect of guarantees and collateral

	30.06.19		31.12.18	
	Exposures covered by unfunded credit protection $million	**Exposures covered by funded credit protection $million**	Exposures covered by unfunded credit protection $million	Exposures covered by funded credit protection $million
IRB Exposure Class				
Central governments or central banks	**3,470**	**12,681**	2,591	14,780
Institutions	**6,171**	**36,457**	4,810	34,392
Corporates	**19,989**	**74,568**	19,464	75,652
Retail[1]	**5**	**66,810**	5	67,024
Securitisation positions	**–**	**–**	–	1,391
Total IRB	**29,635**	**190,516**	26,870	193,239
Standardised Exposure Class				
Central governments or central banks	**2,890**	**525**	1,388	226
Multilateral development banks	**1,621**	**1,150**	1,405	435
Institutions	**219**	**8,495**	359	26,753
Corporates	**800**	**31,439**	834	21,872
Retail[1]	**4**	**1,062**	4	922
Secured on real estate property	**–**	**–**	–	–
Exposures in default	**–**	**2**	–	1
Items belonging to regulatory high risk categories	**–**	**32**	–	29
Other items[2]	**56**	**16**	55	3
Total Standardised	**5,590**	**42,721**	4,045	50,241
Total Exposure	**35,225**	**233,237**	30,915	243,480

1 The combined retail IRB exposure class includes both retail mortgages (secured by real estate collateral) and other types of retail exposures. The standardised retail exposure class excludes mortgages which are included in a separate class under the heading secured on real estate property

2 Other items include public sector entities

3.3 Credit risk mitigation continued

Table 35 presents the EAD before and after the effect of CRM, including credit substitution and financial collateral, with a further split into on balance-sheet and off-balance sheet exposures. Off-balance sheet exposures are presented before and after the application of standardised CCFs.

Table 35: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

		30.06.19					
		Exposures before CCF and CRM[1]		Exposures post CCF and CRM		RWA and RWA density	
		On-balance sheet $million	Off-balance sheet $million	On-balance sheet $million	Off-balance sheet $million	RWA $million	RWA density %
	Standardised Exposure Class						
1	Central governments or central banks	**27,247**	**85,687**	**28,717**	**739**	**3,744**	**13**
2	Multilateral development banks	**11,794**	**10,681**	**12,900**	**269**	**–**	**–**
6	Institutions	**3,600**	**1,696**	**2,728**	**30**	**593**	**22**
7	Corporates	**26,336**	**28,162**	**14,253**	**1,344**	**14,734**	**94**
8	Retail	**12,459**	**9,164**	**11,509**	**390**	**8,486**	**71**
9	Secured on real estate property	**9,658**	**576**	**9,656**	**262**	**4,814**	**49**
10	Exposures in default	**620**	**14**	**598**	**8**	**607**	**100**
11	Items belonging to regulatory high risk categories	**1,602**	**336**	**1,568**	**66**	**2,451**	**150**
15	Equity	**1,791**	**–**	**1,791**	**–**	**4,478**	**250**
16	Other items[2]	**11,530**	**307**	**11,585**	**215**	**9,662**	**82**
17	**Total Standardised[3]**	**106,637**	**136,623**	**95,305**	**3,323**	**49,569**	**50**

		31.12.18					
		Exposures before CCF and CRM[1]		Exposures post CCF and CRM		RWA and RWA density	
		On-balance sheet $million	Off-balance sheet $million	On-balance sheet $million	Off-balance sheet $million	RWA $million	RWA density %
	Standardised Exposure Class						
1	Central governments or central banks	30,029	81,728	31,089	281	3,969	13
2	Multilateral development banks	13,120	10,133	14,305	113	–	–
6	Institutions	2,952	1,747	2,598	26	643	25
7	Corporates	24,139	27,126	13,167	995	13,350	94
8	Retail	12,156	8,667	11,337	320	8,312	71
9	Secured on real estate property	9,389	458	9,389	219	4,750	49
10	Exposures in default	781	7	778	3	782	100
11	Items belonging to regulatory high risk categories	1,694	290	1,607	37	2,466	150
15	Equity	1,633	–	1,633	–	4,082	250
16	Other items[2]	9,685	224	9,738	130	8,027	81
17	**Total Standardised**	105,578	130,380	95,641	2,124	46,381	47

1 EAD before the effect of collateral and substitution

2 Other items include public sector entities

3 Refer to Table 8 (OV 1): standardised approach $43,013 million and amount below threshold for deduction $6,556 million RWA

3.4 Standardised risk weight profile

External ratings, where available, are used to assign risk weights for standardised approach (SA) exposures. These external ratings must come from EU approved rating agencies, known as External Credit Assessment Institutions (ECAI); which currently include Moody's, Standard & Poor's and Fitch. The Group uses the ECAI ratings from these agencies in its day-to-day business, which are tracked and kept updated. Assessments provided by approved ECAI are mapped to credit quality steps as prescribed by the CRR.

The Group currently does not use assessments provided by export credit agencies for the purpose of evaluating RWA in the standardised approach.

The following tables set out EAD and EAD after CRM associated with each risk weight as prescribed in Part Three, Title II, Chapter 2 of the CRR, including credit and counterparty credit risk regulatory risk weights based on the exposure classes applied to unrated exposures.

Table 36: Standardised approach – exposures by asset classes and risk weights (pre CRM pre CCF) (CR5)

		30.06.19													
		Risk Weight													
		0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	Deducted	Total	Of which unrated
	Standardised Exposure Class														
1	Central governments or central banks	**109,198**	**–**	**–**	**10**	**–**	**2,250**	**–**	**633**	**13**	**831**	**–**	**–**	**112,935**	**–**
4	Multilateral development banks	**22,475**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,475**	**–**
6	Institutions	**–**	**1,322**	**309**	**805**	**–**	**2,510**	**–**	**350**	**–**	**–**	**–**	**–**	**5,296**	**2,606**
7	Corporates	**–**	**–**	**–**	**1,164**	**–**	**208**	**–**	**53,126**	**–**	**–**	**–**	**–**	**54,498**	**52,298**
8	Retail	**–**	**–**	**–**	**–**	**–**	**–**	**21,623**	**–**	**–**	**–**	**–**	**–**	**21,623**	**21,562**
9	Secured on real estate property	**–**	**–**	**–**	**–**	**7,898**	**–**	**–**	**2,335**	**–**	**–**	**–**	**–**	**10,233**	**10,231**
10	Exposures in default	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**635**	**–**	**–**	**–**	**–**	**635**	**635**
11	Items belonging to regulatory high risk categories	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,937**	**–**	**–**	**–**	**1,937**	**1,930**
15	Equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,791**	**–**	**–**	**1,791**	**1,791**
16	Other items[1]	**1,346**	**–**	**–**	**48**	**–**	**–**	**–**	**8,719**	**–**	**–**	**1,724**	**–**	**11,837**	**11,837**
17	**Total Standardised**	**133,019**	**1,322**	**309**	**2,027**	**7,898**	**4,968**	**21,623**	**65,798**	**1,950**	**2,622**	**1,724**	**–**	**243,360**	**102,890**

		31.12.18													
		Risk Weight													
		0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	Deducted	Total	Of which unrated
	Standardised Exposure Class														
1	Central governments or central banks	107,695	–	–	11	–	2,521	–	598	7	925	–	–	111,757	–
4	Multilateral development banks	23,253	–	–	–	–	–	–	–	–	–	–	–	23,253	–
6	Institutions	–	1,050	10	1,073	–	2,285	–	281	–	–	–	–	4,699	2,440
7	Corporates	–	–	–	960	–	148	–	50,157	–	–	–	–	51,265	49,032
8	Retail	–	–	–	–	–	–	20,823	–	–	–	–	–	20,823	20,766
9	Secured on real estate property	–	–	–	–	7,496	–	–	2,351	–	–	–	–	9,847	9,847
10	Exposures in default	–	–	–	–	–	–	–	788	–	–	–	–	788	788
11	Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	1,984	–	–	–	1,984	1,976
15	Equity	–	–	–	–	–	–	–	–	–	1,633	–	–	1,633	1,633
16	Other items[1]	1,484	–	–	66	–	–	–	7,294	–	–	1,065	–	9,909	9,909
17	**Total Standardised**	132,432	1,050	10	2,110	7,496	4,954	20,823	61,469	1,991	2,558	1,065	–	235,958	96,391

1 Other items include cash, equity holdings, fixed assets, prepayments and accrued income

3.4 Standardised risk weight profile continued

Table 37: Standardised approach – exposures by asset classes and risk weights (post CRM post CCF) (CR5)

	30.06.19														
		Risk Weight													
		0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	Deduc-ted	Total	Of which unrated
	Standardised Exposure Class														
1	Central governments or central banks	**25,698**	**–**	**–**	**155**	**–**	**2,281**	**–**	**477**	**13**	**831**	**–**	**–**	**29,454**	**–**
4	Multilateral development banks	**13,168**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,168**	**–**
6	Institutions	**–**	**1,322**	**309**	**575**	**–**	**226**	**–**	**326**	**–**	**–**	**–**	**–**	**2,758**	**1,766**
7	Corporates	**–**	**–**	**–**	**842**	**154**	**21**	**–**	**14,580**	**–**	**–**	**–**	**–**	**15,597**	**14,559**
8	Retail	**–**	**–**	**–**	**–**	**–**	**–**	**11,899**	**–**	**–**	**–**	**–**	**–**	**11,899**	**11,899**
9	Secured on real estate property	**–**	**–**	**–**	**–**	**7,716**	**–**	**–**	**2,202**	**–**	**–**	**–**	**–**	**9,919**	**9,919**
10	Exposures in default	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**607**	**–**	**–**	**–**	**–**	**607**	**607**
11	Items belonging to regulatory high risk categories	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,634**	**–**	**–**	**–**	**1,634**	**1,633**
15	Equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,791**	**–**	**–**	**1,791**	**1,791**
16	Other items[1]	**1,346**	**–**	**–**	**104**	**–**	**–**	**–**	**8,627**	**–**	**–**	**1,724**	**–**	**11,801**	**11,745**
17	**Total Standardised**	**40,213**	**1,322**	**309**	**1,676**	**7,871**	**2,528**	**11,899**	**26,819**	**1,647**	**2,622**	**1,724**	**–**	**98,628**	**53,919**

	31.12.18														
		Risk Weight													
		0%	2%	4%	20%	35%	50%	75%	100%	150%	250%	Others	Deduc-ted	Total	Of which unrated
	Standardised Exposure Class														
1	Central governments or central banks	27,408	–	–	141	–	2,545	–	344	7	925	–	–	31,370	–
4	Multilateral development banks	14,418	–	–	–	–	–	–	–	–	–	–	–	14,418	–
6	Institutions	–	1,048	10	966	–	343	–	257	–		–	–	2,624	1,717
7	Corporates	–	–	–	284	774	13	–	13,091	–		–	–	14,162	13,064
8	Retail	–	–	–	–	–	–	11,657	–	–		–	–	11,657	11,657
9	Secured on real estate property	–	–	–	–	7,342	–	–	2,266	–	–	–	–	9,608	9,608
10	Exposures in default	–	–	–	–	–	–	–	781	–	–	–	–	781	781
11	Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	1,644	–	–	–	1,644	1,642
15	Equity	–	–	–	–	–	–	–	–	–	1,633	–	–	1,633	1,633
16	Other items[1]	1,484	–	–	120	–	–	–	7,199	–	–	1,065	–	9,868	9,812
17	**Total Standardised**	43,310	1,048	10	1,511	8,116	2,901	11,657	23,938	1,651	2,558	1,065	–	97,765	49,914

1 Other items include cash, fixed assets, prepayments and accrued income

4. Traded Risk

4 Traded risk

Traded risk is the potential for loss resulting from activities undertaken by the bank in financial markets. This includes Market risk, Counterparty Credit risk and other risk sub-types.

4.1 Market risk

Market risk is the potential for loss of economic value due to adverse changes in financial market rates or prices. The Group's exposure to market risk arises predominantly from these sources:

- Trading book: The Group provides clients access to financial markets, facilitation of which entails the Group 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 primarily driven by the volume of client activity rather than risk-taking
- Non-trading book:
  - The Treasury Markets desk is required to hold a liquid assets buffer much of which is held in high-quality marketable debt securities
  - The Group has capital invested and related income streams denominated in currencies other than US dollars. To the extent that these are not hedged the Group is subject to structural FX risk which is reflected in reserves

Interest rate risk from non-trading book portfolios is transferred to local Treasury Markets desks under the supervision of local Asset and Liability Committees. Treasury Markets deals in the market in approved financial instruments in order to manage the net interest rate risk.

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
- Foreign exchange rate risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options
- Commodity risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture

Market risk regulatory capital requirements

The Capital Requirements Regulation 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 IMA covering the majority of interest rate, foreign exchange, and commodity market risk in the trading book. Positions outside the IMA scope are assessed according to standard PRA rules.

The minimum regulatory market risk capital requirements for the trading book are presented on the following page for the Group.

Table 38: Market risk regulatory capital requirements

	30.06.19		31.12.18	
Market risk capital requirements for trading book	**Risk Weighted Assets $million**	**Regulatory capital requirement $million**	Risk Weighted Assets $million	Regulatory capital requirement $million
Interest rate[1]	**8,711**	**697**	6,432	515
Equity	**6**	**1**	3	–
Options	**18**	**1**	16	1
Commodity[2]	**109**	**9**	129	10
Foreign exchange[2]	**726**	**58**	667	53
Internal Models Approach[3]	**13,537**	**1,083**	11,862	949
Total	**23,109**	**1,849**	19,109	1,527

1 Securitisation positions contributed $12.8 million to the interest rate position risk requirement (PRR) and $160.3 million to interest rate RWA as at 30 June 2019 (securitised positions contributed $15.3million to the interest rate PRR and $191.6 million to interest rate RWA as at 31 December 2018)

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

Market risk regulatory capital requirements continued

Table 39: Market risk under standardised approach (MR1)

		30.06.19		31.12.18	
		Risk Weighted Assets $million	**Regulatory capital requirement $million**	Risk Weighted Assets $million	Regulatory capital requirement $million
	Outright products				
1	Interest rate risk	**8,711**	**697**	6,432	515
2	Equity risk	**6**	**1**	3	–
3	Foreign exchange risk	**726**	**58**	667	53
4	Commodity risk	**109**	**9**	129	10
	Options	**18**	**1**	16	1
5	Simplified approach	**–**	**–**	–	–
6	Delta-plus method	**6**	**1**	3	–
7	Scenario approach	**12**	**1**	13	1
8	Securitisation (specific risk)[1]	**160**	**13**	192	15
9	**Total**	**9,571**	**766**	7,247	579

1 Securitisation (specific risk) is included in the interest rate risk RWA number

Internal Models Approach

The table below shows the average, high and low Stressed VaR for the period December 2018 to June 2019 and the actual position on 30 June 2019. The results reflect only the Group portfolio covered by the internal model approach and are calculated at a 99 per cent confidence level

Table 40: IMA values for trading portfolios (MR3)

		30.06.19 Average $million	31.12.18 Average $million
	VaR (10 day 99%)		
1	Maximum value[1]	**91**	48
2	Average value	**37**	32
3	Minimum value[1]	**25**	21
4	Period end[2]	**47**	36
	Stressed VaR (10 day 99%)		
5	Maximum value[1]	**231**	260
6	Average value	**163**	153
7	Minimum value[1]	**105**	100
8	Period end[2]	**105**	136
	Incremental Risk Charge (99.99%)		
9	Maximum value[1]	**–**	–
10	Average value	**–**	–
11	Minimum value[1]	**–**	–
12	Period end[2]	**–**	–
	Comprehensive Risk capital charge (99.9%)		
13	Maximum value[1]	**–**	–
14	Average value	**–**	–
15	Minimum value[1]	**–**	–
16	Period end[2]	**–**	–

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

Market risk regulatory capital requirements continued

Table 41: Market risk under internal models approach (MR2-A)

		30.06.19		31.12.18	
		Risk Weighted Assets $million	Regulatory capital requirement $million	Risk Weighted Assets $million	Regulatory capital requirement $million
1	**VaR (higher of values a and b)**	2,022	162	1,413	113
(a)	Previous day's VaR	692	55	600	48
(b)	Average of the daily VaR	2,022	162	1,413	113
2	**SVaR (higher of values a and b)**	7,568	605	7,250	580
(a)	Latest SVaR	1,576	126	2,113	169
(b)	Average of the SVaR	7,568	605	7,250	580
5	**Other**[1]	3,947	316	3,196	256
6	**Total**[2]	13,537	1,083	11,862	949

1 Other IMA capital add-ons for market risks not fully captured in either VaR or SVaR. More details on Risks not in VaR can be found in the Half Year Report 2019 on page 56

2 There are zero IRC and CRM as the Group has not applied model permission for specific interest rate risk comprehensive risk measure

Backtesting

In the first half of 2019, there were three regulatory backtesting exceptions at Group level (in the second half of 2018, there were two regulatory backtesting exceptions at Group level).

A Group exception occurred on 1 April 2019 when markets rallied following the release of strong Chinese manufacturing data. There was also an exception on 30 May 2019 driven by a reduction in USD yields and implied volatility which reversed an increase of the previous day. Additionally, a Group exception occurred on 10 Jun 2019 when US Treasury yields rallied following reports that proposed tariffs on goods from Mexico to the USA would not be implemented.

In total there have been five Group exceptions in the previous 250 business days which is within the 'amber zone' applied internationally to internal models by bank supervisors (Basel Committee on Banking Supervision: *'Supervisory framework for the use of backtesting in conjunction with the internal models approach to market risk capital requirements'*, January 1996).

The graphs below illustrate the performance of the VaR model used in the Group capital calculations.

They compare the 99 percentile loss confidence level given by the VaR model with the Hypothetical and Actual P&L of each day given the real market movements. Actual backtesting P&L excludes from trading P&L: brokerage expense, fees & commissions, non-market-related accounting valuation adjustments and accounting debit valuation adjustments. Hypothetical backtesting P&L further excludes P&L from new deals and market operations.

Table 42: June 2019 Backtesting chart for Internal Model Approach regulatory trading book at Group level with hypothetical profit and loss (P&L) versus VaR (99 per cent, one day) (MR4)

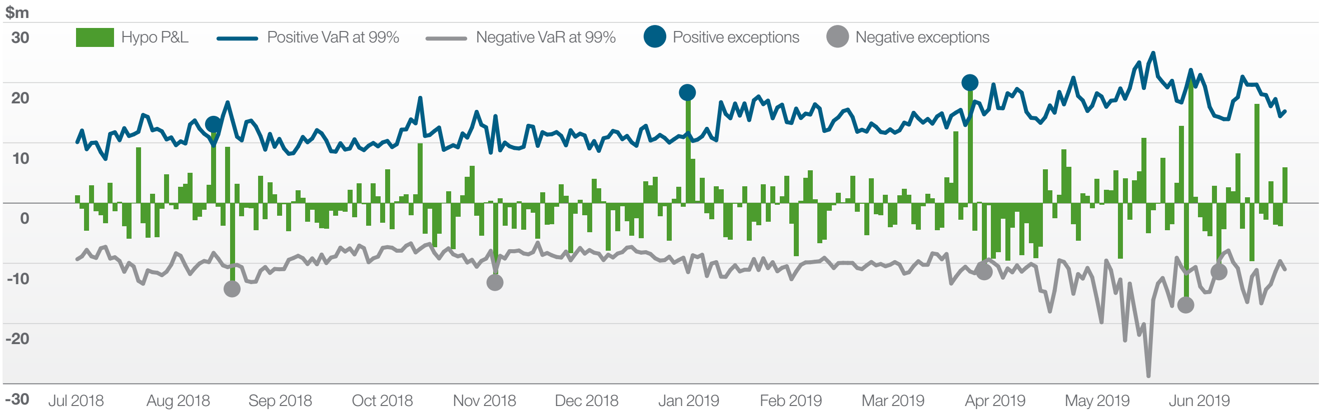
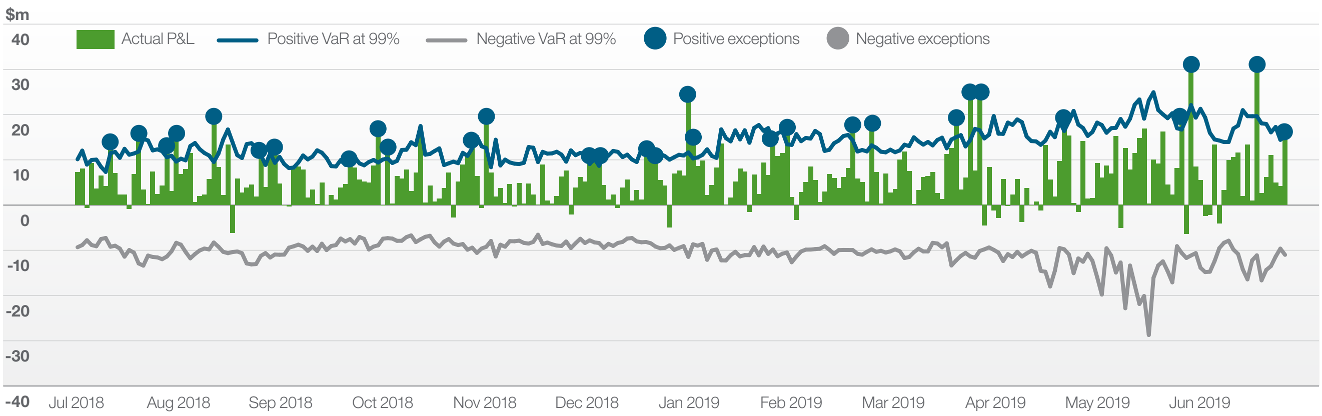


Table 43: June 2019 Backtesting chart for Internal Model Approach regulatory trading book at Group level with actual profit and loss (P&L) versus VaR (99 per cent, one day) (MR4)



The June 2019 IMA Group level backtesting chart outliers are all positive, reflecting the additional elements of actual P&L (compared to hypothetical). There were 30 such positive actual outliers in 2019.

4.2 Counterparty credit risk

Counterparty credit risk (CCR) is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative contract defaults prior to the maturity date of the contract and that the Group at the time has a claim on the counterparty. CCR arises predominantly in the trading book, but also arises in the non-trading book due to hedging of external funding.

CCR is managed within the overall credit risk appetite for corporate and financial institutions and CCR limits are set for individual counterparties (including central clearing counterparties) and specific portfolio concentrations. Such limits take into account the credit quality and nature of the counterparty and are set in exposure value terms.

The Group reduces its credit exposures to counterparties by entering into contractual netting agreements which result in a single amount owed by or to the counterparty through netting the sum of the positive (amounts owed by the counterparty) and negative (amounts owed by the Group) mark-to-market (MTM) values of these transactions. Following International Accounting Standard (IAS) 32 requirements, the Group is permitted to offset assets and liabilities and present these net on the Group's balance sheet, only if there is a legally enforceable right to set off and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

Table 44 covers the credit exposure on derivative transactions after taking into account the benefits from legally enforceable netting agreements and the capital requirement by derivative type. The notional values settled with central counterparties and on a recognised trading exchange are also shown.

Table 44: Impact of netting and collateral held on exposure values (CCR5-A)

		30.06.2019				
		EAD before netting benefit $million[1]	**Netting benefits $million**	**Netted current credit exposure $million**	**Collateral held $million**	**Net derivatives credit exposure $million**
1	Derivative contracts	**89,943**	**(45,689)**	**44,254**	**(8,535)**	**35,719**
2	Repo style transactions	**123,113**	**–**	**123,113**	**(112,366)**	**10,747**
4	**Total**	**213,056**	**(45,689)**	**167,367**	**(120,901)**	**46,466**
		31.12.2018				
		EAD before netting benefit $million	Netting benefits $million	Netted current credit exposure $million	Collateral held $million	Net derivatives credit exposure $million
1	Derivative contracts	85,974	(41,936)	44,038	(8,683)	35,355
2	Repo style transactions	134,083	–	134,083	(124,454)	9,629
4	**Total**	220,057	(41,936)	178,121	(133,137)	44,984

1 Includes net Potential Future Credit Exposures on derivatives

4.2 Counterparty credit risk continued

Table 45: Analysis of CCR exposures by approach (CCR1)

	30.06.19						
	Notional $million	Replacement cost/current market value $million	Potential future exposure $million	EEPE $million	Multiplier $million	EAD post CRM $million	RWA $million
Mark to market[1]		14,404	23,730			27,464	11,000
Original exposure	N/A					N/A	N/A
Standardised approach				N/A	N/A	N/A	N/A
IMM (for derivatives and SFTs)				N/A	N/A	N/A	N/A
Of which securities financing transactions				N/A	N/A	N/A	N/A
Of which derivatives and long settlement transactions				N/A	N/A	N/A	N/A
Financial collateral simple method (for SFTs)						N/A	N/A
Financial collateral comprehensive method (for SFTs)						10,481	1,597
VaR for SFTs						N/A	N/A
Total							12,597

1 Mark to market net of QCCP exposures

	31.12.18						
	Notional $million	Replacement cost/current market value $million	Potential future exposure $million	EEPE $million	Multiplier $million	EAD post CRM $million	RWA $million
Mark to market		12,323	21,714			27,893	10,399
Original exposure	N/A					N/A	N/A
Standardised approach				N/A	N/A	N/A	N/A
IMM (for derivatives and SFTs)				N/A	N/A	N/A	N/A
Of which securities financing transactions				N/A	N/A	N/A	N/A
Of which derivatives and long settlement transactions				N/A	N/A	N/A	N/A
Financial collateral simple method (for SFTs)						N/A	N/A
Financial collateral comprehensive method (for SFTs)						8,902	1,257
VaR for SFTs						N/A	N/A
Total							11,656

Table 46: Exposures to central counterparties (CCPs) (CCR8)

	30.06.19		31.12.18	
	EAD post CRM $million	RWA $million	EAD post CRM $million	RWA $million
Exposures to QCCPs				
Trade exposure	8,521	174	8,189	167
Of which OTC derivatives	5,431	113	5,419	111
Of which exchange-traded derivatives	2,824	56	2,042	41
Of which SFTs	266	5	728	15
Collateral posted	1,631	39	1,060	21
Prefunded default fund contributions	301	342	244	59
Total	10,453	555	9,493	247

4.2 Counterparty credit risk continued

Table 47: Credit derivatives exposures (CCR6)

	30.06.19			31.12.18		
	Bought $million	Sold $million	Total $million	Bought $million	Sold $million	Total $million
Notionals						
Credit default swaps	27,115	20,507	47,622	20,944	14,333	35,277
Total return swaps	3,633	–	3,633	4,065	–	4,065
Credit options	–	–	–	–	–	–
Other Credit derivatives	301	–	301	2	–	2
Total notionals	31,049	20,507	51,555	25,010	14,333	39,343
Fair values						
Positive fair value (asset)	113	441	554	81	171	252
Negative fair value (liability)	1,851	90	1,941	235	45	281

Table 48: Credit valuation adjustment (CVA) capital charge (CCR2)

		30.06.19		31.12.18	
		Exposure Value $million	RWA $million	Exposure Value $million	RWA $million
1	Total portfolios subject to the Advanced Method	–	–	–	–
2	(i) VaR component (including the 3x multiplier)	–	–	–	–
3	(ii) Stressed VaR component (including the 3x multiplier)	–	–	–	–
4	All portfolios subject to the Standardised Method	17,020	1,589	17,245	1,116
5	**Total subject to the CVA capital charge**	17,020	1,589	17,245	1,116

4.2 Counterparty credit risk continued

Table 49 depicts EAD after the effect of collateral associated with each risk weight prescribed in Part Three Title II Chapter 2 of the CRR for counterparty credit risk.

Table 49: Standardised approach – CCR exposures by regulatory portfolio and risk (CCR3)

	30.06.19													
	Risk Weight													
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Others	Total	Of which unrated
Standardised Exposure Class														
1 Central governments or central banks	**383**	**–**	**–**	**–**	**–**	**–**	**9**	**–**	**–**	**–**	**–**	**–**	**392**	**–**
4 Multilateral development banks	**1,061**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,061**	**–**
6 Institutions	**–**	**8,507**	**–**	**–**	**5**	**–**	**6**	**–**	**–**	**–**	**–**	**–**	**8,517**	**–**
7 Corporates	**–**	**–**	**–**	**–**	**848**	**–**	**37**	**–**	**–**	**286**	**–**	**–**	**1,171**	**341**
8 Retail	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
10a Secured on real estate property	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**–**	**1**	**1**
10b Exposures in default	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
10c Items belonging to regulatory high risk categories	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
10d Other items	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**41**	**–**	**–**	**41**	**41**
11 Total Standardised	**1,444**	**8,507**	**–**	**–**	**853**	**–**	**52**	**–**	**–**	**328**	**–**	**–**	**11,184**	**383**

	31.12.18													
	Risk Weight													
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Others	Total	Of which unrated
Standardised Exposure Class														
1 Central governments or central banks	497	–	–	–	–	–	5	–	–	–	–	–	502	–
4 Multilateral development banks	1,373	–	–	–	–	–	–	–	–	–	–	–	1,373	–
6 Institutions	–	8,176	–	–	1	–	9	–	–	–	–	–	8,186	–
7 Corporates	–	–	–	–	555	–	6	–	–	215	–	–	776	250
8 Retail	–	–	–	–	–	–	–	–	1	–	–	–	1	1
10a Secured on real estate property	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10b Exposures in default	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10c Items belonging to regulatory high risk categories	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10d Other items	–	–	–	–	–	–	–	–	–	32	–	–	32	32
11 Total Standardised	1,870	8,176	–	–	556	–	20	–	1	247	–	–	10,870	283

4.2 Counterparty credit risk continued

Tables 50 to 55 provide further detail on the exposure classes subject to counterparty credit risk in particular for central governments or central banks institutions corporates and retail. These have been split by internal credit grade which relate to the PD ranges presented.

Table 50: IRB – CCR exposures by exposure class

	30.06.19						
	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] Years	RWA $million	RWA density[1] %
IRB exposure class							
Central governments or central banks	**17,446**	**0.15**	**128**	**14**	**0.21**	**798**	**5**
Institutions	**45,335**	**0.16**	**1,398**	**16**	**0.84**	**3,530**	**8**
Corporates	**64,235**	**0.27**	**12,161**	**13**	**0.48**	**7,748**	**12**
Of which specialised lending	**1,230**	**1.77**	**501**	**35**	**2.98**	**773**	**63**
Of which SME	**268**	**0.57**	**419**	**66**	**1.87**	**193**	**72**
Total IRB	**127,015**	**0.22**	**13,687**	**14**	**0.57**	**12,076**	**10**

	31.12.18						
	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] Years	RWA $million	RWA density[1] %
IRB exposure class							
Central governments or central banks	18,437	0.06	123	11	0.27	525	3
Institutions	45,476	0.14	1,398	16	0.73	3,664	8
Corporates	65,090	0.21	11,741	13	0.43	7,101	11
Of which specialised lending	1,577	2.06	483	30	1.78	650	41
Of which SME	256	0.55	467	66	2.21	177	69
Total IRB	129,004	0.16	13,262	14	0.51	11,290	9

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

4.2 Counterparty credit risk continued

Table 51: IRB – CCR exposures by PD scale for central governments or central banks (CCR4)

	30.06.19						
PD range %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %
0.00 to < 0.15	16,087	0.03	72	11	0.18	209	1
0.15 to < 0.25	421	0.22	6	45	0.12	111	26
0.25 to < 0.50	22	0.51	7	46	0.05	12	57
0.50 to < 0.75	–	–	–	–	–	–	–
0.75 to < 2.50	916	2.25	30	42	2.52	466	51
2.50 to < 10.00	–	–	11	–	–	–	–
10.00 to < 100.00	–	–	2	–	–	–	–
100.00 (default)	–	–	–	–	–	–	–
Total	17,446	0.15	128	14	0.21	798	5

	31.12.18						
PD range %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %
0.00 to < 0.15	17,904	0.04	64	10	0.25	227	1
0.15 to < 0.25	301	0.22	6	45	0.05	73	24
0.25 to < 0.50	7	0.51	7	46	1.00	4	57
0.50 to < 0.75	–	–	–	–	–	–	–
0.75 to < 2.50	216	1.67	32	46	1.69	211	98
2.50 to < 10.00	9	3.51	11	38	1.00	9	104
10.00 to < 100.00	–	13.77	3	63	1.90	1	309
100.00 (default)	–	–	–	–	–	–	–
Total	18,437	0.06	123	11	0.27	525	3

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

4.2 Counterparty credit risk continued

Table 52: IRB – CCR exposures by PD scale for institutions (CCR4)

PD range %	30.06.19 EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %
0.00 to < 0.15	**37,879**	**0.05**	**688**	**17**	**0.77**	**2,394**	**6**
0.15 to < 0.25	**3,698**	**0.22**	**114**	**12**	**0.69**	**452**	**12**
0.25 to < 0.50	**1,195**	**0.45**	**169**	**11**	**0.46**	**210**	**18**
0.50 to < 0.75	**323**	**0.67**	**55**	**8**	**0.69**	**53**	**17**
0.75 to < 2.50	**2,224**	**1.69**	**344**	**9**	**2.44**	**416**	**19**
2.50 to < 10.00	**16**	**3.76**	**26**	**8**	**0.07**	**5**	**28**
10.00 to < 100.00	**–**	**13.77**	**2**	**46**	**1.00**	**–**	**248**
100.00 (default)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**45,335**	**0.16**	**1,398**	**16**	**0.84**	**3,530**	**8**

PD range %	31.12.18 EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %
0.00 to < 0.15	37,827	0.05	683	17	0.70	2,356	6
0.15 to < 0.25	3,963	0.22	110	9	0.55	359	9
0.25 to < 0.50	1,881	0.45	169	15	0.38	397	21
0.50 to < 0.75	418	0.67	53	7	0.44	54	13
0.75 to < 2.50	1,360	1.74	352	13	2.66	458	34
2.50 to < 10.00	15	3.57	21	9	0.08	4	27
10.00 to < 100.00	12	13.77	10	63	1.02	36	294
100.00 (default)	–	–	–	–	–	–	–
Total	45,476	0.14	1,398	16	0.73	3,664	8

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

4.2 Counterparty credit risk continued

Table 53: IRB – CCR exposures by PD scale for corporates (CCR4)

	30.06.19						
PD range %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %
0.00 to < 0.15	**43,669**	**0.05**	**4,300**	**12**	**0.35**	**2,132**	**5**
0.15 to < 0.25	**2,272**	**0.22**	**1,951**	**45**	**2.03**	**1,027**	**45**
0.25 to < 0.50	**11,662**	**0.45**	**1,994**	**10**	**0.44**	**1,432**	**12**
0.50 to < 0.75	**3,926**	**0.67**	**705**	**11**	**0.49**	**685**	**17**
0.75 to < 2.50	**2,387**	**1.31**	**1,952**	**37**	**1.35**	**1,949**	**82**
2.50 to < 10.00	**108**	**4.95**	**515**	**62**	**2.40**	**228**	**211**
10.00 to < 100.00	**128**	**21.34**	**401**	**33**	**1.51**	**211**	**165**
100.00 (default)	**3**	**100.00**	**281**	**68**	**2.84**	**12**	**441**
Total	**64,154**	**0.27**	**12,099**	**13**	**0.48**	**7,675**	**12**

	31.12.18						
PD range %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %
0.00 to < 0.15	54,119	0.06	4,282	10	0.31	2,230	4
0.15 to < 0.25	2,951	0.22	1,648	33	1.17	964	33
0.25 to < 0.50	4,822	0.45	1,953	20	0.71	1,354	28
0.50 to < 0.75	819	0.67	736	40	1.20	500	61
0.75 to < 2.50	2,138	1.26	1,871	35	1.17	1,514	71
2.50 to < 10.00	114	4.59	577	62	2.01	239	209
10.00 to < 100.00	107	34.69	350	50	1.73	287	268
100.00 (default)	3	100.00	290	62	1.64	–	5
Total	65,074	0.21	11,707	13	0.43	7,088	11

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

4.2 Counterparty credit risk continued

Table 54: IRB – CCR exposures by PD scale for corporates – specialised lending (CCR4)

	30.06.19						
PD range %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %
0.00 to < 0.15	**168**	**0.11**	**47**	**28**	**3.06**	**36**	**21**
0.15 to < 0.25	**185**	**0.22**	**36**	**32**	**3.30**	**66**	**36**
0.25 to < 0.50	**262**	**0.45**	**95**	**34**	**3.32**	**134**	**51**
0.50 to < 0.75	**145**	**0.67**	**45**	**45**	**2.79**	**107**	**73**
0.75 to < 2.50	**348**	**1.48**	**150**	**39**	**2.42**	**286**	**82**
2.50 to < 10.00	**20**	**4.74**	**25**	**46**	**3.72**	**32**	**157**
10.00 to < 100.00	**22**	**55.49**	**16**	**33**	**3.43**	**40**	**186**
100.00 (default)	**–**	**100.00**	**25**	**56**	**1.14**	**–**	**–**
Total	**1,150**	**1.82**	**439**	**36**	**2.95**	**700**	**61**

	31.12.18						
PD range %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %
0.00 to < 0.15	272	0.10	51	26	3.81	58	21
0.15 to < 0.25	728	0.22	36	22	0.48	103	14
0.25 to < 0.50	155	0.44	87	42	2.91	94	61
0.50 to < 0.75	152	0.67	58	45	1.98	106	69
0.75 to < 2.50	207	1.40	146	42	2.36	177	85
2.50 to < 10.00	14	4.57	36	45	2.81	21	149
10.00 to < 100.00	31	80.51	13	35	3.25	78	249
100.00 (default)	–	100.00	22	37	1.49	–	–
Total	1,561	2.08	449	30	1.77	637	41

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

4.2 Counterparty credit risk continued

Table 55: IRB – CCR exposures by PD scale for corporates – SME (CCR4)

	30.06.19						
PD range %	**EAD post CRM and post CCF $million**	**Average PD[1] %**	**Number of obligors[2]**	**Average LGD[1] %**	**Average maturity[1] years**	**RWA $million**	**RWA density[1] %**
0.00 to < 0.15	–	–	6	–	–	–	–
0.15 to < 0.25	217	0.22	81	64	1.75	108	50
0.25 to < 0.50	3	0.43	49	66	1.21	2	66
0.50 to < 0.75	1	0.67	22	53	1.00	1	73
0.75 to < 2.50	45	2.01	144	74	2.50	79	176
2.50 to < 10.00	2	4.27	53	63	1.17	3	148
10.00 to < 100.00	–	14.32	15	60	1.59	–	247
100.00 (default)	–	–	49	–	–	–	–
Total	**268**	**0.57**	**419**	**66**	**1.87**	**193**	**72**

	31.12.18						
PD range %	EAD post CRM and post CCF $million	Average PD[1] %	Number of obligors[2]	Average LGD[1] %	Average maturity[1] years	RWA $million	RWA density[1] %
0.00 to < 0.15	191	0.13	13	64	2.13	75	39
0.15 to < 0.25	2	0.22	77	58	2.18	1	48
0.25 to < 0.50	10	0.50	66	59	1.45	7	66
0.50 to < 0.75	–	0.70	20	62	1.40	–	85
0.75 to < 2.50	53	1.94	163	73	2.69	93	176
2.50 to < 10.00	1	4.12	57	65	1.00	1	163
10.00 to < 100.00	–	33.72	14	27	1.45	–	156
100.00 (default)	–	100.00	57	70	1.00	–	567
Total	256	0.55	467	66	2.21	177	69

1 Weighted averages are based on EAD

2 Number of obligors is based on number of counterparties within each PD grade

5. 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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Acronyms

ABS	Asset Backed Securities
AIRB	Advanced Internal Rating Based approach
ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BOU	Bank of Uganda
BRC	Board Risk Committee
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical capital buffer
CDOs	Collateralised Debt Obligations
CDS	Credit Default Swap
CET1	Common Equity Tier 1
CMBS	Commercial Mortgage Backed Securities
CQS	Credit Quality Step
CPM	Credit & Portfolio Management
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CSDG	Capital Structuring & Distribution Group
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Bank
DVA	Debit Valuation Adjustment
EAD	Exposure at default
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
EL	Expected loss
FCA	Financial Conduct Authority
FIRB	Foundation Internal Ratings Based approach
FPC	Financial Policy Committee
FSB	Financial Stability Board
FSS	Financial Supervisory Service (South Korea)
FVA	Funding valuation adjustments
GCRO	Group Chief Risk Officer
G-SIB	Global Systemically Important Bank
G-SII	Global Systemically Important Institutions
HKMA	Hong Kong Monetary Authority
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IIP	Individually assessed loan impairment provisions
IMA	Internal Model Approach
IRB	Internal Ratings Based
IRC	Incremental Risk Charge
IRR	Interest Rate Risk
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MAC	Model Assessment Committee
MAS	Monetary Authority of Singapore
MDB	Multilateral Development Banks
MR	Market Risk
MREL	Minimum requirements for own funds and eligible liabilities
MTM	Mark-To-Market
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
O-SII	Other Systemically Important Institution
OBSC	Operational Balance Sheet Committee
OTC	Over the counter
PD	Probability of Default
PFE	Potential Future Exposure
PIP	Portfolio Impairment Provision
PIT	Point in Time
PM	Portfolio Management
PRA	Prudential Regulation Authority
PV01	Present Value 01
PVA	Prudent Valuation Adjustment
QCCP	Qualifying Central Counterparty
QRRE	Qualifying Revolving Retail Exposure
RMB	Renminbi
RMBS	Residential Mortgage Backed Securities
RNIV	Risk not in VaR
RTS	Regulatory Technical Standards
RWAs	Risk-Weighted Assets
SA	Standardised Approach
SFT	Securities Financing Transactions
SIF	Significant Influence Function
SME	Small and Medium – sized Enterprise
SPE	Special Purpose Entity
SVAR	Stressed VaR
T1	Tier 1 capital
T2	Tier 2 capital
TC	Total capital
TLAC	Total loss-absorbing capacity
TM	Treasury Markets
TRS	Total Return Swap
TTC	Through the cycle
VaR	Value at Risk
VBC	Valuation and Benchmarks Committee
XVA	Credit and Funding Valuation Adjustment

Glossary

Additional Tier 1 (AT1) capital	Additional Tier 1 capital consists of instruments issued by the bank and related share premium other than Common Equity Tier 1 that meet the Capital Requirement Regulation (CRR) criteria for inclusion in Tier 1 capital.
Advanced Internal Rating Based (AIRB) approach	The AIRB approach under the Basel framework is used to calculate credit risk capital based on the Group's own estimates of prudential parameters.
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'.
Available-for-Sale	Non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables; held to maturity investments, or financial assets at fair value through profit or loss.
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.
Backtesting	A statistical technique used to monitor and assess the accuracy of a model, and how that model would have performed had it been applied in the past.
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 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 have been phased in and were fully implemented on 1 January 2019. In December 2017, the BCBS published a document setting out the finalisation of the Basel III framework. The new requirements issued in December 2017 will be implemented from 2022.
Basis point (bps)	One hundredth of a per cent (0.01 per cent); 100 basis points is 1 per cent. Used in quoting movements e.g. in interest rates or yields on securities.
Capital conservation buffer	A capital buffer prescribed by regulators under Basel III and designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should a bank's CET1 capital fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.
Capital Requirements Directive (CRD)	A capital adequacy legislative package adopted by EU member states. CRD IV comprises the recast Capital Requirements Directive and the Capital Requirements Regulation (CRR). The package implements the Basel III framework together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014.
Central Counterparty (CCP)	A CCP is a clearing house that acts as an intermediary between counterparties for certain products that are traded in one or more financial markets.
Common Equity Tier 1 (CET1) 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.
Countercyclical capital buffer (CCyB)	The countercyclical capital buffer is part of a set of macroprudential instruments, designed to help counter pro-cyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets in a given jurisdiction. The Bank of England's Financial Policy Committee has the power to set CCyB rate for the United Kingdom. Each bank must calculate its 'institution-specific' CCyB rate, defined as the weighted average of the CCyB rates in effect across the jurisdictions in which it has credit exposures. The institution-specific CCyB rate is then applied to a bank's total risk weighted assets.
Counterparty credit risk (CCR)	The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.
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 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 Default Swap (CDS)	A derivative contract where a buyer pays a fee to a seller in return for receiving a payment in the event of a credit event (for example bankruptcy, payment default on a reference asset or assets, or downgrades by an rating agency) on an underlying obligation.
Credit quality step (CQS)	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 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 guarantees.
Credit support annex (CSA)	A legal document that regulates the exchange of collateral between the parties of OTC derivative transactions.
Credit Valuation Adjustment (CVA)	In the context of prudential requirements, additional regulatory capital charge that covers the risk of mark to market losses associated with changes in the credit worthiness of counterparties to derivative transactions.
Debit Valuation Adjustment (DVA)	In the context of prudential requirements, adjustment 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.
Domestic systemically important banks (D-SIB)	Domestic systemically important banks are deemed systemically relevant for the domestic financial system in which they operate. The FSB and the BCBS have developed a framework for identifying and dealing with D-SIBs. The D-SIB framework has been implemented in the EU via CRD IV which refers to D-SIBs as Other Systemically Important Institutions ('O-SIIs').
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 credit rating agencies that are registered or certified in accordance with the credit rating agencies (CRA) regulation or from a central bank issuing credit ratings which is exempt from the application this regulation.
Fair value	The value of an asset or liability when it is transacted on an arm's length basis between knowledgeable and willing parties.
Financial Policy Committee (FPC)	The Financial Policy Committee is an independent committee at the Bank of England that has the primary objective of identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC's secondary objective is to support the economic policy of the Government.
Foreseeable dividends net of scrip	Includes both ordinary and preference share dividends reasonably expected to be paid out of any future residual interim or year-end profits. In the case of ordinary dividends, the amount of foreseeable dividends deducted from the interim or year-end profits is equal to the amount of interim or year-end profits multiplied by the dividend payout ratio. In the case of preference share dividends, the amount of foreseeable dividends is equal to the amount accrued during the relevant reporting period payable at a future date.
Foundation Internal Ratings Based (FIRB) 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 immediate payment, or where a bank delivers a debt or equity security, a commodity or foreign exchange without receiving immediate payment.
Funding valuation adjustments (FVA)	FVA reflects an adjustment to fair value in respect of derivative contracts associated with the funding costs that the market participant would incorporate when determining an exit price.
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.
Global Systemically Important Bank (G-SIB)	Global financial institutions whose size, complexity and systemic interconnectedness mean that their distress or failure would cause significant disruption to the wider financial system and economic activity. The Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) have established a methodology to identify G-SIBs based on 12 principal indicators. The list of G-SIBs is re-assessed through annual re-scoring of banks and a triennial review of the methodology. The G-SIB framework established by the FSB and the BCBS is implemented in the EU via CRD IV and G-SIBs are referred to as Global Systemically Important Institutions ('G-SIIs').
G-SIB buffer	Designation as G-SIB will result in the application of a CET1 capital buffer ('G-SIB buffer'). The G-SIB buffer is between 1 per cent and 3.5 per cent, dependent on the allocation to one of five buckets based on the annual scoring. The G-SIB buffer is being phased in by 1 January 2019. In the EU, the G-SIB buffer is implemented via CRD IV as Global Systemically Important Institutions ('G-SII') buffer requirement.
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 identified impairment provisions have been raised. Also includes 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 (IIP)	Impairment is measured for assets that are individually significant to the Group. Typically assets within the Corporate & Institutional Banking segment of the Group are assessed individually.
Individual capital guidance	Guidance given by the PRA to the Group about the amount and quality of capital resources to maintain.
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 by the PRA to the Group about the amount, quality and funding profile of liquidity resources to maintain.
Institution	A credit institution or an investment firm as defined under the Capital Requirement Regulation (CRR).
Internal Capital Adequacy Assessment Process (ICAAP)	A requirement on institutions under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks.
Internal Liquidity Adequacy Assessment Process (ILAAP)	A requirement on institutions under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of liquidity to be held against these risks.
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.
Interest Rate Risk (IRR)	Interest rate risk arises due to the investment into rate-sensitive assets, as well as from mismatches between debt issuance and placements.
Internal ratings- based approach ('IRB')	Risk-weighting methodology in accordance with the Basel Capital Accord where capital requirements are based on a firm's own estimates of prudential 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 Basel III / 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.
Liquidity Coverage Ratio (LCR)	The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.
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.
Loss Given Default (LGD)	The percentage of an exposure that a lender expects to lose in the event of obligor default.
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.
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.
MREL or minimum requirement for own fund and eligible liabilities	A requirement under the Bank Recovery and Resolution Directive for EU resolution authorities to set a minimum requirement for own funds and eligible liabilities for banks, implementing the FSB's Total Loss-Absorbing Capacity (TLAC) standard. MREL is intended to ensure there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensures the continuity of critical functions and avoids exposing taxpayers to loss.
Multilateral Development Banks (MDB)	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.
Net stable funding ratio (NSFR)	The ratio of available stable funding to required stable funding over a one year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one year time horizon.
North East (NE) Asia	North East (NE) Asia includes the Group's operation in the 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.

Pillar 1	The first Pillar of the three pillars of Basel framework 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	The second pillar of the three pillars of Basel framework which 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	The third pillar of the three pillars of Basel framework which 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 increase in exposure that may arise on a derivative contract prior to default, 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.
Present Value 01 (PV01)	This represents the change in present value of an asset or liability for a 1 basis point change in the nominal yield curve.
Prudential Regulatory Authority (PRA)	The Prudential Regulation Authority is the statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investment firms in the UK. The PRA is a part of the Bank of England.
Prudent Valuation Adjustment (PVA)	An adjustment to CET1 capital, to reflect the difference between the accounting fair value and the regulatory prudent value of positions, where the application of prudence results in a lower absolute carrying value than recognised in the financial statements.
Qualifying Central Counterparty (QCCP)	Central counterparty that is either authorised (when established in the EU) or recognised (when established in a third-country) in accordance with the rules laid down in the European Market Infrastructure Regulation (EMIR).
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	Sum of Tier 1 and Tier 2 capital after regulatory adjustments.
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 and CRR, the approach to calculating credit risk capital requirements for eligible retail exposures.
Risk Appetite	Risk Appetite is defined by the Group and approved by the Board. It is the maximum amount and type of risk the Group is willing to assume in pursuit of its strategy.
Risk Capacity	The maximum level of risk the Group can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements and internal operational capability (including but not limited to technical infrastructure, risk management capabilities, expertise), or otherwise failing to meet the expectations of regulators and law enforcement agencies.
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 provisions.
RWA density	The risk-weighted asset as a percentage of exposure at default (EAD).
Scrip dividends	Dividends paid to existing shareholders in securities instead of cash payment.
Securities Financing Transactions (SFT)	Securities Financing Transactions are secured (i.e. collateralised) transactions that involve the temporary exchange of cash against securities, or securities against other securities, e.g. stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.
Securitisation	Securitisation is a process by which credit exposures are aggregated into a pool, which is used to back new securities. Under traditional securitisation transactions, assets are sold to a special purpose entity (SPE) who then issues new securities to investors at different level of seniority (credit tranching). This allows the credit quality of the assets to be separated from the credit rating of the originating institution and transfers risk to external investors in a way that meets their risk appetite. Under synthetic securitisation transactions, the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitized remain exposures of the originating institution.

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 Bangladesh, India, Nepal and Sri Lanka.
Specialised lending	Specialised lending exposures are defined as an exposure to an entity which was created specifically to finance and/or operate physical assets, where the contractual arrangements given the lender a substantial degree of control over the assets and the income that they generate and the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise.
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 financing 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 or equity issued by SPEs.
Standardised Approach (SA)	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 (SVAR)	A regulatory market risk measure based on potential market movements for a continuous one-year period of stress for a trading portfolio.
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 economic conditions at the point of the economic cycle at which 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.
Total Loss Absorbing Capacity (TLAC)	An international standard for TLAC issued by the FSB, which requires G-SIBs to have sufficient loss-absorbing and recapitalisation capacity available in resolution, to minimise impacts on financial stability, maintain the continuity of critical functions and avoid exposing public funds to loss.
Total Return Swap (TRS)	A derivative transaction that swaps the total return on a financial instrument, including cash flows and capital gains or losses, for an interest rate return.
Trading book	The trading book consists of all positions in CRD financial instrument and commodities which are fair valued through the profit and loss account for accounting purposes, which are 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)	A quantitative measure of market risk estimating the potential loss 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.
Wrong way risk	Wrong way risk occurs when an exposure increase is coupled with a decrease in the credit quality of the obligor.

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