
Standard Chartered PLC

Pillar 3 Disclosures

31 March 2017



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1 Purpose

The Pillar 3 Disclosures comprise information on the underlying drivers of risk-weighted assets (RWA) and capital ratios as at 31 March 2017 in accordance with the European Union's (EU) Capital Requirements Regulation (CRR) as implemented in the United Kingdom (UK) by the Prudential Regulation Authority (PRA).

The disclosures in this document supplement those in the Group's Q1 2017 Interim Management Statement: Key balance sheet metrics - Capital and leverage.

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

2 Capital and Leverage

Table 1: Capital Base

Capital Ratios	31.03.2017	31.12.2016
CET1	13.8%	13.6%
Tier 1 capital	16.3%	15.7%
Total capital	21.7%	21.3%

CRD IV Capital base	31.03.2017	31.12.2016
	\$million	\$million
CET1 instruments and reserves		
Capital instruments and the related share premium accounts	5,598	5,597
of which: share premium accounts	3,957	3,957
Retained earnings	25,725	26,000
Accumulated other comprehensive income (and other reserves)	12,279	11,524
Non-controlling interests (amount allowed in consolidated CET1)	884	809
Independently reviewed interim and year-end profits/(losses)	673	(247)
Foreseeable dividends net of scrip	(451)	(212)
CET1 capital before regulatory adjustments	44,708	43,471
CET1 regulatory adjustments		
Additional value adjustments (prudential valuation adjustments)	(588)	(660)
Intangible assets (net of related tax liability)	(5,005)	(4,856)
Deferred tax assets that rely on future profitability (excludes those arising from temporary differences)	(223)	(197)
Fair value reserves related to net losses on cash flow hedges	78	85
Deduction of amounts resulting from the calculation of excess expected loss	(907)	(740)
Net gains on liabilities at fair value resulting from changes in own credit risk	(131)	(289)
Defined-benefit pension fund assets	(23)	(18)
Fair value gains arising from the institution's own credit risk related to derivative liabilities	(4)	(20)
Exposure amounts which could qualify for risk weighting of 1,250%	(148)	(168)
of which: securitisation positions	(132)	(134)
of which: free deliveries	(16)	(34)
Total regulatory adjustments to CET1	(6,951)	(6,863)
CET1 capital	37,757	36,608
Additional Tier 1 capital (AT1) instruments	6,702	5,704
AT1 regulatory adjustments	(20)	(20)
Tier 1 capital	44,439	42,292
Tier 2 capital instruments	15,020	15,176
Tier 2 regulatory adjustments	(30)	(30)
Tier 2 capital	14,990	15,146
Total capital	59,429	57,438
Total risk-weighted assets	273,303	269,445

UK Leverage Ratio

In August 2016, the PRA implemented the Bank of England's Financial Policy Committee's recommendation to allow firms to exclude claims on central banks from the calculation of the leverage exposure measure, to the extent that these are matched by deposits denominated in the same currency and of identical or longer maturity. The table below presents the Group's UK leverage ratio, excluding qualifying central bank claims from the leverage exposure measure. The UK leverage ratio is approximately 30 basis points higher than on a CRD IV basis as at 31 March 2017.

Table 2: UK Leverage Ratio

	31.03.2017	31.12.2016 ¹
	\$million	\$million
Tier 1 capital (end point)²	42,700	40,557
UK leverage exposure	721,906	674,327
UK leverage ratio	5.9%	6.0%
UK leverage exposure quarterly average	713,705	-
UK leverage ratio quarterly average	5.9%	-
Countercyclical leverage ratio buffer	0.1%	0.0%
G-SII additional leverage ratio buffer	0.2%	0.1%

¹Represented based on the UK Leverage ratio basis, excluding qualifying central bank claims from the leverage exposure measure

²Tier 1 capital (end point) differs from Tier 1 capital in Table 1 due to the ineligibility of certain preference shares that do not qualify for inclusion in Tier 1 capital on an end point basis

The UK Leverage ratio decreased by 10 basis points in Q1 2017 with an increase in Tier 1 capital offset by an increase in Leverage exposure driven by an increase in loans and advances and balances at central banks, offset by a reduction in derivative fair value.

The table below presents the RWA and the minimum regulatory capital requirements calculated as 8 per cent of RWA for each risk type and approach.

Table 3: Overview of RWA (EU OV1)

	31.03.2017		31.12.2016	
	Risk-weighted assets	Regulatory capital requirement ³	Risk-weighted assets	Regulatory capital requirement ³
	\$million	\$million	\$million	\$million
Credit risk (excluding counterparty credit risk)¹	195,902	15,672	187,275	14,983
of which advanced Internal Ratings Based (IRB) approach Table 5	151,936	12,155	144,317	11,546
of which standardised approach	43,966	3,517	42,958	3,437
Counterparty credit risk²	14,621	1,170	17,353	1,388
of which mark to market method	11,146	892	12,800	1,024
of which risk exposure amount for contributions to the default fund of a CCP	243	19	338	27
of which CVA	1,069	86	2,290	183
Settlement risk	1	-	15	1
Securitisation exposures in the banking book Table 5	3,647	292	2,933	235
of which IRB ratings based approach	3,107	249	2,406	193
of which IRB supervisory formula approach	540	43	527	42
of which standardised approach	-	-	-	-
Market risk	22,103	1,768	21,877	1,750
of which internal model approach Table 6	12,610	1,009	13,147	1,052
of which standardised approach	9,493	759	8,730	698
Large exposures	-	-	-	-
Operational risk	30,478	2,438	33,693	2,695
of which standardised approach	30,478	2,438	33,693	2,695
Amounts below the thresholds for deduction (subject to 250% risk weight)	6,551	524	6,299	504
Floor Adjustment	-	-	-	-
Total	273,303	21,864	269,445	21,556

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

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

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

Total RWA increased by \$3.9 billion in the quarter to \$273.3 billion. This was mainly driven by \$9.3 billion increase in Credit Risk and Securitisation RWA excluding Counterparty credit risk due to underlying asset growth, credit quality deterioration and an increase due to foreign currency translation. This was offset by \$2.7 billion decrease in Counterparty credit risk RWA due to a reduction in derivatives fair value and a decrease in Credit Valuation Adjustments (CVAs) due to improvements in hedging efficiency. There was a \$3.2 billion decrease in Operational risk RWA due to the change in income over a rolling three-year time horizon with lower 2016 income replacing 2013 income. Market Risk RWA remained broadly unchanged in the period. Further details on RWA movements can be found in tables 4, 5 and 6.

The table below shows the significant drivers of credit risk, market risk and operational risk RWA movements in Q1 2017.

Table 4: Movement analysis for RWA

	Credit Risk ¹	Operational Risk	Market Risk	Total RWA ¹
	\$million	\$million	\$million	\$million
At 1 January 2017	213,875	33,693	21,877	269,445
Asset size	3,817	-	-	3,817
Asset quality	1,265	-	-	1,265
Methodology and policy	-	-	80	80
Foreign exchange movements	2,462	-	-	2,462
Other ²	(697)	(3,215)	146	(3,766)
At 31 March 2017	220,722	30,478	22,103	273,303

¹ See Table 3: Overview of RWA (OV1) for Counterparty Credit Risk, Securitisation and Settlement Risks

² RWA efficiencies have been disclosed against 'Other'

The table below shows the significant drivers of credit risk IRB RWA movements (excluding Counterparty Credit Risk and excluding standardised Credit Risk) in Q1 2017.

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

	Risk- weighted assets	Regulatory capital requirement
	\$million	\$million
At 1 January 2017	147,250	11,780
Asset size	4,793	384
Asset quality	1,659	133
Foreign exchange movements	1,881	150
At 31 March 2017	155,583¹	12,447

¹ See Table 3: Overview of RWA (OV1). \$155,583 million in Table 5 comprises Advanced IRB \$151,936 million and Securitisation of \$3,647 million in Table 3

The below table shows the significant drivers of market risk RWA movements under the Internal Models Approach (IMA), excluding standardised Market Risk, in Q1 2017.

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

	VaR	SVaR	IRC ¹	CRM ¹	Other ¹	Total RWA	Total capital requirements
	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2017	3,161	7,931	-	-	2,055	13,147	1,052
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment as at 1 January 2017	3,161	7,931	-	-	2,055	13,147	1,052
Movement in risk levels	(730)	(724)	-	-	917	(537)	(43)
At 31 March 2017	2,431	7,207	-	-	2,972	12,610	1,009
Regulatory adjustment	-	-	-	-	-	-	-
RWAs post adjustment as at 31 March 2017	2,431	7,207	-	-	2,972	12,610²	1,009

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

² See Table 3: Overview of RWA (OV1)

The decrease in Internal Model Approach Market Risk RWAs was driven by a decrease in risk levels of VaR and SVaR, offset by an increase in capital add-ons for Risks not in VaR.

3 Forward looking statements

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

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to) changes in global, political, economic, business, competitive, market and regulatory forces or conditions, future exchange and interest rates, changes in tax rates, future business combinations or dispositions and other factors specific to the Group.

Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement.

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