



Standard Bank Group

Risk and capital management report for the six months ended 30 June 2014

 Standard Bank

Contents

Overview	1	Liquidity risk	46
Risk and capital management report scope	1	Definition	46
Board responsibility	1	Approach to managing liquidity risk	46
Risk types	1	Governance committee	47
Governance framework	1	Approved regulatory capital approaches	47
Governance committees	1	Liquidity characteristics and metrics	47
Governance documents	4	The group's credit ratings	49
Three-lines-of-defence model	4	Conduits	49
Risk and capital reporting frameworks	5	Basel III liquidity requirements	50
Basel approaches adopted for regulatory capital purposes	5	Market risk	51
IFRS and Basel reporting frameworks	5	Definition	51
Reporting framework consolidation differences	7	Governance committees	51
Capital management	8	Approved regulatory capital approaches	51
Objectives	8	Trading book market risk	51
Governance committees	8	Interest rate risk in the banking book	54
Capital transferability	8	Equity risk in the banking book	56
Basel III capital requirements	8	Foreign currency risk	56
Regulatory capital	10	Operational risk	57
Economic capital	14	Definition	57
Risk-adjusted performance measurement	14	Approach to managing operational risk	57
Cost of equity	14	Insurance cover	58
Risk appetite and stress testing	15	Governance committees	58
Approach to risk appetite	15	Approved regulatory capital approach	58
Approach to stress testing	16	Operational risk subtypes	58
Governance committee	16	Physical commodities	59
Credit risk	17	Business risk	60
Definition	17	Reputational risk	61
Approach to managing credit risk	17	Restatements	62
Governance committees	17	Additional information	63
Approved regulatory capital approaches	17	Terms and conditions of capital instruments issued	63
Credit portfolio characteristics and metrics in terms of Basel	22	Composition of capital – SBG	64
Credit portfolio characteristics and metrics in terms of IFRS	34	Composition of capital – SBSA	67
Compliance risk	41	Capital instruments: main features disclosure template	70
Definition	41	Acronyms and abbreviations	76
Approach to managing compliance risk	41	Contact details	79
Governance committee	42		
Country risk	43		
Definition	43		
Approach to managing country risk	43		
Governance committees	43		
Approved regulatory capital approaches	43		
Country risk portfolio characteristics and metrics	43		

Overview

Risk and capital management report scope	1	Governance committees	1
Board responsibility	1	Governance documents	4
Risk types	1	Three-lines-of-defence model	4
Governance framework	1		

Risk and capital management report scope

This risk and capital management report covers the group's banking activities. Refer to the group's 2013 risk and capital management report and annual financial statements for information regarding the group's insurance operations.

Board responsibility

The group board of directors (board) has the ultimate responsibility for the oversight of risk.



Various board and management committees, as set out on pages 2 to 3, support the board in its oversight of the risks faced by the group and the effectiveness of the group risk management function, compliance function, treasury and capital management function and internal audit (IA).

For the period under review, the board is satisfied that the group's risk, compliance, treasury, capital management and IA processes generally operated effectively, that the group's business activities have been managed within the board-approved risk appetite, and that the group is adequately funded and capitalised to support the execution of the group's strategy.

Risk types

The group's banking activities give rise to various risks. These are:

- credit risk (starting on page 17)
- compliance risk (starting on page 41)
- country risk (starting on page 43)
- liquidity risk (starting on page 46)
- market risk (starting on page 51)
- operational risk (starting on page 57)
- business risk (starting on page 60)
- reputational risk (starting on page 61).

Each risk is defined within the relevant section, together with an explanation of the application of the group's risk, compliance and capital management (RCCM) governance framework to the specific risk, the approved regulatory treatment for capital requirements to be held against the specific risk in terms of Basel, and a description of the relevant portfolio characteristics both in terms of prescribed disclosure and the group's business model.

Governance framework

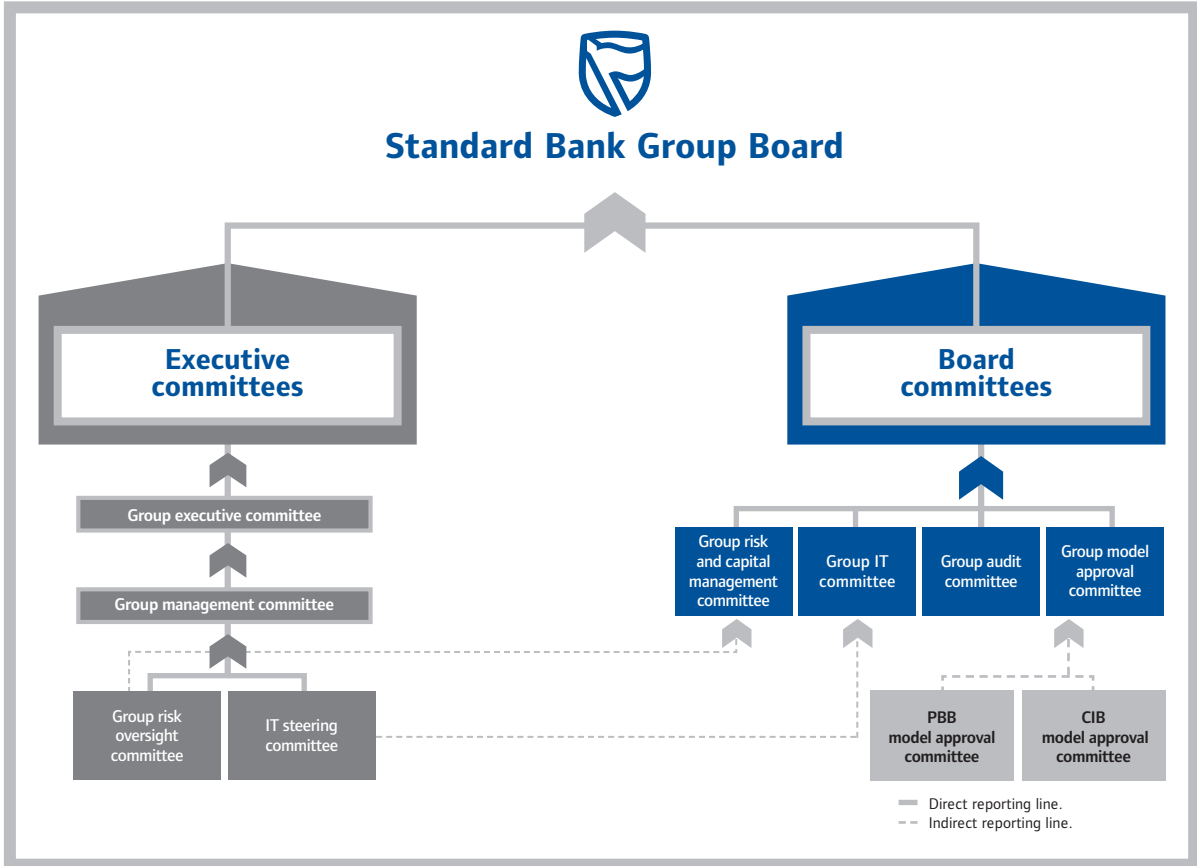
The group's approach to managing risk and capital is set out in the RCCM governance framework approved by the group risk and capital management committee (GRCMC). The framework has two components:

- governance committees
- governance documents such as standards, frameworks and policies.

Governance committees

Governance committees within the RCCM governance framework are in place at both a board and management level. They have mandates and delegated authorities that are reviewed regularly.

RCCM governance committees



Board committees

Board committees responsible for effective RCCM comprise the group audit committee (GAC), the GRCMC, the group information technology (IT) committee, and the group model approval committee. Key roles and responsibilities of these committees, as they relate to RCCM, are detailed in the sections that follow.

The group risk and capital management committee

The GRCMC provides independent oversight of risk, compliance and capital management across the group by:

- ▶ determining the group’s risk appetite as set out in the risk appetite framework and risk appetite statement (RAS)
- ▶ monitoring the current and future risk profile of the group to confirm that it is managed within risk appetite
- ▶ approving macroeconomic scenarios used for stress testing, and evaluating the results of these and other stress tests
- ▶ reviewing and providing oversight of the adequacy and effectiveness of the group’s RCCM governance framework

- ▶ approving governance standards, frameworks and policies in terms of the RCCM governance framework
- ▶ reviewing the impact on capital of significant transactions entered into by the group
- ▶ evaluating and approving significant outsourcing arrangements
- ▶ assisting on such other matters as may be referred to it by the group risk oversight committee (GROC)
- ▶ promoting a risk awareness culture within the group
- ▶ reporting to the board any matters within its remit where action or improvement is needed and making recommendations as to the steps to be taken.

The group IT committee

The board resolved to constitute the group IT committee, comprising independent non-executive and executive directors. This committee is responsible for overseeing IT governance at board level and will report to the board through its chairman. The inaugural meeting of the group IT committee was held on 27 May 2014.

The group IT committee's purpose is to assist the board in fulfilling its corporate governance responsibilities with respect to IT.

The committee has the authority to review and provide guidance on matters related to the group's IT strategy, operations, policies and controls. These include, but are not limited to the following:

- ▶ management's strategies relating to technology and their alignment with the group's overall strategy and objectives
- ▶ management's strategies for developing or implementing new technologies and systems
- ▶ monitoring the progress of major IT-related projects
- ▶ monitoring and evaluating significant IT investments and expenditure, and considering the benefits realised from these investments
- ▶ reviewing the group's assessment of risks associated with IT, including disaster recovery, business continuity and IT security
- ▶ ensuring that the IT governance standard is being effectively implemented by management and that the board receives independent assurance on the effectiveness thereof
- ▶ considering the IT budget as a component of the group approved budget, and to assess the suitability and affordability of significant IT investments in relation to the budget.

The group audit committee

The GAC has oversight of the group's financial position and makes recommendations to the board on all financial matters, financial risks, internal financial controls, fraud, compliance and, to the extent they impact financial reporting, IT risks. In relation to RCCM, the GAC plays a role in assessing the adequacy and operating effectiveness of the group's internal financial controls.

Minutes of the GRCCM meetings are tabled at the GAC meetings. In order to ensure the independence of the compliance and audit functions, the chairman of the GAC, who is also a member of the GRCCM, meets with the group chief compliance officer (GCCO) and the group chief audit officer without management being present. In addition, the chief risk officer (CRO) reports on significant matters discussed at the GRCCM and GROC meetings.

Group model approval committee

The group model approval committee is designated by the board to discharge the regulatory responsibility of reviewing and approving the group's material risk models, including models used in the calculation of regulatory capital. This committee is supported by the Personal & Business Banking (PBB) and Corporate & Investment Banking (CIB) model approval subcommittees, with the models being assigned to these three committees for approval based on an assessment of the model materiality.

Management committees

Group risk oversight committee

Executive management responsibility for all material risk types has been delegated by the group management committee to GROC which, in turn, assists the GRCCM in fulfilling its mandate.

As is the case with the GRCCM, GROC calls for and evaluates in-depth investigations and reports based on its assessment of the risk profile and external factors.

GROC delegates authority to various subcommittees which deal with specific risk types or oversight activities. Matters are escalated to GROC, based on materiality, through reports or feedback from the subcommittee chairman.

The GROC subcommittees are as follows:

- ▶ CIB credit governance committee
- ▶ group asset and liability committee (ALCO)
- ▶ group compliance committee
- ▶ group country risk management committee
- ▶ group equity risk committee (ERC)
- ▶ group internal financial control governance committee
- ▶ group operational risk committee
- ▶ group regulatory and legislative oversight committee
- ▶ group sanctions review committee
- ▶ group stress testing and risk appetite committee
- ▶ intragroup exposure committee
- ▶ PBB credit governance committee.

Group IT steering committee

The purpose of the committee is to provide assurance to the group management committee and the board, through the group IT committee, that management has implemented an efficient IT governance framework that supports the effective management of resources, optimisation of costs and the mitigation of risk in a secure and sustainable manner.

Governance documents

Governance documents within the RCCM governance framework comprise standards, frameworks and policies which set out the requirements for the identification, assessment, measurement, monitoring, managing and reporting of risks and effective management of capital.

Governance standards and frameworks are approved by the relevant board committee.

Group policies are approved by the group management committee or subcommittee, relevant GROC subcommittee, GROC itself or, where regulations require board approval, by the board or relevant board committee.

Three-lines-of-defence model

The group uses the three-lines-of-defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of roles.

The first line of defence is made up of the management of business lines and legal entities. The second line of defence functions provide independent oversight of risks. They have resources at the centre and embedded within the business lines. Central resources provide group wide oversight of risks, while resources embedded within the business lines support management in ensuring that their specific risks are effectively managed as close to the source as possible. Central and embedded resources jointly oversee risks at a legal entity level.

The second line of defence's functions implement governance standards, frameworks and policies for each material risk type to which the group is exposed. This ensures consistency in approach across the group's business lines and legal entities. Compliance with the standards and frameworks is ensured through annual self-assessments by the second line of defence and reviews by IA.

IA is the third line of defence and reports to and operates under a mandate from the GAC. In terms of its mandate, the IA function's role is to provide independent and objective assurance. IA has the authority to independently determine the scope and extent of work to be performed. All IA employees in the group report functionally to the group chief audit officer and operationally to management of their legal entity.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Risk and capital reporting frameworks

Basel approaches adopted for regulatory capital purposes	5	IFRS and Basel reporting frameworks	5
		Reporting framework consolidation differences	7

Basel approaches adopted for regulatory capital purposes

Basel provides various approaches for the calculation of regulatory capital to be held against each risk type. In general, there are three approaches per risk type:

- a basic approach
- an intermediate approach
- an advanced approach.

The regulators approve the approach adopted on a case by case basis, both at a solo regulated entity and consolidated regulated entity level.

The group does not adopt advanced approaches for certain portfolios, either because these methods are not yet recognised in a particular jurisdiction or because the group has chosen, on a materiality basis, to adopt the intermediate or basic approaches. In these cases, the group nevertheless adopts practices similar to the advanced approach for its internal economic capital, risk measurement and management purposes where it is felt that these offer better information for managing risks.

The approaches per risk type approved by regulators are specified in the relevant risk section.

IFRS and Basel reporting frameworks

Tables in this report have been labelled to identify content disclosed in terms of International Financial Reporting Standards (IFRS) or Basel reporting frameworks.

The differences in the principles underlying the IFRS and Basel frameworks are summarised below.

Principle	Basel	IFRS
Categorisation of exposures	By Basel asset class which, under the internal ratings-based (IRB) approach, is based on homogeneous risk characteristics.	By class of financial instrument, taking into account the nature of the information to be disclosed and the characteristics of the underlying financial instruments.
Fair value	Requires that fair value gains and losses attributable to own credit risk be excluded when calculating regulatory capital.	All changes in fair value (including fair value gains and losses attributable to own credit risk) on financial liabilities that, on meeting specific criteria, have been designated to be measured at fair value as well as held-for-trading liabilities, are recognised in profit or loss.

The Basel disclosures presented within this risk report include, unless otherwise specified, the exposures from our outside Africa global market operations, which for IFRS reporting purposes have been separately classified as non-current assets and liabilities held for sale in terms of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

Principle	Basel	IFRS
<p>Impairment of assets</p>	<p>Impairment is based on the concepts of expected and unexpected losses.</p> <ul style="list-style-type: none"> ▶ Expected losses are accounted for through the level of impairments held against the underlying exposure. Statistical modelling of expected losses is required. ▶ Unexpected losses are accounted for through holding regulatory capital in relation to the size and nature of the exposure held. <p>The difference between the Basel and IFRS impairment values produces a shortfall if the expected loss amount under Basel exceeds total impairments under IFRS, or an excess if total impairments exceed the expected loss amount. The shortfall, if any, is to be deducted from common equity tier I (CET I) capital.</p>	<p>Assets measured at amortised cost and debt instruments classified as available-for-sale are specifically impaired and the resulting losses recognised in the profit or loss only if:</p> <ul style="list-style-type: none"> ▶ there is objective evidence of impairment resulting from one or more events that have occurred after the initial recognition of the asset, and ▶ that event has an impact on the estimated future cash flows of assets that can be reliably measured. <p>To provide for latent losses in a portfolio of loans where the loans have not yet been individually identified as impaired, impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods.</p> <p>The use of statistical models is permitted, but an event of default must occur before an impairment loss can be recognised.</p>
<p>Default</p>	<p>Defines default as the obligor being 90 days past due on the obligation (extended to 180 days for some products).</p>	<p>Defines objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that objective evidence of impairment has an impact on the estimated future cash flows of the asset.</p> <p>Examples of objective evidence of impairment include:</p> <ul style="list-style-type: none"> ▶ actual breach of contract ▶ observable data indicating that there is a measurable decrease in the estimated cash flows from a group of assets since their initial recognition due to: <ul style="list-style-type: none"> ▶ adverse changes in the payment status of the borrowers in the group, or ▶ a deterioration in national or local economic conditions that correlate with defaults on the assets in the group.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Reporting framework consolidation differences

In accordance with IFRS, all entities, regardless of the nature of their underlying activities, are either consolidated or equity accounted based on the extent of control or influence that the group exerts over those entities. Basel differentiates entities based on the underlying activity of the entity combined with the extent of control or influence that the group exerts over those entities. The different treatments for entities for regulatory and accounting consolidation are explained in the table below.

Share-holding	Regulatory consolidation				IFRS treatment
	Banking, financial entity or securities firm ¹	Insurance entity	Commercial entity		
			Standardised approach	IRB approach	
<10%	Aggregate of investments are compared to a threshold of 10% of the group's CET I capital. Amounts above the threshold are deducted against the corresponding component of capital and amounts below the threshold are risk-weighted.		Risk weight at no less than 100%.	Risk weight up to a maximum of 1 250%.	Typically treated as an investment and is measured at fair value. Where the group has significant influence over that investment, equity accounting is applied unless designated to be measured at fair value through profit or loss in terms of International Accounting Standard (IAS) 28 ³ .
> 10% but ≤ 20%	<ul style="list-style-type: none"> ▶ Apply the deduction method². ▶ Aggregate of investments in tier I and tier II instruments are deducted against the corresponding component of capital. 				
> 20% but ≤ 50%	<p>Other significant shareholder:</p> <ul style="list-style-type: none"> ▶ Proportionately consolidate. <p>No other significant shareholder:</p> <ul style="list-style-type: none"> ▶ Apply the deduction method². ▶ Aggregate of investments in tier I and tier II instruments are deducted against the corresponding component of capital. 	<ul style="list-style-type: none"> ▶ Apply the deduction method². ▶ Aggregate of investments in tier I and tier II instruments are deducted against the corresponding component of capital. 	<ul style="list-style-type: none"> ▶ Individual investments in excess of 15% of the group's CET I, additional tier I and tier II: risk weight at 1 250%. ▶ Individual investments up to 15% of the group's CET I, additional tier I and tier II: risk weight at no less than 100%. ▶ Aggregate of investments >60% of the group's CET I, additional tier I and tier II: risk weight excess above 60% at 1 250% . 	<ul style="list-style-type: none"> ▶ Individual investments in excess of 15% of the group's CET I, additional tier I and tier II: risk weight at 1 250%. ▶ Individual investments up to 15% of the group's CET I, additional tier I and tier II: risk weight at no less than 100%. 	Equity accounting (unless designated to be measured at fair value through profit or loss in terms of IAS 28) applied unless there is evidence of control in which case the group consolidates the investment into its results.
>50%	Consolidated				Consolidate unless there is evidence to indicate that the group does not have control over that investment in which case equity accounting will typically be applied unless designated to be measured at fair value through profit or loss in terms of IAS 28.

¹ For Basel purposes, financial entities other than financial entities acquired through realisation of security in respect of previously contracted debt (held temporarily); subject to other materially different rules and regulations or non-consolidation as required by law.

² Aggregate of investments compared to 10% of the group's CET I capital and amounts above the 10% threshold are deducted against CET I capital. Amounts not deducted are combined with mortgage servicing rights and deferred tax assets and compared to 15% of the group's CET I capital. Amounts above the 15% threshold are deducted against CET I capital and amounts below are risk-weighted at 250%.

³ IAS 28 – *Investments in Associates and Joint Ventures*.

Capital management

Objectives	8	Regulatory capital	10
Governance committees	8	Economic capital	14
Capital transferability	8	Risk-adjusted performance measurement	14
Basel III capital requirements	8	Cost of equity	14

Objectives

The group's capital management function is designed to ensure that regulatory requirements are met at all times and that the group and its principal subsidiaries are capitalised in line with the group's risk appetite and target ratios, both of which are approved by the board.

The capital management division within treasury and capital management (TCM) comprises:

- Strategic capital management function:** Key responsibilities include raising capital to enable growth opportunities and to provide an optimal capital structure, advising on the dividend policy, facilitating capital allocation, risk-adjusted performance measurement (RAPM), and managing the internal capital adequacy assessment process (ICAAP) and capital planning process, including stress testing of capital supply and demand.
- Portfolio analysis and reporting function:** Key responsibilities include the measurement and analysis of regulatory and economic capital, internal and external reporting and implementation of new regulatory requirements.
- CIB and PBB capital management functions:** Key responsibilities include providing support on deal pricing, balance sheet utilisation and management of capital consumption against budgets.
- Regional capital management function:** Key responsibilities include supporting the group's operations in the rest of Africa and outside Africa.

Governance committees

The primary GROC subcommittees that oversee the risks associated with capital management are the group ALCO and its subcommittee, the group capital management committee.

Capital transferability

Subject to compliance with the corporate laws of relevant jurisdictions and appropriate motivation to and approval by exchange control authorities, no significant restrictions exist on the transfer of funds and regulatory capital within the banking group.

Basel III capital requirements

The South African Reserve Bank (SARB) adopted the Basel III framework introduced by the Basel Committee on Banking Supervision (BCBS) from 1 January 2013. The group has been compliant with the minimum requirements from that date. The group is well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

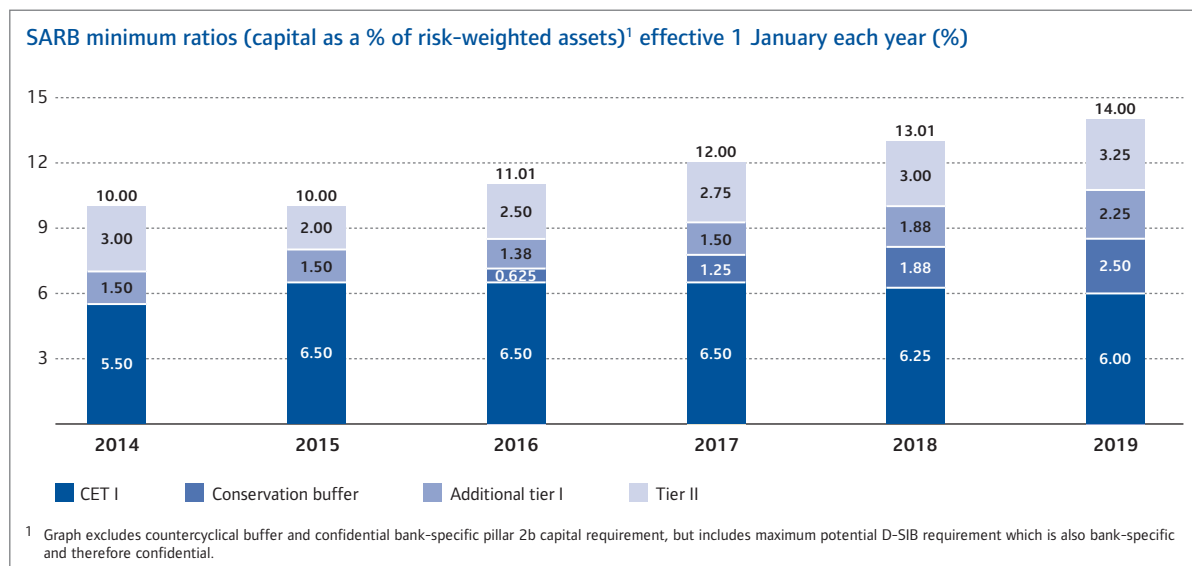
Basel III aims to improve the quality of capital, increase capital levels and remove inconsistencies in the definition of capital across jurisdictions as explained in the table on the next page.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Objectives of Basel III

Increased quality, quantity and consistency of capital	<ul style="list-style-type: none"> Increased focus on CET I Increased capital levels.
Increased risk coverage	<ul style="list-style-type: none"> Credit valuation adjustment for over-the-counter (OTC) derivatives, being the capital charge for potential mark-to-market losses associated with deterioration in counterparty creditworthiness Asset value correlation, being the increased capital charge on exposures to financial institutions Strengthened standards for collateral management, margin period of risk, management of general wrong-way risk and stress testing.
Capital conservation buffer	<ul style="list-style-type: none"> 2.5% capital buffer by 2019 to decrease pro-cyclicality Build up capital during favourable economic conditions that can be drawn on during times of stress.
Pillar 2a and domestic systemically important bank (D-SIB) buffer	<ul style="list-style-type: none"> Up to 2% of pillar 2a buffer prescribed by the SARB to be held against systemic risk requirements 0 – 2.5% D-SIB buffer required for banks deemed by the SARB to be systemically important The sum of the two requirements is limited to 3.5% and is split over all three tiers of capital.
Countercyclical buffer	<ul style="list-style-type: none"> 0 – 2.5% capital buffer deployed by national jurisdictions when system-wide risk builds up Ensures capital adequacy takes macro-financial environment into account.
Leverage ratio	<ul style="list-style-type: none"> Constrain build-up of leverage in the banking sector The ratio is calculated as tier I qualifying capital/on and off-balance sheet exposures, as defined by the BCBS, and is measured against the SARB prescribed minimum ratio of 4%.

The graph below reflects the minimum capital requirements and phase-in periods applicable to South Africa.



The SARB has adopted a principle-based approach in developing a framework for dealing with D-SIBs in South Africa (South African D-SIB framework). The South African D-SIB framework assesses the systemic importance of banks, controlling companies and branches of foreign banks licensed to operate in South Africa. While the D-SIB loss-absorbency requirement imposed on banks will only become effective on 1 January 2016, the SARB has advised banks of their bank-specific loss-absorbency requirements in advance of the implementation date to allow banks sufficient time to account for the loss-absorbency requirement in their capital planning and management processes.

Regulatory capital

The group manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders, and ensure regulatory compliance.

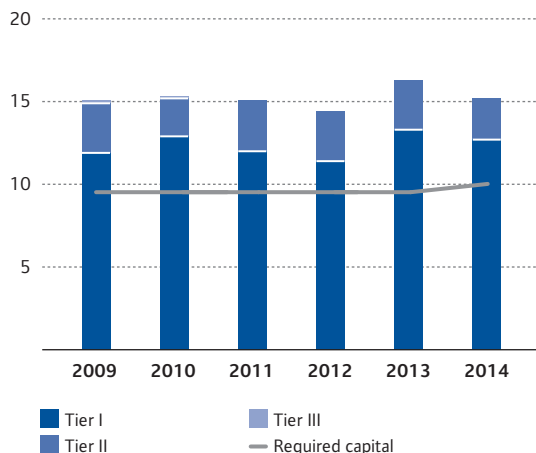
The main regulatory requirements to be complied with are those specified in the South African Banks Act 94 of 1990 (Banks Act) and related regulations which are aligned with Basel III.

Regulatory capital adequacy is measured through three risk-based ratios:

- ▶ **CET I:** ordinary share capital, share premium and retained earnings divided by total risk-weighted assets.
- ▶ **Tier I:** CET I plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements over a 10-year period, effective from 1 January 2013.
- ▶ **Total capital adequacy:** Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II is included in total capital but is subject to regulatory phase-out requirements, over a 10-year period effective from 1 January 2013.

The ratios are measured against internal targets and regulatory minimum requirements.

Capital adequacy¹ (%)



¹ 2009 to 2011 are on a Basel II basis. Basel III implemented 1 January 2013. Risk weighted assets and capital adequacy for 2012 are on a pro forma Basel III basis.

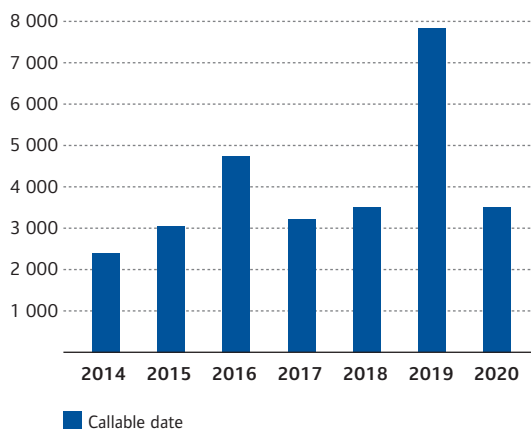
Risk-weighted assets are calculated in terms of the Banks Act and related regulations, which are aligned with Basel III.

The group complied with all externally imposed capital requirements during the current and prior year.

The group's CET I capital, including unappropriated profit, is R107,2 billion as at 30 June 2014 (31 December 2013: R105,8 billion). The group's tier I capital, including unappropriated profit, is R111,7 billion as at 30 June 2014 (31 December 2013: R110,8 billion) and total capital, including unappropriated profit was R133,3 billion as at 30 June 2014 (31 December 2013: R136,1 billion).

The group has a balanced tier II subordinated debt maturity profile.

Tier II instrument maturity profile (Rm)



The group continues to monitor its leverage ratio while proposals regarding the calibration of the ratio are being finalised by the BCBS. The non-risk-based measure is designed to complement the Basel III risk-based capital framework. The group's leverage ratio was 5.7% as at 30 June 2014, well in excess of the minimum SARB and BCBS requirements of 4% and 3% respectively.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Basel III qualifying capital excluding unappropriated profits

	June 2014 Rm	December 2013 Rm
Normalised ordinary shareholders' equity	133 814	130 865 ¹
Net IFRS adjustments	(1 482)	(1 929) ¹
IFRS ordinary shareholders' equity	132 332	128 936
Qualifying non-controlling interest	4 188	4 196
<i>Less: regulatory adjustments:</i>	(29 366)	(27 298)
Goodwill	(3 728)	(3 747)
Other intangible assets (net of deferred tax)	(14 767)	(12 933)
Shortfall of provisions to expected losses	(2 853)	(2 667)
Investments in financial, banking and insurance entities exceeding threshold	(5 300)	(4 705)
Other	(2 718)	(3 246)
<i>Less: regulatory exclusions – unappropriated profit</i>	(12 637)	(9 328)
CET I capital	94 517	96 506
Qualifying perpetual preference shares	4 396	4 945
Qualifying non-controlling interest profit	117	55
Tier I capital	99 030	101 506
Qualifying tier II subordinated debt	20 689	24 273
General allowance for credit impairments	951	977
Tier II capital	21 640	25 250
Total regulatory capital	120 670	126 756
Total capital requirement	87 611	79 920
Total risk-weighted assets	876 105	841 272

¹ Restated. Refer to page 62.

Basel III risk-weighted assets and associated capital requirements

	June 2014		December 2013	
	Risk-weighted assets Rm	Capital requirement ¹ Rm	Risk-weighted assets Rm	Capital requirement ¹ Rm
Credit risk	597 436	59 744	565 234	53 697
<i>Portfolios subject to the standardised approach²</i>	202 711	20 271	180 419	17 139
Corporate	84 376	8 438	82 750	7 861
Sovereign	53 900	5 390	57 930	5 503
Banks	5 820	582	4 349	413
Retail mortgages	10 588	1 059	8 717	828
Retail other ³	47 766	4 776	26 399	2 508
Securitisation exposure	261	26	274	26
<i>Portfolios subject to the foundation internal ratings-based (FIRB) approach</i>	17 432	1 743	16 260	1 546
Corporate	12 120	1 212	15 562	1 478
Sovereign	1 494	149	301	29
Banks	3 818	382	397	39
<i>Portfolios subject to the advanced internal ratings-based (AIRB) approach</i>	349 627	34 963	341 983	32 488
Corporate	145 515	14 551	141 415	13 434
Sovereign	10 779	1 078	8 053	765
Banks	17 280	1 728	19 292	1 833
Retail mortgages	81 514	8 151	81 978	7 788
Qualifying retail revolving exposure (QRRE)	50 448	5 045	47 163	4 480
Retail other ³	42 015	4 202	41 527	3 945
Securitisation exposure	2 076	208	2 555	243
<i>Other assets</i>	27 666	2 767	26 572	2 524

Refer to page 12 for footnotes.

Capital management Regulatory capital continued

Basel III risk-weighted assets and associated capital requirements continued

	June 2014		December 2013	
	Risk-weighted assets Rm	Capital requirement ¹ Rm	Risk-weighted assets Rm	Capital requirement ¹ Rm
Counterparty credit risk	44 867	4 487	50 121	4 761
<i>Portfolios subject to the standardised approach²</i>	5 558	556	4 423	421
Corporate	3 795	379	4 116	391
Sovereign	378	38	175	17
Banks	1 385	139	132	13
<i>Portfolios subject to the FIRB approach</i>	28 015	2 802	32 425	3 080
Corporate	18 775	1 878	22 737	2 160
Sovereign	1 891	189	1 657	157
Banks	7 349	735	8 031	763
<i>Portfolios subject to the AIRB approach</i>	11 294	1 129	13 273	1 260
Corporate	5 178	518	6 299	598
Sovereign	622	62	171	16
Banks	5 494	549	6 803	646
Equity risk in the banking book	15 685	1 569	15 961	1 516
<i>Portfolios subject to the standardised approach²</i>	230	23	422	40
Unlisted	230	23	422	40
<i>Portfolios subject to the market-based approach</i>	10 307	1 031	9 057	860
Listed	1 040	104	1 085	103
Unlisted	9 267	927	7 972	757
<i>Portfolios subject to the probability of default/loss given default approach</i>	5 148	515	6 482	616
Market risk	71 878	7 187	69 964	6 647
<i>Portfolios subject to the standardised approach²</i>	33 767	3 376	30 354	2 884
Interest rate risk	29 830	2 983	26 079	2 478
Equity position risk	144	14	109	10
Foreign exchange risk	2 299	230	3 245	308
Commodities risk	1 494	149	921	88
<i>Portfolios subject to the internal models approach</i>	38 111	3 811	39 610	3 763
Value-at-risk (VaR)-based approach	26 141	2 614	26 084	2 478
Interest rate risk	6 167	616	9 381	891
Equity position risk	5 798	580	8 025	762
Foreign exchange risk	25 285	2 529	18 711	1 778
Commodities risk	8 711	871	12 108	1 150
Diversification benefit	(19 820)	(1 982)	(22 141)	(2 103)
Non-VaR-based approach	11 970	1 197	13 526	1 285
Operational risk	120 824	12 082	115 489	10 971
<i>Portfolios subject to the standardised approach²</i>	70 348	7 034	65 404	6 213
<i>Portfolios subject to the advanced measurement approach (AMA)</i>	50 476	5 048	50 085	4 758
Risk-weighted assets for investments in financial entities	25 415	2 542	24 503	2 328
Total risk-weighted assets/capital requirement	876 105	87 611	841 272	79 920

¹ Capital requirement at 10.0% (December 2013: 9.5%) excludes confidential bank-specific add-ons.

² Portfolios on the standardised approach relate to the rest of Africa operations and, in addition, portfolios for which the application to adopt the internal models approach has not yet been submitted, or for which an application has been submitted but approval has not yet been granted.

³ Retail other includes retail small and medium enterprises, vehicle and asset finance, and term lending exposures.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Capital adequacy ratios

	2014 SARB minimum regulatory requirement %	Internal target ratios %	Including unappropriated profits		Excluding unappropriated profits	
			June 2014 %	December 2013 %	June 2014 %	December 2013 %
Total capital adequacy ratio	10.0	12.5 – 15.0	15.2	16.2	13.8	15.1
Tier I capital adequacy ratio	7.0	10.5 – 12.5	12.7	13.2	11.3	12.1
CET I capital adequacy ratio	5.5	9.0 – 10.5	12.2	12.6	10.8	11.5

Capital adequacy ratios of banking subsidiaries

	Host tier I regulatory requirements %	Host total regulatory requirements %	June 2014		December 2013	
			Tier I capital %	Total capital %	Tier I capital %	Total capital %
Standard Bank Group (SBG)	7.0 ¹	10.0 ¹	12.7	15.2	13.2	16.2
The Standard Bank of South Africa Group²	7.0 ¹	10.0 ¹	12.2	15.3	12.8	16.5
Rest of Africa						
CfC Stanbic Bank (Kenya)	8.0	12.0	18.0	18.9	16.0	18.8
Stanbic Bank Botswana	7.5	15.0	12.4	17.1	11.3	16.2
Stanbic Bank Ghana	6.7	10.0	13.4	14.4	18.0	19.2
Stanbic Bank Tanzania	10.0	12.0	15.4	17.4	14.9	16.9
Stanbic Bank Uganda	8.0	12.0	18.2	20.6	17.1	21.2
Stanbic Bank Zambia	5.0	10.0	16.5	18.8	19.3	21.8
Stanbic Bank Zimbabwe	8.0	12.0	20.3	23.5	18.6	21.4
Stanbic IBTC Bank (Nigeria)	5.0	10.0	12.0	13.5	14.0	16.9
Standard Bank de Angola	5.0	10.0	10.7	15.9	9.3	14.0
Standard Bank Malawi	10.0	15.0	16.8	19.0	14.4	16.0
Standard Bank Mauritius	5.0	10.0	11.6	17.2	11.1	16.5
Standard Bank Mozambique	4.0	8.0	12.5	14.1	12.4	13.3
Standard Bank Namibia	7.0	10.0	10.9	13.0	10.8	12.1
Standard Bank RDC (Democratic Republic of Congo)	5.0	10.0	20.0	29.3	25.6	37.7
Standard Bank Swaziland	4.0	8.0	10.7	14.7	10.7	14.3
Standard Lesotho Bank	4.0	8.0	12.8	13.5	8.2	9.0
Standard Bank London Holdings Limited³			13.5	20.5	15.8	20.2
Standard Bank Isle of Man		10.0	10.2	12.1	10.8	12.9
Standard Bank Jersey		11.0	8.7	12.6	9.2	13.4

¹ Represents 2014 SARB Basel III minimum capital requirements.

² Incorporating:

– The Standard Bank of South Africa Ltd.

³ Incorporating:

– Standard Bank Plc (United Kingdom).

– Standard Merchant Bank Plc (Asia) Singapore.

Economic capital

Economic capital adequacy is the internal basis for measuring and reporting all quantifiable risks on a consistent risk-adjusted basis. The group assesses its economic capital adequacy by measuring its risk profile under both normal and stress conditions.

ICAAP considers the qualitative capital management processes within the organisation and includes the organisation's governance, risk management, capital management and financial planning standards and frameworks. Furthermore, the quantitative internal assessments of the organisation's business models are used to assess capital requirements to be held against all risks the group is or may become exposed to, in order to meet current and future needs as well as to assess the group's resilience under stressed conditions.

Economic capital by risk type at the end of the period

	June 2014 Rm	December 2013 Rm
Credit risk	49 151	50 015
Equity risk	5 952	5 542
Market risk	1 527	1 439
Operational risk	9 506	8 590
Business risk	5 787	5 981
Interest rate risk in the banking book (IRRBB)	3 998	3 924
Economic capital requirement	75 921	75 491
Available financial resources	126 928	123 421
Economic capital coverage ratio (times)	1.67	1.63

Economic capital of R75,9 billion (31 December 2013: R75,5 billion) is the amount of permanent capital that is required to support the group's banking operations' economic risk profile. For potential losses arising from risk types that are statistically quantifiable, economic capital reflects the worst-case loss commensurate with the group's target rating of A – translating to a confidence level of 99.92%.

Available financial resources refers to capital supply as defined by the group for economic capital purposes. It represents permanent capital (ordinary shareholders' equity and perpetual preference shares) adjusted for items such as future dividend payments and insurance-related reserves.

The available financial resources exceed the minimum economic capital requirement.

Risk-adjusted performance measurement

RAPM supports the maximisation of shareholder value by optimally managing financial resources within the board-approved risk appetite.

Capital is centrally monitored and allocated, based on usage and performance, in a manner that enhances overall group economic profit and return on equity. Business units are held accountable for achieving their RAPM targets.

RAPM is calculated on both regulatory and economic capital measures.

Cost of equity

The group's rand-based cost of equity (CoE) is estimated using the capital asset pricing model. CoE is recalibrated twice a year using the latest estimates of risk-free rate, beta and equity risk premium.

The group applied a CoE of 13.4% as at 30 June 2014 (31 December 2013:13.4%).

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Risk appetite and stress testing

Approach to risk appetite	15	Risk appetite statement dimensions	15
Definitions	15	Approach to stress testing	16
Process	15	Governance committee	16

The group operated within board-approved risk tolerance throughout the period under review.

Risk appetite and stress testing activities are undertaken by teams at the centre, in business lines and at a legal entity level within the risk appetite and stress testing governance frameworks.

Approach to risk appetite

Definitions

The group has adopted the following definitions, where entity refers to a business line or legal entity within the group, or the group itself:

- ➊ **Risk appetite:** An expression of the amount of risk an entity is generally willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both normal and a range of stress conditions. The metric is referred to as the risk appetite trigger.
- ➋ **Risk tolerance:** The maximum amount of risk the entity is prepared to tolerate above risk appetite. The metric is referred to as the risk tolerance limit.
- ➌ **Risk capacity:** The maximum amount of risk the entity is able to support within its available financial resources.
- ➍ **Risk appetite statement (RAS):** The documented expression of risk appetite and risk tolerance which has been approved by the entity's relevant governance committee.
- ➎ **Risk profile:** The amount or type of risk the entity is currently exposed to (current risk profile) or will be exposed to under both expected (forward expected risk profile) and stressed economic conditions (forward stressed risk profile). Risk profile may be expressed as pre- or post-management action.

Process

The group's risk appetite governance framework provides guidance on the following:

- ➊ the approach to setting risk appetite triggers and risk tolerance limits
- ➋ responsibilities for monitoring risk profile
- ➌ the escalation and resolution process where breaches occur.

Executive management is responsible for recommending the group's RAS, which is then approved by the GRMCM on behalf of the board. In developing the RAS, executive management considers the group's strategy and the desired balance between risk and return. The GRMCM reviews the group's current risk profile on a quarterly basis and forward risk profile at a minimum on an annual basis.

RASs at business line and legal entity level are congruent with the group RAS.

Risk appetite statement

Each RAS is made up of dimensions. These dimensions may be either qualitative or quantitative and include stressed earnings, liquidity, regulatory capital and economic capital.

The dimensions are cascaded down to risk type level. These risk type dimensions are translated into portfolio limits, for example, concentrations, credit loss ratios and VaR, and operational limits, for example, facilities by borrower or counterparty.

Approach to stress testing

The group's stress testing governance framework sets out the responsibilities for and approach to stress testing activities. Stress tests are conducted at group, business line and material legal entity level. The output supports a number of business processes, including:

- ▶ the strategic planning and financial budgeting process
- ▶ the ICAAP, including capital planning and management and the setting of capital buffers
- ▶ the planning and management of liquidity
- ▶ the setting of risk appetite statements
- ▶ the identification and proactive mitigation of risks through actions such as reviewing and changing limits, limiting exposures and hedging
- ▶ the development of risk mitigation or contingency plans, including recovery plans, across a range of stressed conditions
- ▶ communication with internal and external stakeholders.

Group wide stress testing is conducted across all major risk types using a number of common scenarios. This group wide stress testing is augmented by portfolio-specific stress testing and sensitivity analyses to identify the drivers of and vulnerabilities in the group's risk profile.

The appropriateness of the macroeconomic stress scenarios and the impact of these scenarios pre- and post-management action on the RAS dimensions are confirmed and approved by the GRMC for use in the ICAAP and the broader capital planning process.

In addition to the stress tests conducted internally, the group has participated in a stress testing exercise conducted by the International Monetary Fund as part of their financial stability assessment programme.

Governance committee

The primary governance committee overseeing risk appetite and stress testing is the group stress testing and risk appetite committee. It is chaired by the group CRO and is a subcommittee of GROC.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Credit risk

Definition	17	Basel: Credit risk mitigation	28
Approach to managing credit risk	17	Basel: Concentration risk	30
Governance committees	17	Basel: Counterparty credit risk	30
Approved regulatory capital approaches	17	Basel: Securitisation	32
Credit portfolio characteristics and metrics in terms of Basel	22	Credit portfolio characteristics and metrics in terms of IFRS	34
Basel: Credit portfolio analysis	22	IFRS: Analysis of loans and advances	34
Basel: Loss analysis	26	IFRS: Maximum exposure to credit risk	34

Definition

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due.

It has four components:

- ▶ Primary credit risk, which is the exposure at default (EAD) arising from lending and related banking product activities, including underwriting.
- ▶ Pre-settlement credit risk, which is the EAD arising from unsettled forward and derivative transactions, arising from the default of the counterparty to the transaction and is measured as the cost of replacing the transaction at current market rates.
- ▶ Issuer risk, which is the EAD arising from credit and equity products capable of being traded, including underwriting. Issuer risk in respect of such credit instruments held is recognised as credit risk.
- ▶ Settlement risk, which is the risk of loss to the group from the failure of a transaction settlement, where value is exchanged, such that the counter value is not received in whole or part.

Approach to managing credit risk

The group's credit risk comprises mainly wholesale and retail loans and advances, together with the counterparty credit risk arising from derivative contracts entered into with our clients and market counterparties.

The group manages credit risk through:

- ▶ maintaining a strong culture of responsible lending and a robust risk policy and control framework
- ▶ identifying, assessing and measuring credit risk across the group, from the level of individual facilities up to the total portfolio
- ▶ defining, implementing and continually re-evaluating our risk appetite under actual and stress conditions

- ▶ monitoring the group's credit risk relative to limits
- ▶ ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

Primary responsibility for credit risk management resides with the group's business lines. This is complemented with an independent credit risk function embedded within the business units, which is in turn supported by the group's risk function.

Governance committees

The primary governance committees overseeing credit risk are the Standard Bank of South Africa Limited (SBSA) large exposure committee (a board subcommittee), the GRMCM, the CIB and PBB credit governance committees, the group equity risk committee and the intragroup exposure committee (all GROC subcommittees). These committees are responsible for credit risk and credit concentration risk decision-making, and delegation thereof to credit officers and committees within defined parameters.

The PBB, CIB and group model approval committees approve key aspects of rating systems and credit risk models. Regular model validation and reporting to these committees is undertaken by the central validation function that is independent of the credit risk function.

Approved regulatory capital approaches

The group has approval from the SARB to adopt the AIRB approach for its credit portfolios in SBSA and the FIRB approach for Standard Bank Plc. The group has adopted the standardised approach for the rest of Africa portfolios and for some of its less material subsidiaries and portfolios. The group has approval from the SARB to adopt the market-based and probability of default (PD)/loss given default (LGD) approaches for material equity portfolios.

Basel: Use of internal estimates

The group's credit risk rating systems and processes differentiate and quantify credit risk across counterparties and asset classes. Internal risk parameters are used extensively in risk management and business processes, including:

- ▶ setting risk appetite
- ▶ setting limits for concentration risk and counterparty limits
- ▶ credit approval and monitoring
- ▶ pricing transactions
- ▶ determining portfolio impairment provisions
- ▶ calculating economic capital.

Basel: Standardised approach

The calculation of regulatory capital is based on net counterparty exposures after recognising a limited set of qualifying collateral, and

applying rules specified according to the exposures' characteristics and external agency credit ratings.

External credit assessment institutions

	Moody's Investor Services	Standard & Poor's	Fitch
Asset class			
Corporate	✓		✓
Sovereign	✓	✓	✓
Banks	✓		✓
Small and medium enterprises	✓		✓

Basel: Exposure subject to the standardised approach per risk weighting

	June 2014			December 2013 ³
	Exposure ¹ Rm	Mitigation ² Rm	Exposure after mitigation Rm	Exposure after mitigation Rm
Based on risk weights				
0% – 35%	39 599	146	39 453	25 235
50%	47 221	763	46 458	53 405
Rated	1 551		1 551	1 484
Unrated	45 670	763	44 907	51 921
75%	33 826		33 826	34 037
100% and above	189 540	11 002	178 538	179 888
Rated	21		21	36
Unrated	189 519	11 002	178 517	179 852
Total	310 186	11 911	298 275	292 565

¹ Includes exposure to central counterparties (CCP) as shown on page 30.

² Constitutes eligible financial collateral.

³ Restated. Refer to page 62.

Basel: Internal ratings-based approach

All IRB models are managed under model development and validation policies that set out the requirements for model governance structures and processes, and the technical framework within which model performance and appropriateness is maintained. The models are developed using internal historical default and recovery data. In low-default portfolios, internal data is supplemented with external benchmarks and studies. Models are assessed frequently to ensure ongoing appropriateness as business environments and strategic objectives change, and are recalibrated annually using the most recent internal data.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Relationship between the group master rating scale and external ratings

Group master rating scale	SARB risk bucket	Moody's Investor Services	Standard & Poor's	Fitch	Grading	Credit quality
1 – 4	AAA to AA-	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-	AAA, AA+, AA, AA-	Investment grade	Normal monitoring
5 – 7	A+ to A-	A1, A2, A3	A+, A, A-	A+, A, A-		
8 – 12	BBB+ to BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-	Sub-investment grade	Close monitoring
13 – 21	BB+ to B-	Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-, B+, B, B-	BB+, BB, BB-, B+, B, B-		
22 – 25	Below B-	Caa1, Caa2, Caa3, Ca	CCC+, CCC, CCC-	CCC+, CCC, CCC-		
Default	Default	C	D	D	Default	Default

Basel: Probability of default

The group uses a 25-point master rating scale to quantify the credit risk for each borrower, as illustrated in the table above. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolio. The group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making and in managing credit risk exposures.

Basel: Loss given default

LGD measures are a function of customer type, product type, seniority of loan, country of risk and level of collateralisation. LGDs are estimated based on historic recovery data per category of LGD. A downturn LGD is used in the estimation of the capital charge and reflects the anticipated recovery rates and macroeconomic factors in a downturn period.

Basel: Exposure at default

EAD captures the impact of potential draw-downs against unutilised facilities and changes in counterparty risk positions due to changes in market prices. By using historical data, it is possible to estimate the average utilisation of limits of an account when default occurs, recognising that customers may use more of their facilities as they approach default.

Basel: Corporate, sovereign and bank portfolios

Corporate, sovereign and bank borrowers include South African and international companies, sovereigns, local and provincial government entities, bank financial institutions, non-bank financial institutions and public sector entities. Corporate entities include large companies as well as small and medium enterprises that are managed on a relationship basis or have a combined exposure to the group of more than R7,5 million. Creditworthiness is assessed based on a detailed individual assessment of the financial strength of the borrower.

Basel: Specialised lending portfolio

Specialised lending includes project, object and commodity finance as well as income-producing real estate finance. Creditworthiness

is assessed on a transactional level, rather than on the financial strength of the borrower, as the group relies on repayment from the cash flows generated by the underlying asset.

Where the slotting approach is applied for certain specialised lending asset classes, slotting criteria provided by the regulator are used. There were, however, no specialised lending exposures under the slotting approach as at 30 June 2014 and 31 December 2013.

Project finance transactions are assessed using PD and LGD scorecards. The transaction LGD per facility is calculated per loan tranche, net of collateral. Since a characteristic of specialised lending is that the financed asset forms an essential component of the recovery calculation, a realisable value is first calculated for the underlying asset. Additional forms of loss mitigation may be taken into account.

Basel: Equity portfolio

The market-based and PD/LGD approaches are used to model the capital requirement for equity exposure. For the PD/LGD approach, the group's approved credit risk grade models are used together with the regulatory prescribed LGD of 90% and maturity factor of five years. Where no suitable PD model exists, the simple risk-weight method (market-based approach) is adopted.

Equity exposures under the simple risk-weight method (market-based approach)

	June 2014 Rm	December 2013 Rm
Listed	105	89
Unlisted	2 711	2 569
Total	2 816	2 658

Risk types Credit risk > Approved regulatory capital approaches continued

Basel: Analysis of PDs, EADs and LGDs by risk grade under the IRB approach¹

	Corporate				Sovereign			Banks		
	Average PD %	EAD Rm	LGD %	Exposure weighted average risk weight ² %	EAD Rm	LGD %	Exposure weighted average risk weight ² %	EAD Rm	LGD %	Exposure weighted average risk weight ² %
June 2014										
Non-default		299 468			93 579			86 014		
1 – 4	0.02	1 097	40.23	12.12	7 724	45.00	8.67	3 080	39.97	13.82
5 – 7	0.06	13 054	42.02	26.08	297	45.00	27.53	31 968	41.46	22.98
8 – 12	0.29	125 438	33.32	40.22	80 668	17.38	11.40	40 856	42.62	38.92
13 – 21	2.33	159 280	30.94	71.05	4 846	29.26	65.02	10 109	47.23	90.20
22 – 25	30.14	599	29.03	128.19	44	37.98	208.54	1	39.84	198.75
Default	100.00	7 653	40.16	61.99	138	43.94		70	45.11	
Total		307 121	32.51		93 717	20.41		86 084	42.64	
December 2013										
Non-default		294 713			78 442			90 270		
1 – 4	0.02	64	42.08	13.07	15 020	44.38	8.15	1 947	39.52	13.38
5 – 7	0.06	11 639	42.10	24.03	293	45.00	27.55	43 117	41.46	22.05
8 – 12	0.29	113 047	33.31	41.02	60 089	17.16	11.83	35 872	43.83	41.29
13 – 21	2.19	169 228	30.95	69.17	2 951	27.35	59.61	9 322	47.24	88.07
22 – 25	30.84	735	28.52	118.62	89	35.27	187.90	12	59.16	328.51
Default	100.00	6 190	38.41	92.51	136	43.62		70	44.80	
Total		300 903	32.42		78 578	22.91		90 340	42.96	

¹ Excludes exposure to CCP as shown on page 30.

² Exposure weighted average risk weights have been weighted by the sum of the EAD within each of the PD bands.

Basel: Retail portfolio

Retail mortgage exposures relate to mortgage loans to individuals and are a combination of both drawn and undrawn EADs. QRRE relate to cheque accounts, credit cards and revolving personal loans and products, and include both drawn and undrawn exposures. Retail other covers other branch lending and vehicle finance for retail, retail small and retail medium enterprise portfolios. Branch lending includes both drawn and undrawn exposures, while vehicle and asset finance only has drawn exposures.

Internally developed behavioural scorecards are used to measure the anticipated performance for each account. Mapping of the behaviour score to a PD is performed for each portfolio using a statistical calibration of portfolio-specific historical default experience. The behavioural scorecard PDs are used to determine the portfolio distribution on the master rating scale. Separate LGD models are used for each product portfolio and are based on historical recovery data. EAD is measured as a percentage of the credit facility limit and is based on historical averages. EAD is estimated per portfolio and per portfolio-specific segment, using internal historical data on limit utilisation.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Retail mortgages			QRRE			Retail other			Equity	
EAD Rm	LGD %	Exposure weighted average risk weight ² %	EAD Rm	LGD %	Exposure weighted average risk weight ² %	EAD Rm	LGD %	Exposure weighted average risk weight ² %	EAD Rm	PD %
295 692			80 747			90 704			2 163	
136	12.38	1.14	1 185	63.02	1.45	2 427	38.41	4.54		
1 321	13.14	2.39	3 103	62.86	2.71	3 143	41.68	7.94		
106 324	12.71	8.09	9 653	62.77	10.25	13 485	40.92	24.71	291	0.35
163 922	15.35	31.01	59 238	64.77	56.57	65 873	34.40	48.44	1 872	1.32
23 989	17.43	94.94	7 568	64.56	180.31	5 776	43.52	114.76		
14 544	19.27	6.81	4 819	64.20	60.53	3 853	44.23	1.49	78	
310 236	14.78		85 566	64.40		94 557	36.63		2 241	
293 945			78 751			93 323			2 498	
169	12.33	1.11	1 150	63.06	1.45	2 410	38.41	4.30		
1 521	13.15	2.30	3 049	62.86	2.67	3 940	41.68	8.26		
103 857	12.72	8.34	10 262	62.79	10.63	15 492	40.96	23.00	247	0.44
164 998	15.37	31.65	57 830	64.76	55.55	66 374	34.40	48.59	2 251	1.35
23 400	17.46	97.61	6 460	64.54	178.37	5 107	43.51	108.29		
13 484	19.29	0.98	4 353	64.21	70.03	3 614	44.24	0.06	16	
307 429	14.79		83 104	64.37		96 937	36.69		2 514	

Credit portfolio characteristics and metrics in terms of Basel

Basel: Credit portfolio analysis

The credit portfolio is analysed in the tables that follow in terms of the Basel approach and asset class, industry, geography and residual contractual maturity.

Basel: Exposure by approach and class¹

	On-balance sheet			Off-balance sheet			Reverse repurchase and resale agreements		
	Standardised Rm	FIRB Rm	AIRB Rm	Standardised Rm	FIRB Rm	AIRB Rm	Standardised Rm	FIRB Rm	AIRB Rm
June 2014									
Corporate	85 658	13 205	218 830	24 279	1 681	90 149	2 728	23 150	39 882
Sovereign	55 183	7 445	81 427	682	36	6 080	1 311		2 036
Banks	39 003	9 674	40 276	1 363	470	8 645	470	25 498	47 280
Retail exposure	49 813		436 085	9 857		86 042			
Retail mortgages	15 241		296 833	722		30 844			
QRRE	2		59 299			34 632			
Other retail	34 570		79 953	9 135		20 566			
Total	229 657	30 324	776 618	36 181	2 187	190 916	4 509	48 648	89 198
December 2013³									
Corporate	75 504	13 064	198 900	27 349	3 144	95 622	1 940	33 255	16 980
Sovereign	59 150	14 697	60 634	506		3 507	1 350		1 119
Banks	48 283	8 608	37 231	1 570	956	11 864	263	20 060	62 761
Retail exposure	43 925		429 429	12 611		90 454			
Retail mortgages	13 658		293 391	820		31 809			
QRRE	1		56 089			35 461			
Other retail	30 266		79 949	11 791		23 184			
Total	226 862	36 369	726 194	42 036	4 100	201 447	3 553	53 315	80 860

¹ Excludes exposure to CCP as shown on page 30.

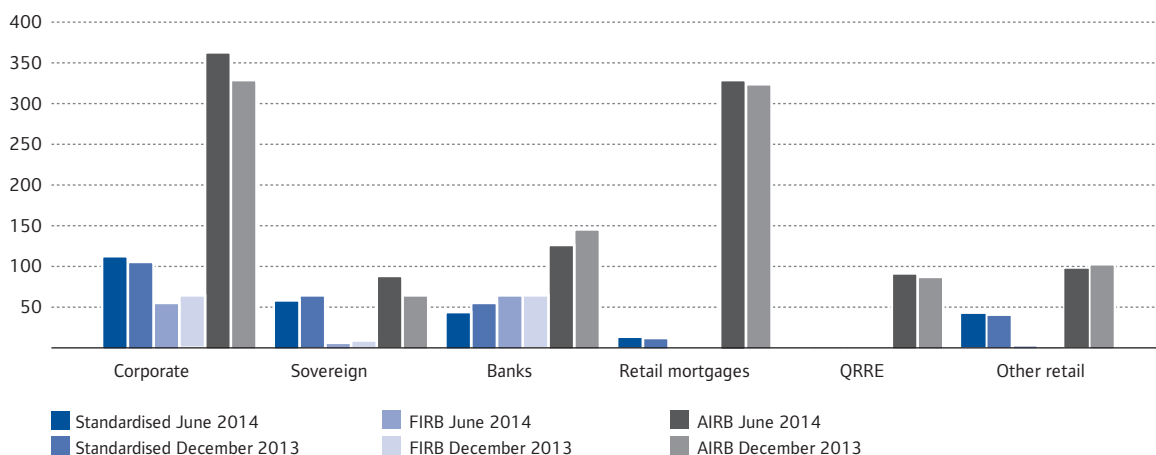
² Amount before the application of any offset, mitigation or netting.

³ Restated. Refer to page 62.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Derivative instruments			Total by approach			Total ²	EAD		Gross past due but not impaired exposures Rm	Gross defaulted exposures ² Rm	Impairment of exposures	
Standardised Rm	FIRB Rm	AIRB Rm	Standardised Rm	FIRB Rm	AIRB Rm		FIRB Rm	AIRB Rm			Specific Rm	Portfolio Rm
3 064	14 490	13 434	115 729	52 526	362 295	530 550	30 653	276 468	914	9 686	3 525	
566	925	1 728	57 742	8 406	91 271	157 419	9 192	84 525		138	100	
1 174	29 882	28 590	42 010	65 524	124 791	232 325	25 089	60 995		70	7	
			59 670		522 127	581 797		490 359	31 822	26 702	10 893	
			15 963		327 677	343 640		310 236	18 853	15 291	4 098	
			2		93 931	93 933		85 566	4 638	4 927	2 979	
			43 705		100 519	144 224		94 557	8 331	6 484	3 816	
4 804	45 297	43 752	275 151	126 456	1 100 484	1 502 091	64 934	912 347	32 736	36 596	14 525	5 508
3 940	13 564	19 262	108 733	63 027	330 764	502 524	33 455	267 448	537	7 877	3 590	
190	641	1 233	61 196	15 338	66 493	143 027	16 093	62 485	1	134	95	
862	31 929	37 144	50 978	61 553	149 000	261 531	25 230	65 110		70	1	
			56 536		519 883	576 419		487 470	30 878	24 271	10 293	
			14 478		325 200	339 678		307 429	17 235	13 923	3 914	
			1		91 550	91 551		83 104	5 106	4 594	2 874	
			42 057		103 133	145 190		96 937	8 537	5 754	3 505	
4 992	46 134	57 639	277 443	139 918	1 066 140	1 483 501	74 778	882 513	31 416	32 352	13 979	5 469

Basel: Exposure by approach class (Rbn)



Basel: Exposures by type of asset and industry¹

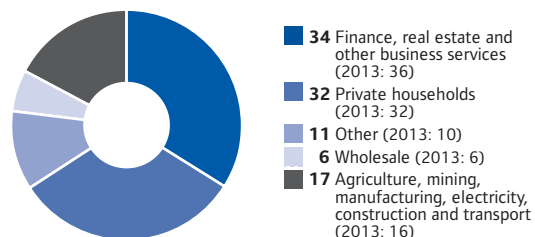
	On-balance sheet Rm	Off-balance sheet Rm	Reverse repurchase and resale agreements Rm	Derivative instruments Rm	Total gross exposure Rm	Gross defaulted exposures ² Rm	Impairment of exposures	
							Specific Rm	Portfolio Rm
June 2014								
Agriculture	22 196	6 318		24	28 538	656	288	
Mining	37 536	30 110	287	807	68 740	697	463	
Manufacturing	57 209	21 632	593	2 479	81 913	1 339	288	
Electricity	14 833	7 001	1	659	22 494	224	86	
Construction	10 162	10 314		394	20 870	1 468	313	
Wholesale	58 284	24 086	8 991	6 568	97 929	4 552	1 928	
Transport	19 275	12 293		800	32 368	1 080	305	
Finance, real estate and other business services	249 771	34 984	130 373	100 741	515 869	2 253	1 095	
Private households	422 962	68 257			491 219	22 651	8 855	
Other	144 384	14 789	2 110	1 144	162 427	1 676	904	
Total	1 036 612	229 784	142 355	113 616	1 522 367	36 596	14 525	5 508
December 2013³								
Agriculture	10 302	3 058	158	16	13 534	500	251	
Mining	40 054	31 649	2 699	788	75 190	833	418	
Manufacturing	55 687	25 880	425	2 760	84 752	1 549	609	
Electricity	12 343	5 448	232	93	18 116	16	6	
Construction	8 752	11 081		68	19 901	1 280	267	
Wholesale	42 509	24 911	14 790	5 520	87 730	2 366	1 751	
Transport	17 860	8 247		788	26 895	949	314	
Finance, real estate and other business services	258 103	47 799	117 397	108 625	531 924	2 954	1 455	
Private households	410 649	72 236		13	482 898	20 576	8 302	
Other	133 272	17 274	2 027	889	153 462	1 329	606	
Total	989 531	247 583	137 728	119 560	1 494 402	32 352	13 979	5 469

¹ The on-balance sheet, off-balance sheet and derivative instruments exposures include exposures to CCPs as shown on page 30.

² Amount before the application of any offset, mitigation or netting.

³ Restated. Refer to page 62.

Basel: Total gross exposure by type of industry (%)



Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Basel: Exposures by type of asset and geographic region¹

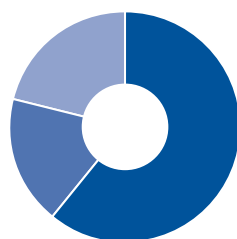
	On-balance sheet Rm	Off-balance sheet Rm	Reverse repurchase and resale agreements Rm	Derivative instruments Rm	Total gross exposure Rm	Gross defaulted exposures ² Rm	Impairment of exposures	
							Specific Rm	Portfolio Rm
June 2014								
South Africa	721 033	178 419	18 112	18 175	935 739	25 524	10 236	
Other African countries	225 699	31 525	7 699	4 112	269 035	6 719	2 659	
Europe	36 112	8 182	98 340	70 377	213 011	265	7	
Asia	36 059	5 296	13 541	5 609	60 505	3 731	1 461	
North America	3 023	4 786	357	14 442	22 608	224	70	
South America	11 742	1 077	4 298	724	17 841			
Other	2 944	499	8	177	3 628	133	92	
Total	1 036 612	229 784	142 355	113 616	1 522 367	36 596	14 525	5 508
December 2013³								
South Africa	686 628	185 938	20 801	21 257	914 624	23 834	9 746	
Other African countries	214 691	39 402	5 513	3 303	262 909	5 986	2 337	
Europe	40 027	10 543	81 704	71 529	203 803	465	277	
Asia	27 471	5 569	23 159	5 756	61 955	1 762	1 378	
North America	10 168	3 989	456	16 794	31 407	174	107	
South America	7 876	1 972	6 081	654	16 583			
Other	2 670	170	14	267	3 121	131	134	
Total	989 531	247 583	137 728	119 560	1 494 402	32 352	13 979	5 469

¹ The on-balance sheet, off-balance sheet and derivative instruments exposures include exposures to CCPs as shown on page 30.

² Amount before the application of any offset, mitigation or netting.

³ Restated. Refer to page 62.

Basel: Total gross exposure by geographic region (%)



■ 61 South Africa (2013: 61)
 ■ 18 Rest of Africa (2013: 18)
 ■ 21 Outside Africa (2013: 21)

Basel: Exposures by residual contractual maturity¹

	Less than 1 year Rm	1 to 5 years Rm	Greater than 5 years Rm	Total gross exposure Rm
June 2014				
Corporate	255 392	241 016	34 143	530 551
Sovereign	108 339	40 734	8 346	157 419
Banks	178 193	41 125	13 007	232 325
Retail exposure	157 709	71 540	352 547	581 796
Retail mortgages	3 893	2 242	337 505	343 640
QRRE	93 933			93 933
Other retail	59 883	69 298	15 042	144 223
Total	699 633	394 415	408 043	1 502 091
December 2013²				
Corporate	243 741	221 978	36 805	502 524
Sovereign	94 067	36 492	12 468	143 027
Banks	197 544	49 744	14 243	261 531
Retail exposure	168 122	62 753	345 544	576 419
Retail mortgages	8 962	4 124	326 592	339 678
QRRE	91 551			91 551
Other retail	67 609	58 629	18 952	145 190
Total	703 474	370 967	409 060	1 483 501

¹ Excludes exposures to CCPs as shown on page 30.

² Restated. Refer to page 62.

Basel: Loss analysis

Actual losses

The table alongside shows the actual losses experienced in the group's IRB exposure classes during the six months ended 30 June 2014, compared to the comparable six months ended 30 June 2013.

Actual losses comprise impairments as determined by IFRS, and exclude post write-off recoveries. The values displayed in the table exclude all standardised approach portfolios. Actual losses for 2014 have increased from 2013 due to higher retail impairment charges in the QRRE segments.

Basel: Analysis of actual losses¹

	June 2014 Rm	June 2013 Rm
IRB exposure class		
Corporate	572	575
Sovereign		124
Banks		124
Retail exposure	3 994	3 542
Retail mortgages	1 301	1 115
QRRE	2 130	1 534
Other retail	563	893
Total	4 566	4 241

¹ Excludes post write-off recoveries and all the standardised approach portfolios.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Basel: IRB exposure class^{1,2}

	PD		LGD		EAD
	Estimated %	Actual %	Estimated %	Actual %	Estimate to actual ratio %
June 2014					
Corporate	1.84	1.29	32.83	28.83	108.00
Sovereign	1.33		16.78		
Banks	0.80	0.19	42.00	66.10	
Retail exposure	4.30	4.20	28.60	22.40	103.20
Retail mortgages	4.20	3.90	18.60	15.30	101.80
QRRE	4.90	5.50	65.20	53.90	105.50
Other retail	4.30	4.40	41.30	41.10	106.30
Total	2.79	2.35	28.93	22.97	103.23
December 2013					
Corporate	1.94	1.40	32.66	15.20	103.31
Sovereign	1.52		16.75		
Banks	0.85	0.17	37.21	66.10	261.79
Retail exposure	4.67	4.37	26.19	22.54	104.70
Retail mortgages	4.53	4.24	18.71	14.97	102.57
QRRE	4.87	4.92	64.71	57.45	106.29
Other retail	4.94	4.33	41.07	41.76	112.71
Total	2.83	2.27	26.56	22.27	105.07
December 2012					
Corporate	2.24	1.54	34.40	21.58	137.42
Sovereign	1.23		16.54		
Banks	0.78		39.69		
Retail exposure	4.21	4.12	26.61	22.60	105.10
Retail mortgages	4.42	2.24	18.73	13.94	102.84
QRRE	4.64	4.49	64.88	60.80	107.89
Other retail	3.23	3.40	41.22	42.17	113.89
Total	2.64	2.11	27.16	22.53	107.40

¹ Excludes all the standardised approach portfolios.

² No data in the columns headed actual reflects either that no default occurred or, if there was a default, there was no loss incurred.

Estimated losses versus actual losses

The table provides a comparison of actual PDs, LGDs and EADs to the estimated through-the-cycle PDs, LGDs and EADs.

Note that this comparison is an approximation as the PD, LGD and EAD actual and estimated parameters are different for reasons that include:

- Estimated PDs are determined at the beginning of the 12-month period to 30 June 2014 using calibrated regulatory models. The models are calibrated to long-run default experience to ensure stable regulatory models over an entire credit cycle and would tend to underestimate actual defaults at the top of the

credit cycle and overestimate actual defaults at the bottom of the credit cycle. The actual PDs are the defaults experienced over the 12-month period.

- LGD estimates are determined at the beginning of the 12-month cycle using the regulatory long-run average based models that include downturn adjustments. Actual LGD values can take several years to be determined as defaulted exposures have to reach a write-off stage to allow for accurate LGD calculations. In order to determine comparable actual LGD values, all accounts that reached a write-off stage during the period July 2011 to June 2014 were used to determine the actual LGD values.

- The EAD ratio reflects estimated through-the-cycle EADs, used to derive the regulatory expected loss, as a percentage of EADs derived from the actual losses. The calculated EAD ratios are averages over the prior three-year period, to enable meaningful averages to be determined.

The analysis is based only on the AIRB portfolios.

The zero or low level of bank and sovereign defaults, experienced in the AIRB portfolio during the period and comparative periods, did not allow for a meaningful calculation of actual sovereign LGD and PD values for sovereign and banks values or a meaningful calculation of sovereign or bank EAD ratios.

Basel: Credit risk mitigation

Collateral, guarantees, derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

The main types of collateral taken are:

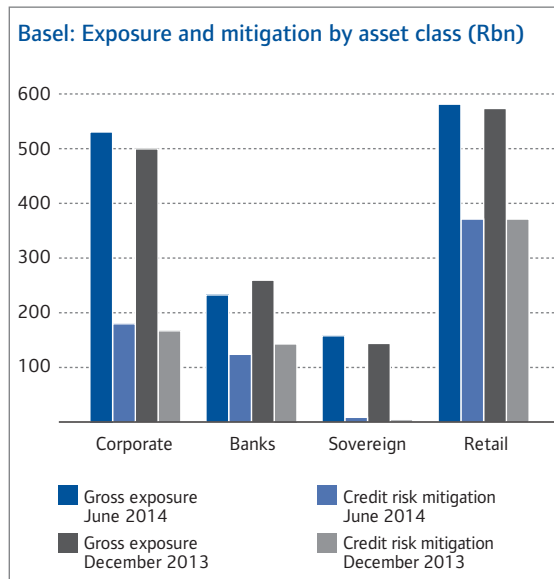
- mortgage bonds over residential, commercial and industrial properties
- cession of book debts
- bonds over plant and equipment
- the underlying movable assets financed under leases and instalment sales.

Reverse repurchase agreements are underpinned by the assets being financed, which are mostly liquid and tradable financial instruments (refer to the table on page 30, Basel: Securities financing transactions). Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

For derivative transactions, the group typically uses internationally recognised and enforceable International Swaps and Derivatives Association agreements, with a credit support annexure, where collateral support is considered necessary. Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty’s public credit rating.

Wrong-way risk arises where there is a positive correlation between counterparty default and transaction exposure, and a negative correlation between transaction exposure and the value of collateral at the point of counterparty default. This risk is addressed by taking into consideration the high correlation between the default event and exposure to the counterparty when calculating the potential exposure and security margin requirements on these transactions. The group monitors and manages its concentrations to credit risk mitigation types, for example, residential property collateral.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, the group implements hedging and other strategies from time to time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.



Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Basel: Credit risk mitigation for portfolios under the IRB approach

	Eligible financial collateral Rm	Other eligible IRB collateral Rm	Guarantees and credit derivatives Rm	Effects of netting agreements ¹ Rm	Total credit risk mitigation Rm	Total exposure ² Rm
June 2014						
Corporate	73 834	62 746	10 031	19 209	165 820	414 821
Sovereign	2 417	830		1 416	4 644	99 677
Banks	70 413		75	52 701	123 189	190 315
Retail exposures		373 446			373 446	522 127
Retail mortgages		316 334			316 334	327 677
QRRE		295			295	93 931
Other retail		56 817			56 817	100 519
Total	146 664	437 022	10 106	73 326	667 118	1 226 940
December 2013³						
Corporate	65 620	57 459	15 771	20 435	159 285	393 791
Sovereign	1 545	367		1 004	2 916	81 831
Banks	83 563		160	57 842	141 565	210 553
Retail exposures		374 862			374 862	519 883
Retail mortgages		317 383			317 383	325 200
QRRE		313			313	91 550
Other retail		57 166			57 166	103 133
Total	150 728	432 688	15 931	79 281	678 628	1 206 058

¹ Netting is not equivalent to offsetting in terms of IFRS.

² Excludes exposure to CCPs as shown on page 30.

³ Restated. Refer to page 62.

Basel: Credit risk mitigation for portfolios under the standardised approach

	Eligible financial collateral Rm	Guarantees and credit derivatives Rm	Effects of netting agreements ¹ Rm	Total credit risk mitigation Rm	Total exposure ² Rm
June 2014					
Corporate	11 148	210	964	12 322	115 729
Sovereign					57 742
Banks	763			763	42 010
Retail					59 670
Total	11 911	210	964	13 085	275 151
December 2013³					
Corporate	5 555	414	1 527	7 600	108 733
Sovereign					61 196
Banks	255		1	256	50 978
Retail					56 536
Total	5 810	414	1 528	7 856	277 443

¹ Netting is not equivalent to offsetting in terms of IFRS.

² Excludes exposure to CCPs as shown on page 30.

³ Restated. Refer to page 62.

Risk types

Credit risk > Credit portfolio characteristics and metrics in terms of Basel continued

Basel: Concentration risk

Concentration risk is the risk of loss to the group arising from an excessive concentration of exposure. The group maintains a portfolio of credit risk that is adequately diversified and avoids excessive concentration risks.

Diversification is achieved through setting maximum exposure guidelines to individual counterparties and sectors.

Basel: Counterparty credit risk

The group is exposed to counterparty credit risk through movements in the fair value of securities financing and OTC derivative contracts. The risk amounts reflect the aggregate replacement costs that would be incurred by the group in the event of counterparties defaulting on their obligations.

The group's exposure to counterparty risk is affected by the nature of the trades, the creditworthiness of the counterparty, and netting and collateral arrangements. Counterparty credit risk is measured in potential future exposure terms and recognised on a net basis where netting agreements are in place and are legally recognised, or otherwise on a gross basis. Exposures are generally marked-to-market daily. Cash or near cash collateral is posted where contractually provided for.

Counterparty credit risk is subjected to explicit credit limits which are formulated and approved for each counterparty and economic group, with specific reference to its credit rating and other credit exposures.

The tables alongside detail the group's exposure to securities financing transactions and CCPs.

Basel: Securities financing transactions

	June 2014 Rm	December ¹ 2013 Rm
Exposure		
With master netting agreement	56 136	42 459
Without master netting agreement	86 219	95 269
Total	142 355	137 728
Collateral		
Cash	27 928	40 581
Commodities	9 227	7 880
Debt securities	109 181	93 302
Equities	6 488	6 584
Total	152 824	148 347
EAD	10 570	10 416

¹ Restated. Refer to page 62.

Basel: Analysis of central counterparty exposure

	Initial margin Rm	Prefunded default fund contributions Rm	Exposure Rm
June 2014			
Qualifying CCP	14 153	606	19 738
Non-qualifying CCP			538
Total	14 153	606	20 276
December 2013¹			
Qualifying CCP	9 779	356	10 896
Non-qualifying CCP			5
Total	9 779	356	10 901

¹ Restated. Refer to page 62.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Basel: Derivatives exposure

	June 2014			December 2013 ²		
	Non-centrally cleared Rm	Centrally cleared		Non-centrally cleared Rm	Centrally cleared	
		On behalf of clients Rm	Total exposure to CCPs Rm		On behalf of clients Rm	Total exposure to CCPs Rm
Notional principal amount¹						
Interest rate products	6 129 369	30 678	829 063	4 036 291	2	162 459
Forex and gold	2 411 906	1 495	7 710	1 905 490	71	124
Equities	69 907	188 469	284 174	49 352	159 041	228 040
Other precious metals	43 264	15	10 279	45 204	3	9 046
Other commodities	181 386	17 680	237 140	193 094	18 326	109 984
Credit derivatives	190 796			176 316		
Protection bought	89 781			95 201		
Protection sold	101 015			81 115		
Total	9 026 628	238 337	1 368 366	6 405 747	177 443	509 653
Netted current credit exposure (net fair value)						
Gross positive fair value	93 582	270	19 764	108 387	379	10 794
Interest rate products	34 940	2	2 417	39 429		744
Forex and gold	37 935	4	13	49 614		
Equities	2 008	215	424	3 113	339	589
Precious metals	2 029		24	2 512		76
Other commodities	14 876	49	16 886	11 300	40	9 385
Credit derivatives	1 794			2 419		
Protection bought	721			1 362		
Protection sold	1 073			1 057		
Offsetting and netting benefits	(80 841)	(164)	(12 715)	(82 892)	(248)	(7 826)
Total	12 741	106	7 049	25 495	131	2 968
EAD	51 410	2 951	20 307	59 072	2 925	13 949
Collateral						
Cash	6 908			14 767		
Gold				3		
Debt securities	1 720			1 525		
Total	8 628			16 295		

¹ Notional principal amount for derivative assets and liabilities.

² Restated. Refer to page 62.

Basel: Securitisation

Securitisation is a transaction whereby the credit risk associated with an exposure, or pool of exposures, is tranching and where payments to investors in the transaction are dependent upon the performance of the exposure or pool of exposures.

A traditional securitisation involves the transfer of the exposures being securitised to a structured entity (SE) which issues securities. In a synthetic securitisation, the tranching is achieved by the use of credit derivatives and the exposures are not removed from the balance sheet of the originator.

The group uses SEs to securitise customer loans and advances that it has originated to diversify its sources of funding for asset origination, for capital efficiency purposes and to reduce risk.

In addition, the group plays a secondary role as an investor in certain third party securitisation note (SEs established by third parties).

The SEs established by the group are:

- ▶ Blue Granite Investments No 1 (RF) Limited (BG 1)
- ▶ Blue Granite Investments No 2 (RF) Limited (BG 2)
- ▶ Blue Granite Investments No 3 (RF) Limited (BG 3)
- ▶ Blue Granite Investments No 4 (RF) Limited (BG 4)
- ▶ Siyakha Fund (RF) Limited (Siyakha)
- ▶ Blue Titanium Conduit (RF) Limited (BTC)

Basel: Roles fulfilled in securitising assets

Securitisation transactions	Originator	Investor	Servicer	Liquidity provider	Credit enhancement provider	Swap counterparty
Traditional securitisations						
BG 1	✓	✓	✓		✓	
BG 2	✓	✓	✓		✓	✓
BG 3	✓	✓	✓		✓	✓
BG 4	✓	✓	✓		✓	✓
Siyakha	✓	✓	✓		✓	✓
Asset-backed commercial paper programme						
BTC		✓		✓	✓	✓
Third-party transactions		✓		✓	✓	✓

Basel: Securitisation transactions

Asset type	Year initiated	Expected close	Assets securitised Rbn	Assets outstanding		Notes outstanding ¹		Retained exposure ^{1,2}	
				June 2014 Rbn	December 2013 Rbn	June 2014 Rbn	December 2013 Rbn	June 2014 Rbn	December 2013 Rbn
Traditional securitisations			17,9	9,5	10,0	10,5	11,0	5,6	5,9
BG 1 ^{3,4} Retail mortgages	2005	2032	4,6	1,1	1,3	1,3	1,4	1,1	1,2
BG 2 ³ Retail mortgages	2006	2041	2,8	2,1	2,1	2,3	2,3	1,2	1,2
BG 3 ³ Retail mortgages	2006	2032	3,0	1,7	1,8	1,9	2,0	1,1	1,2
BG 4 ³ Retail mortgages	2007	2037	5,1	2,9	3,0	3,2	3,4	1,3	1,4
Siyakha Retail mortgages	2007	2043	2,4	1,7	1,8	1,8	1,9	0,9	0,9
Asset-backed commercial paper programme									
BTC ⁴ Various	2002	N/A	N/A	4,1	4,3	4,1	4,3	0,9	0,3
Total			17,9	13,6	14,3	14,6	15,3	6,5	6,2

¹ Capital plus accrued interest.

² Includes notes, first and second loss subordinated loans and notes held by BTC.

³ Rating agency: Moody's.

⁴ Rating agency: Fitch.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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For originated and sponsored or administered securitisations consolidated under IFRS (that is, Siyakha Fund, BG1 – 4 and BTC) intragroup exposures to and between these securitisations have been eliminated and the underlying assets consolidated in the relevant sections (that is, primarily retail mortgages) of the risk disclosure. Only exposures to securitisations of assets originated by third parties are disclosed below and on the following page. The approach applied in the calculation of risk-weighted assets is dependent on the group's approved model for the underlying assets and the existence of a rating from an eligible external credit assessment institution. To date, the group has applied the standardised approach, ratings-based approach and standard formula approach, where relevant, in the calculation of risk-weighted assets. For local securitisations in South Africa, Moody's

Investor Services and/or Fitch act as rating agencies. R1,9 billion of securitisation activities took place during the six months ended 30 June 2014 (31 December 2013: R2,3 billion) (relates to the facilitation of the securitisation of third-party assets into a structured entity that is not consolidated by the group).

The transfer of assets by the group to an SE may give rise to the full or partial derecognition of the financial assets concerned. Only in the event that derecognition is achieved are sales and any resultant gains or losses on sales recognised in the financial statements. Where the SEs are consolidated at group-level, such gains or losses are eliminated.

Basel: Securitised on-balance sheet exposures

	June 2014			December 2013
	Retail mortgages Rm	Retail loans Rm	Total Rm	Total Rm
Standardised – unrated¹				
IRB	872	200	200	100
Unrated ¹		519	1 391	1 552
Investment grade	872	519	1 391	141
				1 411
Total	872	719	1 591	1 652

¹ This includes rated securitisation exposures whose ratings are not eligible for recognition from a regulatory perspective.

Basel: Securitised off-balance sheet exposures¹

	June 2014			December 2013
	Retail mortgages Rm	Retail loans Rm	Total Rm	Total Rm
Standardised – unrated²				
IRB	3 298	300	300	400
Unrated ²		239	3 537	3 425
Investment grade	2 786	239	2 786	2 701
	512		751	724
Total	3 298	539	3 837	3 825

¹ Off-balance sheet consists of credit enhancement and liquidity facilities provided by SEs.

² This includes rated securitisation exposures whose ratings are not eligible for recognition from a regulatory perspective.

Basel: Securitisation by approach – risk-weighted assets

	June 2014 Rm	December 2013 Rm
IRB	504	473
Standardised	261	274
Total	765	747

Credit portfolio characteristics and metrics in terms of IFRS

IFRS: Analysis of loans and advances

The tables on the pages that follow analyse the credit quality of loans and advances measured in terms of IFRS.

IFRS: Maximum exposure to credit risk

Loans and advances are analysed and categorised based on credit quality using the following definitions.

Performing loans

Neither past due nor specifically impaired loans are loans that are current and fully compliant with all contractual terms and conditions. Normal monitoring loans within this category are generally rated 1 to 21, and close monitoring loans are generally rated 22 to 25 using the group's master rating scale.

Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse conditions persist.

Non-performing loans

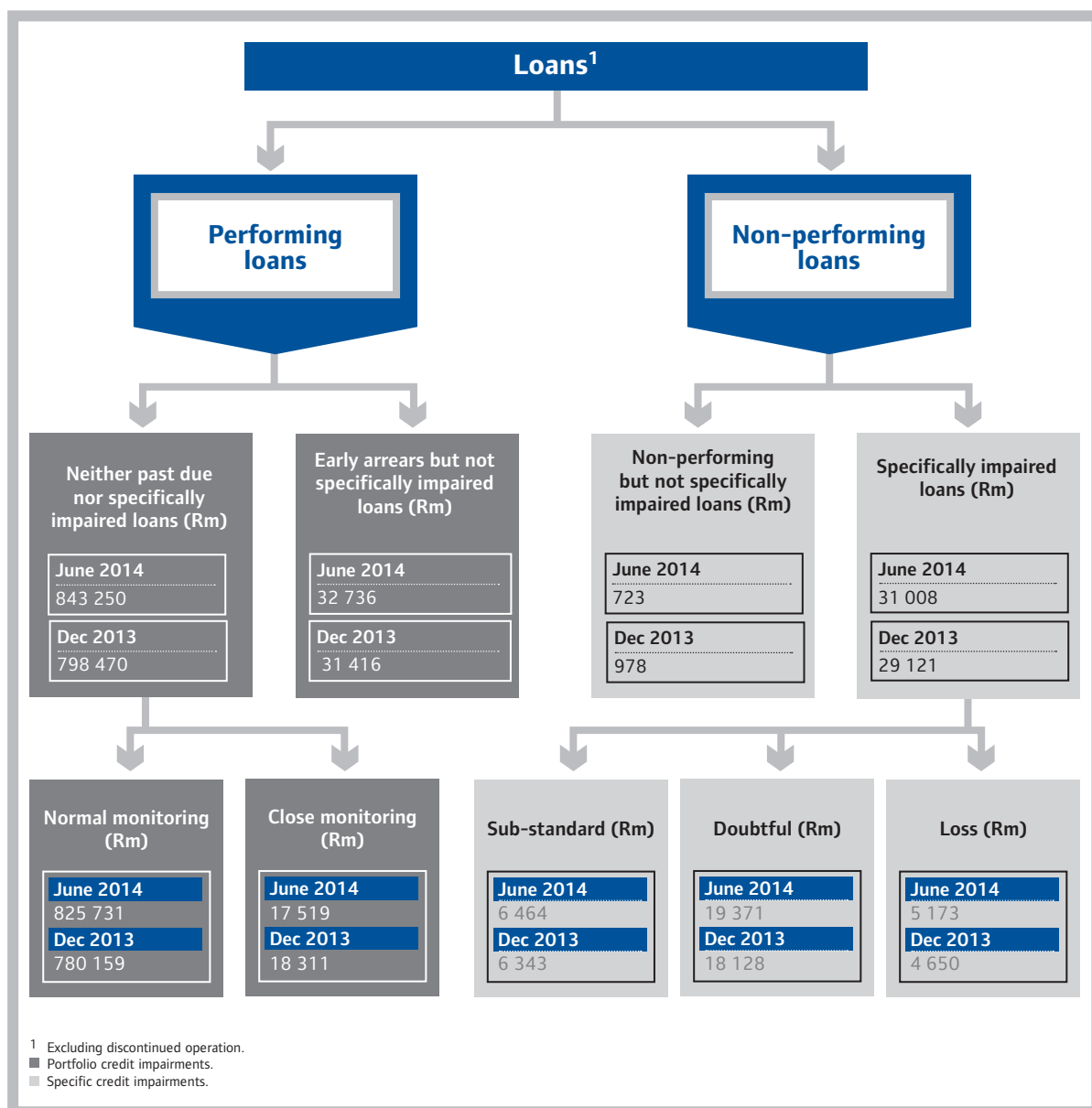
Non-performing loans are those loans for which:

- ▶ the group has identified objective evidence of default, such as a breach of a material loan covenant or condition, or
- ▶ instalments are due and unpaid for 90 days or more.

Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of future cash flows, including collateral.

Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows. Specifically impaired loans are further analysed into the following categories:

- ▶ **Sub-standard:** Items that show underlying well-defined weaknesses and are considered to be specifically impaired.
- ▶ **Doubtful:** Items that are not yet considered final losses due to some pending factors that may strengthen the quality of the items.
- ▶ **Loss:** Items that are considered to be uncollectible in whole or in part. The group provides fully for its anticipated loss, after taking collateral into account.



IFRS: Maximum exposure to credit risk by credit quality

	Gross advances total Rm	Performing loans			Non-performing ¹ Rm
		Neither past due nor specifically impaired		Not specifically impaired	
		Normal monitoring Rm	Close monitoring Rm		
June 2014					
Personal & Business Banking	584 753	508 569	17 381	32 477	
Mortgage loans	313 289	269 463	9 552	18 924	
Instalment sale and finance leases	71 279	62 986	1 614	4 025	
Card debtors	29 751	23 726	2 241	2 162	
Other loans and advances	170 434	152 394	3 974	7 366	
Personal unsecured lending	52 565	41 605	2 521	4 263	
Business lending and other	117 869	110 789	1 453	3 103	
Corporate & Investment Banking	381 757	375 955	138	259	723
Corporate loans	337 369	332 045	138	259	659
Commercial property finance	44 388	43 910			64
Other services	(58 793)	(58 793)			
Gross loans and advances	907 717	825 731	17 519	32 736	723
Discontinued operation's loans and advances	58 830	58 513			39
Gross loans and advances: continuing	907 717				
Less:					
Impairments for loans and advances	(19 852)				
Tutuwa ² loans and advances IFRS adjustment	(1 250)				
Discontinued operation's loans and advances	(58 830)				
Net loans and advances	886 615				

¹ Includes loans of R2 million that are past due but not specifically impaired.

² Tutuwa is the group's black economic empowerment (BEE) ownership initiative.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Non-performing loans

Specifically impaired loans								Total non-performing loans Rm	Non-performing loans %
Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %		
5 802	16 681	3 843	26 326	15 145	11 181	11 181	42	26 326	4.5
3 924	10 988	438	15 350	11 226	4 124	4 124	27	15 350	4.9
323	1 288	1 043	2 654	1 220	1 434	1 434	54	2 654	3.7
421	397	804	1 622	564	1 058	1 058	65	1 622	5.5
1 134	4 008	1 558	6 700	2 135	4 565	4 565	68	6 700	3.9
503	2 709	964	4 176	1 192	2 984	2 984	71	4 176	7.9
631	1 299	594	2 524	943	1 581	1 581	63	2 524	2.1
662	2 690	1 330	4 682	1 520	3 162	3 162	68	5 405	1.4
468	2 497	1 303	4 268	1 244	3 024	3 024	71	4 927	1.5
194	193	27	414	276	138	138	33	478	1.1
				(1)	1	1			
6 464	19 371	5 173	31 008	16 664	14 344	14 344	46	31 731	3.5
	255	23	278	97	181	181	65	317	0.5

IFRS: Maximum exposure to credit risk by credit quality continued

	Gross advances total Rm	Performing loans			
		Neither past due nor specifically impaired		Not specifically impaired	
		Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-performing ¹ Rm
December 2013					
Personal & Business Banking	555 572	482 250	17 921	31 300	
Mortgage loans	308 908	267 160	10 469	17 292	
Instalment sale and finance leases	70 700	62 467	1 789	4 197	
Card debtors	27 786	22 550	1 882	2 058	
Other loans and advances	148 178	130 073	3 781	7 753	
Personal unsecured lending	50 476	39 457	1 906	5 055	
Business lending and other	97 702	90 616	1 875	2 698	
Corporate & Investment Banking	350 880	344 376	390	116	978
Corporate loans	308 667	302 825	390	92	918
Commercial property finance	42 213	41 551		24	60
Other services	(46 467)	(46 467)			
Gross loans and advances	859 985	780 159	18 311	31 416	978
Discontinued operation's loans and advances	58 838	58 564			
Gross loans and advances: continuing	859 985				
Less:					
Impairments for loans and advances	(19 166)				
Tutuwa ² loans and advances IFRS adjustment	(1 199)				
Discontinued operation's loans and advances	(58 838)				
Net loans and advances	839 620				

¹ Includes loans of R42 million that are past due but not specifically impaired.

² Tutuwa is the group's black economic empowerment (BEE) ownership initiative.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Non-performing loans

Specifically impaired loans								Total non-performing loans Rm	Non-performing loans %
Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %		
5 532	14 901	3 668	24 101	13 585	10 516	10 516	44	24 101	4.3
3 835	9 623	529	13 987	10 044	3 943	3 943	28	13 987	4.5
305	1 253	689	2 247	1 092	1 155	1 155	51	2 247	3.2
230	337	729	1 296	372	924	924	71	1 296	4.7
1 162	3 688	1 721	6 571	2 077	4 494	4 494	68	6 571	4.4
503	2 357	1 198	4 058	1 131	2 927	2 927	72	4 058	8.0
659	1 331	523	2 513	946	1 567	1 567	62	2 513	2.6
811	3 227	982	5 020	1 734	3 285	3 285	65	5 998	1.7
512	3 012	918	4 442	1 317	3 124	3 124	70	5 360	1.7
299	215	64	578	417	161	161	28	638	1.5
				(1)	1	1			
6 343	18 128	4 650	29 121	15 318	13 802	13 802	47	30 099	3.5
	251	23	274	98	176	176	64%	274	0.5

IFRS: Movement in group loans and advances impairment

	June 2014				December 2013
	Corporate Rm	Retail secured Rm	Retail unsecured Rm	Total Rm	Total Rm
Specific impairments					
Balance at beginning of the period	3 285	5 098	5 419	13 802	12 516
Reclassified as held for sale					(177)
Net impairment raised and released	450	2 049	2 691	5 190	10 316
Impaired accounts written off	(570)	(1 413)	(2 155)	(4 138)	(9 248)
Discount element recognised in interest income		(188)	(172)	(360)	(558)
Exchange and other movements	(3)	12	(159)	(150)	953
Balance at end of the period	3 162	5 558	5 624	14 344	13 802
Portfolio impairments					
Balance at beginning of the period	1 142	1 274	2 948	5 364	5 188
Reclassified as held for sale					(105)
Net impairment raised and released	36	108	33	177	109
Exchange and other movements	(16)	(14)	(3)	(33)	172
Balance at end of the period	1 162	1 368	2 978	5 508	5 364
Total	4 324	6 926	8 602	19 852	19 166

IFRS: Ageing of loans and advances past due but not impaired

	Less than 31 days Rm	31 to 60 days Rm	61 to 90 days Rm	91 to 180 days Rm	More than 180 days Rm	Total Rm
June 2014						
Personal & Business Banking	20 537	7 754	4 183			32 474
Mortgage loans	11 169	5 040	2 714			18 923
Instalment sale and finance leases	2 801	890	333			4 024
Card debtors	1 374	499	288			2 161
Other loans and advances	5 193	1 325	848			7 366
Personal unsecured lending	2 794	866	603			4 263
Business term lending and other	2 399	459	245			3 103
Corporate & Investment Banking	181	28	55			264
Corporate loans	181	26	53			260
Commercial property finance		2	2			4
Total	20 718	7 782	4 238			32 738
December 2013						
Personal & Business Banking	20 569	7 142	3 589			31 300
Mortgage loans	10 701	4 431	2 160			17 292
Instalment sale and finance leases	2 869	951	377			4 197
Card debtors	1 251	507	300			2 058
Other loans and advances	5 748	1 253	752			7 753
Personal unsecured lending	3 654	858	543			5 055
Business term lending and other	2 094	395	209			2 698
Corporate & Investment Banking	26	90			42	158
Corporate loans	2	90			42	134
Commercial property finance	24					24
Total	20 595	7 232	3 589		42	31 458

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
----------	---------------------------------------	--------------------	----------------------------------	-------------------	--------------	------------------------

Compliance risk

Definition	41	Approach to managing money laundering and terrorist financing	41
Approach to managing compliance risk	41	Approach to sanctions management	41
General approach	41	Approach to managing regulatory change	41
Approach to treating customers fairly (TCF) and market conduct	41	Approach to occupational health and safety	42
		Governance committee	42

Definition

Compliance risk is the risk of legal or regulatory sanctions, financial loss or damage to reputation that the group may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice applicable to its financial services' activities.

This includes addressing new laws as well as amendments to existing laws by regulatory authorities.

Approach to managing compliance risk

General approach

The compliance function operates independently of business in terms of its mandate, which is approved annually by the GAC and is drawn primarily from Regulation 49 of the Banks Act. All compliance teams report through compliance executives to the GCCO.

The group's approach to managing compliance risk is proactive and premised on internationally accepted principles of compliance risk management and supervisory expectations.

Compliance risk management is a core risk management activity overseen by the GCCO. The GCCO has unrestricted access to the group chief executives and to the chairman of the GAC, thereby facilitating the function's independence.

A robust risk management reporting and escalation procedure requires business unit and functional area compliance heads to report on the status of compliance risk management in the group to the GCCO, who escalates significant matters to group management and board committees. There is a key focus on treating customers fairly and market conduct as the South African regulatory framework moves towards a twin peaks model of supervision. The anti-money laundering and combating the financing of terrorism function has expanded its resourcing capability extensively to meet the group's obligations.

Employees, including senior management, are made aware of their statutory compliance responsibilities through ongoing training and awareness initiatives.

Approach to treating customers fairly (TCF) and market conduct

There is a key focus on TCF and market conduct as the South African regulatory framework moves towards a twin peaks model of supervision. Standard Bank has responded to TCF by assigning responsibility to appropriate board committees and executive management and by fostering a culture that introduces fairness into strategy, decision-making, performance, reward and recognition. The existing TCF programme also provides a platform for a broader market conduct programme.

Approach to managing money laundering and terrorist financing

Legislation pertaining to money laundering and terrorist financing control imposes significant requirements in terms of customer due diligence, record keeping, staff training and the obligation to detect, prevent and report suspected money laundering and terrorist financing. The group subscribes to the principles of the Financial Action Task Force, an intergovernmental body that develops and promotes policies to combat money laundering and terrorist financing. An integrated systems approach is being followed to support surveillance and reporting responsibilities.

Group minimum standards are implemented throughout the group, taking into account local jurisdictional requirements.

Approach to sanctions management

The group actively manages the legal, regulatory, reputational and operational risks associated with doing business in jurisdictions which, or with clients who, are subject to embargoes or sanctions imposed by competent authorities. The group sanctions review committee, supported by a sanctions desk, is responsible for providing advice on all sanctions-related matters in a fluid sanctions environment.

Approach to managing regulatory change

The group operates in a highly regulated industry across multiple jurisdictions and is increasingly subject to international legislation with extra-territorial reach.

Risk types

Compliance risk > Approach to the managing compliance risk continued

The group aims to embed regulatory best-practice in our operations in a way that balances the interests of various stakeholders, while supporting the long-term stability and growth in the markets where we have a presence.

The group's regulatory advocacy unit assesses the impact that emerging policy and regulation will have on the business. The group's approach to regulatory advocacy is to engage with government policymakers, legislators and regulators in a proactive and constructive manner.

The group regulatory and legislative oversight committee enhances regulatory risk management by proactively considering the impacts of regulatory developments on the group.

Approach to occupational health and safety

Any risks to the health and safety of employees resulting from hazards in the workplace or potential exposure to occupational illness are managed by the occupational health and safety team. Training of health and safety officers and employee awareness is ongoing. Recent reporting periods have indicated a reduction in reportable incidents.

Governance committee

The primary governance committee overseeing compliance risk is the group compliance committee. It is chaired by the GCCO and is a subcommittee of GROC.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
----------	---------------------------------------	--------------------	----------------------------------	-------------------	--------------	------------------------

Country risk

Definition	43	Approved regulatory capital approaches	43
Approach to managing country risk	43	Country risk portfolio characteristics and metrics	43
Governance committees	43		

Definition

Country risk, also referred to as cross-border country risk, is the uncertainty that obligors (including the relevant sovereign, and including the obligations of group branches and subsidiaries in a country) will be able to fulfil obligations to the group given political or economic conditions in the host country.

Approach to managing country risk

All countries to which the group is exposed are reviewed at least annually. Internal rating models are employed to determine ratings for country, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of the group's network of operations, country visits and external information sources. These ratings are also a key input into the group's credit rating models, with credit loan conditions and covenants linked to country risk events.

The model inputs are continuously updated to reflect economic and political changes in countries. The model outputs are internal risk grades that are calibrated to a country risk grade (CR) from CR01 to CR25, as well as sovereign risk grade (SB) and transfer and convertibility risk grade (SB) from SB01 to SB25. Countries rated CR08 and higher, referred to as medium- and high-risk countries, are subject to increased analysis and monitoring.

Country risk is mitigated through a number of methods, including:

- political and commercial risk insurance
- co-financing with multilateral institutions
- structures to mitigate transferability and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

Governance committees

The primary governance committee overseeing this risk type is the group country risk management committee. It is chaired by the group CRO and is a subcommittee of GROC.

Approved regulatory capital approaches

There are no regulatory capital requirements for country risk. Country risk is, however, incorporated into regulatory capital for credit in the IRB approaches through the country risk rating's impact on credit grades.

Country risk portfolio characteristics and metrics

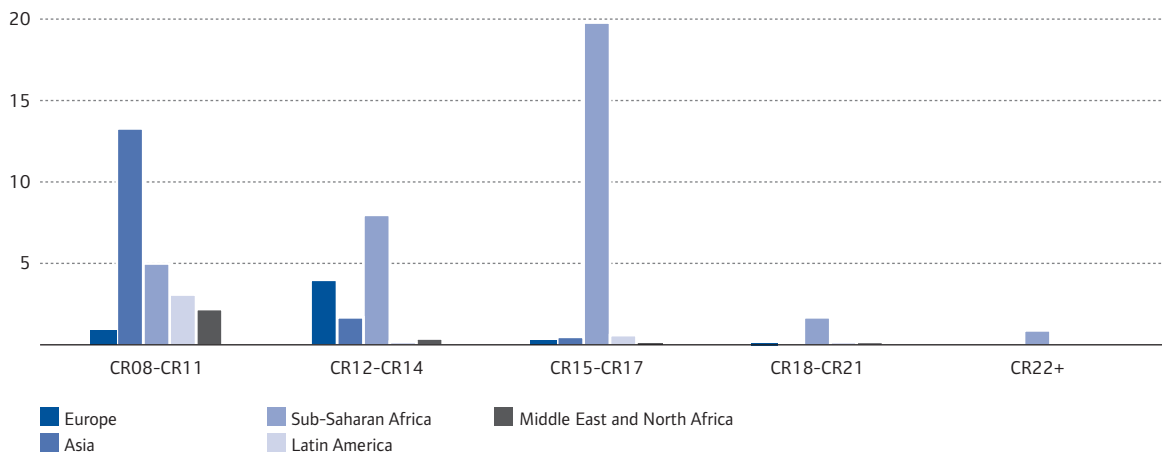
The risk distribution of cross-border country risk exposures is weighted towards European and North American low-risk countries, as well as sub-Saharan African medium- and high-risk countries.

Country risk exposure by region and risk grade

	Europe %	Asia %	North America %	Sub-Saharan Africa %	Latin America %	Middle East and North Africa %	Australasia %
June 2014							
Risk grade							
CR01-CR07	22.1	6.7	7.5		0.4	0.4	1.3
CR08-CR11	0.9	13.2		4.9	3.0	2.1	
CR12-CR14	3.9	1.6		7.9	0.1	0.3	
CR15-CR17	0.3	0.4		19.7	0.5	0.1	
CR18-CR21	0.1			1.6	0.1	0.1	
CR22+				0.8			
December 2013							
Risk grade							
CR01-CR07	24.7	6.3	8.3		0.6	0.3	1.9
CR08-CR11	0.4	11.3		5.2	2.8	1.6	
CR12-CR14	6.1	0.8		9.6	0.1	0.5	
CR15-CR17	0.3	0.4		14.9	0.5	0.1	
CR18-CR21	0.1			2.0	0.1	0.1	
CR22+				1.0			

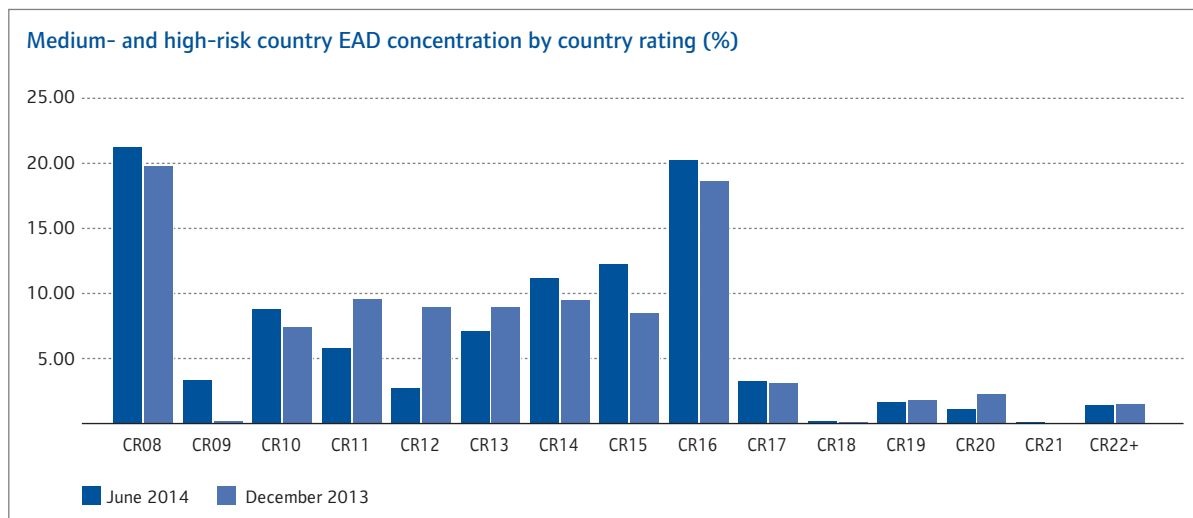
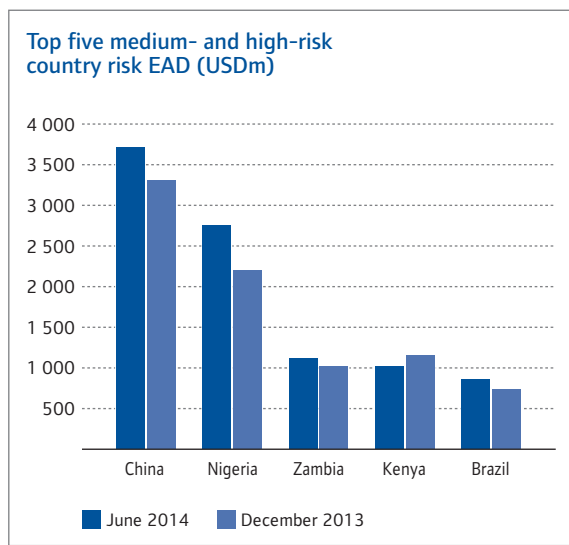
Total medium- and high-risk country risk exposures and total low-risk country risk exposures for the six months ended 30 June 2014 amounted to USD18 billion and USD12 billion, respectively (31 December 2013: USD18 billion and USD14 billion, respectively).

Medium- and high-risk country exposure by region (%): June 2014



Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Exposure to the top five medium- and high-risk countries is shown in the graph that follows. These exposures are in line with the group's growth strategy focused on Africa and selected emerging markets.



Liquidity risk

Definition	46	The group's credit ratings	49
Approach to managing liquidity risk	46	Conduits	49
Governance committee	47	Basel III liquidity requirements	50
Approved regulatory capital approaches	47		
Liquidity characteristics and metrics	47		
Structural liquidity mismatch	47		
Contingency liquidity risk management	48		

Information relating to the six months ended 30 June 2014 is based on Basel III principles, including phasing-in requirements where applicable. In preparation for the implementation of Basel III, liquidity policies and calculations were reviewed and updated.

Definition

Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Approach to managing liquidity risk

The nature of banking and trading gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the group, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. This type of event may arise where counterparties, who provide the group with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The group manages liquidity in accordance with applicable regulations and within the group's risk appetite. The group's liquidity risk management governance framework supports the measurement and management of liquidity across both the corporate and retail sectors to ensure that payment obligations can be met by the group's legal entities, under both normal and stressed conditions. Liquidity risk management ensures that the group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The group's liquidity risk management framework differentiates between:

- ▶ **Tactical (shorter-term) risk management:** managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by ALCO.
- ▶ **Structural (long-term) liquidity risk management:** ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.
- ▶ **Contingent liquidity risk management:** monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
----------	---------------------------------------	--------------------	----------------------------------	-------------------	--------------	------------------------

Governance committee

The primary governance committee overseeing this risk is the group ALCO, which is chaired by the group financial director and is a subcommittee of GROC.

Approved regulatory capital approaches

There are no regulatory capital requirements for liquidity risk.

Liquidity characteristics and metrics

Structural liquidity mismatch

Structural requirements

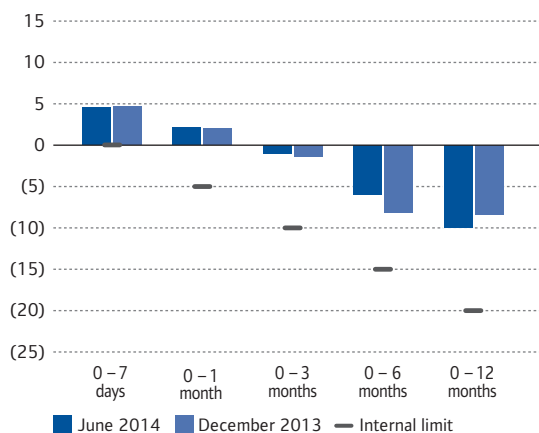
With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or draw-down period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

Structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the group's defined liquidity risk thresholds.

The graph alongside shows the group's cumulative maturity mismatch between assets and liabilities for the 0 to 12 months bucket, after applying behavioural profiling. The cumulative maturity is expressed as a percentage of the group's total funding-related liabilities.

Expected aggregate cash outflows are subtracted from expected aggregate cash inflows. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if potential limit breaches are evidenced. The behaviourally adjusted cumulative liquidity mismatch remains within the group's liquidity risk appetite.

Behaviourally adjusted cumulative liquidity mismatch (%)¹



¹ Positive/(negative) represents net inflows/(net outflows).

Foreign currency liquidity management

Whilst following a consistent approach to liquidity risk management in respect of the foreign currency component of the balance sheet, specific indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates.

Funding strategy

Funding markets are evaluated on an ongoing basis to ensure appropriate group funding strategies are executed depending on the market, competitive and regulatory environment. The group employs a diversified funding strategy, sourcing liquidity in both domestic and offshore markets, and incorporates a coordinated approach to accessing loan and debt capital markets across the group.

Concentration risk limits are used within the group to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as loan and debt capital markets.

Depositor concentrations

	June 2014 %	December 2013 %
Single depositor	1.7	1.9
Top 10 depositors	8.2	8.3

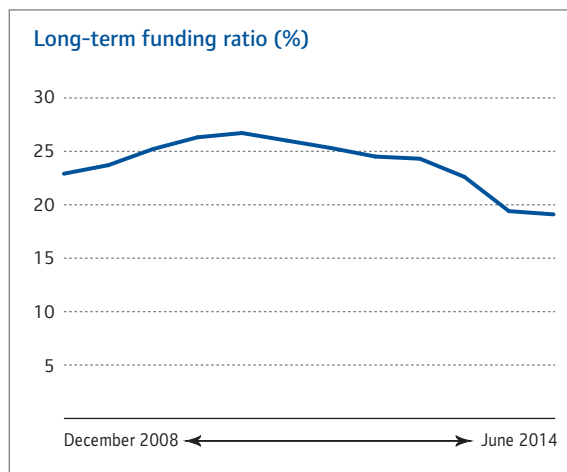
Funding-related liabilities composition

	June 2014 Rbn	December 2013 Rbn
Corporate funding	294	294
Retail deposits	256	245
Institutional funding	219	208
Interbank funding	91	98
Government and parastatals	84	110
Senior and subordinated debt	61	60
Other liabilities to the public	6	14
Total funding-related liabilities	1 011	1 029

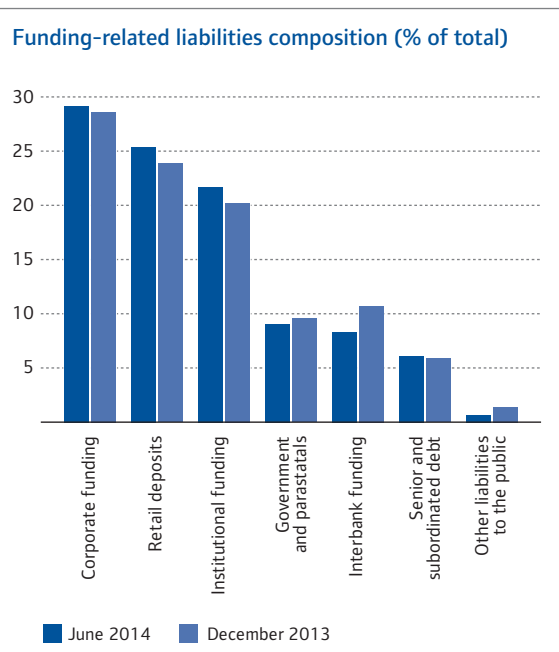
A component of the group's funding strategy is to ensure that sufficient contractual term funding is raised in support of term lending and to ensure adherence to the structural mismatch limits and guidelines. The long-term funding ratio is defined as those funding-related liabilities with a remaining maturity of greater than six months as a percentage of total funding-related liabilities. This definition is derived from the SARB regulations in the South African market, and is different from the Basel III net stable funding ratio (NSFR), which defines long-term as greater than one year. The following graph illustrates the group's long-term funding ratio for the period 31 December 2008 to 30 June 2014. The group's long-term funding ratio was 19.1% at 30 June 2014 (31 December 2013: 19.4%).

The group's long-term funding ratio has declined since 2011. This is a consequence of a liability management strategy based on managing the overall structural liquidity mismatch between term assets and liabilities. Due to continued growth of stable retail deposits, as well as reduced long-dated asset hold positions and adopting a more active term asset distribution strategy, particularly in CIB, less contractually long-dated term funding has had to be raised to maintain the structural liquidity mismatch well within group risk appetite. Going forward the group's long-term funding ratio is expected to gradually increase as the group prepares for the Basel III liquidity regime, specifically the NSFR which is due to be implemented as a minimum standard in 2018.

Long-term funding ratio (%)



Funding-related liabilities composition (% of total)



Contingency liquidity risk management

Contingency funding plans

Contingency funding plans are designed to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an early warning indicator process supported by clear crisis response strategies. Early warning indicators cover bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels.

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the group's funding profiles and liquidity positions. The crisis impact is typically measured over a 30 calendar day period as this is considered the most crucial time horizon for a liquidity event. This measurement period is, however, adapted to meet different regulatory requirements.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Anticipated on- and off-balance sheet cash flows are subjected to a variety of bank-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the group's ability to maintain sufficient liquidity under adverse conditions.

Liquidity buffer

Portfolios of highly marketable liquid securities over and above prudential and regulatory requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within ALCO-defined limits on the basis of diversification and liquidity.

The table below provides a breakdown of the group's liquid and marketable securities as at 30 June 2014 and 31 December 2013.

Total liquidity		
	June 2014 Rbn	December 2013 Rbn
Contingent liquidity ¹	169,3	154,2
Prudential and/or regulatory requirements ²	72,5	68,6
Total liquidity	241,8	222,8
Contingent liquidity as a % of funding-related liabilities	17%	15%

¹ As a 30 calendar day time horizon period or relevant regulatory requirement period.
² Includes notes and coins qualifying as liquid assets.

The group's credit ratings

The group's ability to access funding at cost-effective levels is dependent on maintaining or improving the borrowing entity's credit rating.

The following table provides a summary of the major credit ratings for SBSA.

Credit ratings – SBSA ¹	
Long-term	Fitch
Foreign currency issuer default rating	BBB
Local currency issuer default rating	BBB
	Moody's
Foreign currency deposit rating	Baa1
Local currency deposit rating	Baa1

¹ SBSA is the largest operating entity within the group.

Credit ratings for SBSA are dependent on multiple factors, including the sovereign rating, capital adequacy levels, quality of earnings, credit exposure, the credit risk governance framework and funding diversification. These parameters and their possible impact on the borrowing entity's credit rating are monitored closely and incorporated into the group's liquidity risk management and contingency planning considerations.

A reduction in these ratings could have an adverse effect on the group's access to liquidity sources and funding costs, may trigger collateral calls or lead to the activation of downgrade clauses and early termination associated with certain structured deposits.

Rating downgrades will reduce thresholds above which collateral must be posted with counterparties to cover the group's negative mark-to-market on derivative contracts. The potential cumulative impact on additional collateral requirements is as follows:

Impact on collateral requirements of rating downgrade		
	June 2014 Rm	December ¹ 2013 Rm
One notch	254	292
Two notches	522	663
Three notches	692	832

¹ Restated. Refer to page 62.

Liquid assets held remain adequate to meet all internal stress testing, prudential and regulatory requirements.

Conduits

The group provides standby liquidity facilities to two conduits, namely Blue Titanium Conduit and Thekwini Warehouse Conduit. These facilities, which totalled R6,9 billion as at 30 June 2014 (31 December 2013: R6,8 billion), have not been drawn on.

The liquidity risk associated with these facilities is managed in accordance with the group's overall liquidity position and represents less than 2% of the group's total funding (31 December 2013: 2%). The liquidity facilities are included in both the group's structural liquidity mismatch as well as in liquidity risk stress testing.

Basel III liquidity requirements

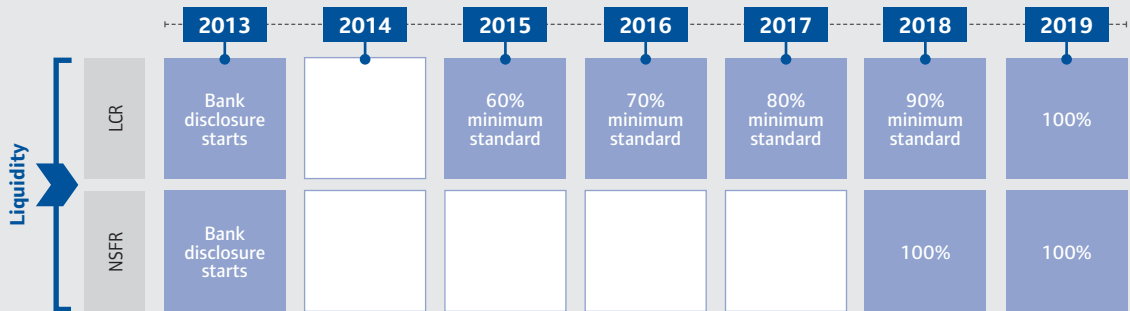
From 2015, the group will be required to comply with the liquidity coverage ratio (LCR), a metric introduced by the BCBS to measure a bank’s ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. The ratio is calculated by taking the group’s high-quality liquid assets and dividing it by net cash outflows.

The minimum LCR requirement effective January 2015 is 60%, increasing by 10% annually to reach 100% in January 2019.

The group is on track to meet the minimum phased-in Basel III LCR standards.

From 2018, the group will also be required to comply with the NSFR, a metric designed to ensure that the majority of term assets are funded by stable sources, such as capital, term borrowings or funds from stable sources. The NSFR requirements are still being finalised by the BCBS.

Basel III implementation timeline



Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
----------	---------------------------------------	--------------------	----------------------------------	-------------------	--------------	------------------------

Market risk

Definition	51	Interest rate risk in the banking book	54
Governance committees	51	Equity risk in the banking book	56
Approved regulatory capital approaches	51	Foreign currency risk	56
Trading book market risk	51		

Definition

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

The group's key market risks are:

- trading book market risk
- IRRBB
- equity risk in the banking book
- foreign currency risk.

Governance committees

The governance committees overseeing market risk are group ALCO, which is chaired by the group financial director, and the group equity risk committee, which is chaired by the CIB CRO. Both are subcommittees of GROC.

Approved regulatory capital approaches

The group has approval from the SARB to adopt the internal models approach for most asset classes and across most market variables.

For material equity portfolios, the group has approval from the SARB to adopt either the market-based or PD/LGD approach.

There are no regulatory capital requirements for IRRBB or on structural foreign exchange exposures.

Trading book market risk

Definition

Trading book market risk is represented by financial instruments held in the trading book, arising out of normal global markets trading activity.

Approach to managing market risk in the trading book

The group's policy is that all trading activities are undertaken within the group's trading operations.

The market risk functions are independent of trading operations and are accountable to the relevant legal entity ALCOs. ALCOs have a reporting line into group ALCO, a subcommittee of GROC.

All VaR and stressed VaR (SVaR) limits require prior approval from the respective entity ALCOs. The market risk functions have the authority to set these limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to bring exposures back in line with approved market risk appetite, with such breaches being reported to management and entity ALCOs.

Measurement

The techniques used to measure and control trading book market risk and trading volatility include VaR and SVaR, stop-loss triggers, stress tests, backtesting and specific business unit and product controls.

VaR and SVaR

The group uses the historical VaR and SVaR approach to quantify market risk under normal conditions and under stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:

- ▶ Calculate 250 daily market price movements based on 251 days' historical data.
- ▶ Calculate hypothetical daily profit or loss for each day using these daily market price movements.
- ▶ Aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days.
- ▶ VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on a period of financial stress and assumes a 10-day holding period and a 99% confidence interval.

Where the group has received internal model approval, the market risk regulatory capital requirement is based on VaR and SVaR, both of which use a confidence level of 99% and a 10-day holding period.

Limitations of historical VaR are acknowledged globally and include:

- ▶ The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature.
- ▶ The use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully.
- ▶ The use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.
- ▶ VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intraday exposures.
- ▶ VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

Stop-loss triggers

Stop-loss triggers are used to protect the profitability of the trading desks, and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily trading losses through acting as a prompt to a review or close-out positions.

Stress tests

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing, combinations of market factors per trading desk and combinations of trading desks using a range of historical, hypothetical and Monte Carlo simulations. Daily losses experienced during the six months ended 30 June 2014 did not exceed the maximum tolerable losses as represented by the group's stress scenario limits.

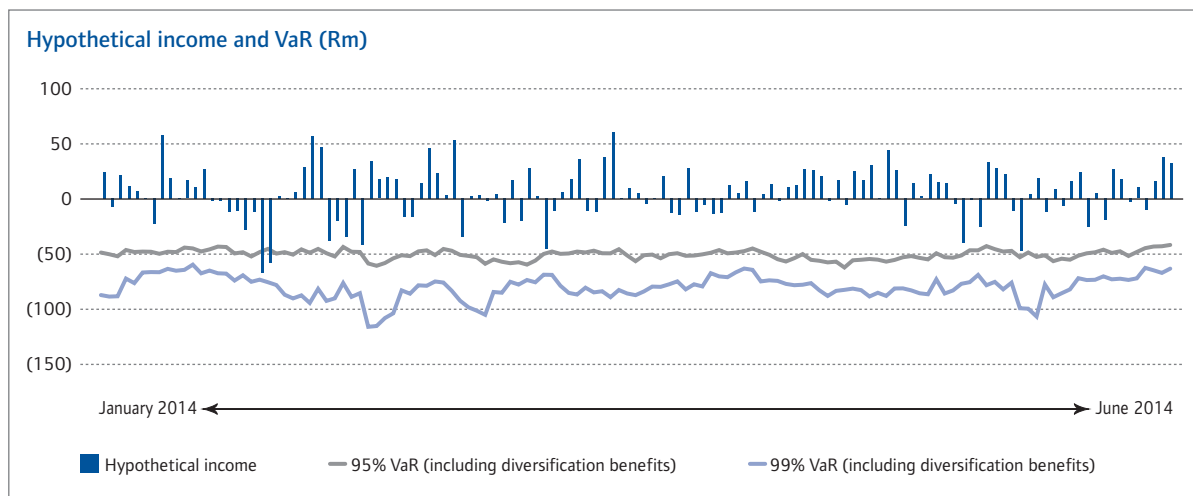
Backtesting

The group back tests its VaR models to verify the predictive ability of the VaR calculations and ensure the appropriateness of the models within the inherent limitations of VaR. Backtesting compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day's calculated VaR. In addition, VaR is tested by changing various model parameters, such as confidence intervals and observation periods to test the effectiveness of hedges and risk-mitigation instruments.

Refer to the graph on the next page for the results of the group's backtesting for the six months ended 30 June 2014.

Regulators categorise a VaR model as green, amber or red and assign regulatory capital multipliers based on this categorisation. A green model is consistent with a satisfactory VaR model and is achieved for models that have four or less backtesting exceptions in a 12-month period. All the group's approved models were assigned green status for the six months ended 30 June 2014 (31 December 2013: green).

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Specific business unit and product controls

Other market risk limits and controls specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor, stop-loss triggers, price validation and balance sheet substantiation.

Trading book portfolio characteristics

VaR for the period under review

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run low levels of market risk throughout the six months ended 30 June 2014.

Trading book normal VaR analysis

	Normal VaR			
	Maximum ¹ Rm	Minimum ¹ Rm	Average Rm	Closing Rm
June 2014				
Commodities risk	19,6	8,4	12,3	9,2
Foreign exchange risk	15,6	5,3	9,5	8,0
Equity position risk	17,5	2,5	8,5	14,5
Debt securities risk	55,7	29,9	43,6	29,9
Diversification benefit ²			(31,4)	(26,2)
Aggregate	52,0	35,4	42,5	35,4
December 2013				
Commodities risk	28,4	7,7	14,4	9,5
Foreign exchange risk	20,3	6,9	10,9	10,9
Equity position risk	21,7	7,5	15,7	9,8
Debt securities risk	61,7	32,3	42,8	37,3
Diversification benefit ²			(37,9)	(29,6)
Aggregate	64,7	32,8	45,8	37,8

¹ The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different dates.

² Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual line item VaRs and the VaR of the whole trading portfolio.

Trading book SVaR analysis

	Stressed VaR			
	Maximum Rm	Minimum Rm	Average Rm	Closing Rm
June 2014				
Pre-diversification			788,4	626,8
Diversification benefit ¹			(305,9)	(253,3)
Aggregate	685,0	340,5	482,5	373,5
December 2013				
Pre-diversification			670,5	787,8
Diversification benefit			(273,8)	(312,1)
Aggregate	642,7	268,5	396,7	475,7

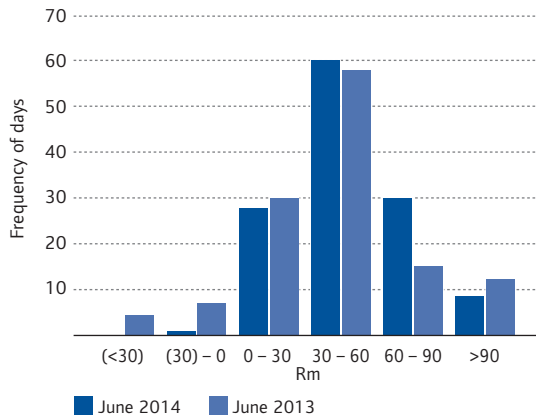
¹ Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual VaRs and the VaR of the whole trading portfolio.

Analysis of trading profit

The graph below shows the distribution of daily profit and losses for the period. It captures trading volatility and shows the number of days in which the group’s trading-related revenues fell within particular ranges. The distribution is skewed favourably to the profit side.

For the six months ended 30 June 2014, trading profit was positive for 127 out of 128 days (30 June 2013: 116 out of 128 days).

Distribution of daily P&L for trading units



Interest rate risk in the banking book

Definition

This risk results from the different repricing characteristics of banking book assets and liabilities.

IRRBB is further divided into the following sub-risk types:

- ▶ **Repricing risk:** timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- ▶ **Yield curve risk:** shifts in the yield curve that have adverse effects on the group’s income or underlying economic value.
- ▶ **Basis risk:** hedge price not moving in line with the price of the hedged position. Examples include bonds/swap basis, futures/underlying basis and prime/Johannesburg Interbank Agreed Rate (JIBAR) basis.
- ▶ **Optionality risk:** options embedded in bank asset and liability portfolios, providing the holder with the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument or financial contract.
- ▶ **Endowment risk:** exposure arising from the net differential between interest rate insensitive assets such as non-earning assets, interest rate insensitive liabilities such as non-paying liabilities and equity.

Approach to managing IRRBB

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The group’s approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the group operates. The group’s TCM team monitors banking book interest rate risk operating under the oversight of group ALCO.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Measurement

The analytical techniques used to quantify IRRBB include both earnings- and valuation-based measures. The analysis takes account of embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles, or through derivative overlays.

Limits

Interest rate risk limits are set in relation to changes in forecast banking book earnings and the economic value of equity. The economic value of equity sensitivity is calculated as the net present value of aggregate asset cash flows less the net present value of aggregate liability cash flows.

All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling.

Hedging of endowment risk

IRRBB is predominantly the consequence of endowment exposures, being the net effect of non-rate sensitive assets less non-rate sensitive liabilities and equity.

The endowment risk is hedged using liquid instruments as and when it is considered opportune. Where permissible, hedge accounting is adopted using the derivatives designated as hedging instruments. Following meetings of the monetary policy committees, or notable market developments, the interest rate view is formulated through ALCO processes.

Non-endowment IRRBB (repricing, yield curve, basis and optionality) is managed within the treasury and the global markets portfolios.

Banking book interest rate exposure characteristics

The table below indicates the rand equivalent sensitivity of the group's banking book earnings (net interest income and banking book mark-to-market profit or loss) and other comprehensive income (OCI) given a parallel yield curve shock. A floor of 0% is applied to all interest rates under the decreasing interest rate scenario. Hedging transactions are taken into account while other variables are kept constant.

Assuming no management intervention, a downward 100 basis point parallel interest rate shock across all foreign currency yield curves and a 200 basis point parallel interest rate shock across rand yield curves, would decrease the forecast 12-month net interest income on 30 June 2014 by R2,9 billion (31 December 2013: R2,7 billion).

Interest rate sensitivity analysis¹

		ZAR	USD	GBP	EUR	Other	Total
June 2014							
Increase in basis points							
Sensitivity of annual net interest income	Rm	200	100	100	100	100	
		2 045	236	13	(6)	381	2 669
Sensitivity of OCI	Rm	1	(72)	(5)		(86)	(162)
Decrease in basis points							
Sensitivity of annual net interest income	Rm	200	100	100	100	100	
		(2 208)	(276)	(13)	6	(432)	(2 923)
Sensitivity of OCI	Rm	(1)	72	5		86	162
December 2013							
Increase in basis points							
Sensitivity of annual net interest income	Rm	200	100	100	100	100	
		1 969	122		(1)	336	2 426
Sensitivity of OCI	Rm	(5)	9	(8)		(172)	(176)
Decrease in basis points							
Sensitivity of annual net interest income	Rm	200	100	100	100	100	
		(2 136)	(199)		1	(368)	(2 702)
Sensitivity of OCI	Rm	5	(9)	8		172	176

¹ Before tax.

The group is favourably positioned for rate tightening cycles, and from a net interest income perspective, stands to benefit from the expected repo rate increases in South Africa over the rest of 2014.

Equity risk in the banking book

Definition

Equity risk is defined as the risk of loss arising from a decline in the value of equity or an equity-type instrument held on the banking book, whether caused by deterioration in the underlying operating asset performance, net asset value, enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

Though issuer risk in respect of tradable equity instruments constitutes equity risk, such traded issuer risk is managed under the trading book market risk framework.

Approach to managing equity risk in the banking book

Equity risk relates to all transactions and investments subject to approval by the ERC, in terms of that committee's mandate, and includes debt, quasi-debt and other instruments that are considered to be of an equity nature.

For the avoidance of doubt, all forms of equity other than banking book equity risk are excluded. Specifically, equity risk excludes strategic investments by the group in subsidiaries, associates and joint ventures (other than those originated by the strategic investments and alliances business unit) deployed in delivering the group's business and service offerings unless the group financial director and group CRO deem such investments to be subject to the consideration and approval by the ERC.

Governance committees

The ERC is constituted as a sub-committee of GROC and operates under delegated authority from that committee, with additional reporting accountability to the CIB equity governance committee closed session.

GROC grants the ERC authority to approve equity risk transactions to be held on the banking book and to manage such equity risk in accordance with the provisions of the group equity risk governance standard and associated policies. This includes the authority to:

- Exercise such powers as are necessary to discharge its responsibilities in terms of this mandate
- Seek independent advice at the group's expense, and investigate matters within its mandate
- Delegate authority to a combination of ERC voting members based on the investment size.

Basel equity positions in the banking book

	June 2014 Rm	December ¹ 2013 Rm
Fair value		
Listed	91	88
Unlisted	2 292	2 590
Total²	2 383	2 678

¹ Restated. Refer to page 62.

² Banking book equity exposures are equity investments which comprise listed and unlisted private equity and strategic investments, and do not form part of the trading book.

Cumulative realised gains from the sale or liquidation of equity positions in the banking book were R52,3 million as at 30 June 2014 (31 December 2013: R24 million gain).

Unrealised gains or losses recognised in OCI were R1 million (31 December 2013: R11 million).

Foreign currency risk

Definition

The group's primary exposures to foreign currency risk arise as a result of the translation effect on the group's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

Approach to managing foreign currency risk

The group foreign currency management committee, a subcommittee of the group capital management committee, manages the risk according to existing legislation, South African exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the group's residual risk by means of forward exchange contracts, currency swaps and option contracts.

Hedging is undertaken in such a way that it does not constrain normal operational activities. In particular, for banking entities outside of the South African common monetary area, the need for capital to fluctuate with risk-weighted assets is taken into account.

The repositioning of the currency profile, which is coordinated at group-level, is a controlled process based on underlying economic views of the relative strength of currencies. The group does not ordinarily hold open exposures of any significance with respect to the banking book.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships are reported directly in OCI, with all other gains and losses on derivatives being reported in profit or loss.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
----------	---------------------------------------	--------------------	----------------------------------	-------------------	--------------	------------------------

Operational risk

Definition	57	Operational risk subtype: Legal risk	58
Approach to managing operational risk	57	Operational risk subtype: Environmental and social risk	58
Insurance cover	58	Operational risk subtype: Technology risk	59
Governance committees	58	Operational risk subtype: Information risk	59
Approved regulatory capital approach	58	Operational risk subtype: Cyber risk	59
Operational risk subtypes	58	Operational risk subtype: Financial crime control	59
Operational risk subtype: Model risk	58	Physical commodities	59
Operational risk subtype: Tax risk	58		

Definition

Operational risk is defined as the risk of loss suffered as a result of the inadequacy of, or a failure in, internal processes, people and/or systems or from external events.

Operational risk subtypes are managed and overseen by specialist functions. These subtypes include:

- model risk
- tax risk
- legal risk
- environmental and social risk
- technology risk
- information risk
- cyber risk
- financial crime control (FCC).

Approach to managing operational risk

Operational risk exists in the natural course of business activity. The group operational risk governance standard sets out the minimum standards for operational risk management to be adopted across the group. The governance standard seeks to ensure adequate and consistent governance, identification, assessment, monitoring, managing and reporting of operational risk to support the group's business operations. In addition, it ensures that the relevant regulatory criteria can be met by those banking entities adopting the advanced measurement approach, and those adopting the basic indicator approach or the standardised approach for regulatory capital purposes. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor possible. The group's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile while maximising their operational performance and efficiency.

The integrated operational risk (IOR) management function is independent from business line management and is part of the second line of defence reporting to the group CRO. It is responsible for the development and maintenance of the operational risk governance framework, facilitating business's adoption of the framework, oversight and reporting, as well as for challenging the risk profile. The team proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best-practice solutions.

Individual teams are dedicated to each business line and enabling functions such as finance, IT and human capital. These teams work alongside their business areas and facilitate the adoption of the operational risk governance framework. As part of the second line of defence, they also monitor and challenge the business units' and enabling functions' management of their operational risk profile.

A central function, based at a group-level, provides group wide oversight and reporting. It is also responsible for developing and maintaining the operational risk governance framework.

Business continuity management (BCM) is a process that identifies potential operational disruptions and provides a basis for planning for the mitigation of the negative impact from such disruptions. In addition, it promotes operational resilience and ensures an effective response that safeguards the interests of the group and its stakeholders. The group's BCM framework encompasses emergency response preparedness and crisis management capabilities to manage the business through a crisis to full recovery. The group's business continuity capabilities are evaluated by testing business continuity plans and conducting crisis simulations.

In April 2014, a crisis management simulation was utilised to test the group crisis management leadership team and plan. The simulation proved to be an effective mechanism to validate the group's crisis management capability and confirmed the embedding of this capability in the group's overall integrated recovery planning process.

Risk types

Operational risk Insurance cover

Insurance cover

The group buys insurance to mitigate operational risk. This cover is reviewed on an annual basis. The group insurance committee oversees a substantial insurance programme.

The primary insurance policies in place are the group crime, professional indemnity, and group directors' and officers' liability insurance policies.

Governance committees

The primary governance committees overseeing operational risk, including the various subtypes, are:

- ▶ group internal financial control governance committee
- ▶ group operational risk committee
- ▶ group regulatory and legislative oversight committee
- ▶ group and business line model approval committees
- ▶ group IT steering committee and the IT architecture governance committee.

Approved regulatory capital approach

The group has approval from the SARB to adopt the AMA for SBSA and the standardised approach for all other legal entities.

The group does not include insurance as a mitigant in the calculation of regulatory capital.

Operational risk subtypes

Operational risk subtype: Model risk

Model risk arises from potential weaknesses in a model that is used in the measurement, pricing and management of risk. These weaknesses include incorrect assumptions, incomplete information, inaccurate implementation, limited model understanding, inappropriate use or inappropriate methodologies leading to incorrect conclusions by the user.

The group's approach to managing model risk is based on the following principles:

- ▶ Fit-for-purpose governance, which includes:
 - ⦿ an approved model risk governance framework
 - ⦿ a three-lines-of-defence governance structure comprising independent model development, model validation and IA oversight functions
 - ⦿ model approval committees with board and executive management membership based on model materiality and regulatory requirements
 - ⦿ policies that define minimum standards, materiality, validation criteria, approval criteria, and roles and responsibilities.
- ▶ A skilled and experienced pool of technically competent staff is maintained in the development, validation and audit functions
- ▶ Robust model-related processes, including:
 - ⦿ the application of best-practice modelling methodologies

- ⦿ independent model validation in accordance with both regulatory and internal materiality assessments
- ⦿ adequate model documentation, including the coverage of model use and limitations
- ⦿ controlled implementation of approved models into production systems
- ⦿ ongoing monitoring of model performance
- ⦿ review and governance of data used as model inputs
- ⦿ peer challenge in technical forums.

Credit IRB models and operational risk AMA models are validated at initial development and at least annually thereafter by the validation function. Other models are validated at initial development and reviewed at intervals determined by materiality and performance criteria. Validation techniques test the appropriateness and effectiveness of the models, and indicate if the model is fit-for-purpose.

Models are recommended by the relevant technical committee for approval or ongoing use to the relevant model approval committee.

Operational risk subtype: Tax risk

Tax risk is defined as any event, action or inaction in tax strategy, operations, financial reporting, or compliance that either adversely affects the group's tax or business objectives or results in an unanticipated or unacceptable level of monetary, financial statement or reputational exposure.

The group's approach to tax risk is governed by the GAC-approved tax risk control framework which, in turn, is supported by policies dealing with specific aspects of tax risk such as, for example, transfer pricing, indirect taxes, withholding taxes and remuneration taxes.

Operational risk subtype: Legal risk

Legal risk is defined as the exposure to the adverse consequences resulting from inaccurately drafted contracts, their execution, the absence of written agreements or inadequate agreements. This includes exceeding authority as contained in the contract. It applies to the full scope of group activities and may also include the activities of third parties acting on behalf of the group. The adverse consequences are the financial losses arising from judgements or private settlements, including punitive damages.

The group has processes and controls in place to manage its legal risks. Failure to manage these risks effectively could result in legal proceedings impacting the group adversely, both financially and reputationally.

Operational risk subtype: Environmental and social risk

Environmental risk is described as a measure of the potential threats to the environment. It combines the probability that events will cause or lead to the degradation of the environment and the magnitude of such degradation. Environmental risk includes risks related to or resulting from climate change, human activities or from natural processes that are disturbed by changes in natural cycles.

Social risk is described as risks to people, their livelihoods, health and welfare, socioeconomic development, social cohesion and the ability to adapt to changing circumstances.

Environmental and social risk assessment and management deals with two aspects:

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
----------	---------------------------------------	--------------------	----------------------------------	------------	--------------	------------------------

- Risks over which the group does not have control but which have potential to impact on the group's operations and its clients.
- Risks over which the group has direct control. These include our immediate direct impact, such as our waste management and the use of energy and water as well as our broader impact, including risks that occur as a result of our lending or financial services activities.

The group sustainability management unit develops the strategy, policy and management frameworks that enable the identification, management, monitoring and reporting of both aspects.

The group has an environmental and social risk management policy and subscribes to a number of international norms and codes, such as those of the United Nations Environment Programme Finance Initiative, the Equator Principles and the Banking Association of South Africa. In support of these policy commitments, it has developed guidance to bankers, screening tools to assist in categorising environmental and social risk and various training programmes to assist credit evaluators, deal makers and other key individuals.

Operational risk subtype: Technology risk

Technology risk encompasses both IT risk and IT change risk. The group's IT risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the group. It consists of IT-related events and conditions that could potentially impact the business. IT change risk refers to risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications that could affect service reliability and availability. The group relies heavily on technology to support complex business processes and handle large volumes of critical information. As a result, a technology failure can have a crippling impact on the group's brand and reputation.

The IOR IT risk function oversees compliance with the IT risk and IT change risk governance standard.

Operational risk subtype: Information risk

Information risk encompasses the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information and which would potentially be harmful to the group's business. Additionally, it comprises of all the challenges that result from the need to control and protect the group's information.

The group has adopted a risk-based approach to managing information risks. The IOR management function oversees the information risk management system, policies and practices across the group.

The execution of these policies and practices is driven through a network of embedded representatives within the business lines. The head of group information risk oversees the execution in conjunction with the heads of embedded operations risk per business area.

The Promotion of Access to Information Act 2 of 2000 gives effect to the constitutional right of access to information that is held by a private or public body. The following information was disclosed in terms of applicable regulations:

- From January 2014 to June 2014, the group processed three (January 2013 to December 2013: 16) requests for access to information, of which one was granted, one was denied, and one is still in progress.

- The reason for the denial of access was that the owners of the personal information declined to give consent for access to be given to the requestor.

Operational risk subtype: Cyber risk

Cyber risk is the risk associated with injury, damage or loss from electronic exposure that can result in an adverse impact on the group's business. This risk may arise due to the disclosure, modification, destruction or theft of information, or from the unavailability of the transaction site, systems or networks. The cyber security operations centre, within IOR, manages this risk by proactively identifying malicious activity that poses a risk to the confidentiality, integrity and availability of the group's information assets. Identification and mitigation of cyber threats includes services to deliver both the proactive immobilisation of threats that are active in the group and the identification, investigation, resolution and reporting of threats that have materialised into cyber incidents.

Operational risk subtype: Financial crime control

The group defines FCC as the prevention and detection of, and response to, all financial crime incidents to mitigate economic loss, reputational risk and regulatory sanction. Financial crime includes fraud, bribery, corruption, theft and integrity misconduct by staff, customers, suppliers, business partners and stakeholders. The group FCC function forms part of the IOR function. As is the case with the other functions within operational risk, FCC maintains close working relationships with other risk functions, specifically compliance, legal risk and credit risk, and with other group functions such as IT, human capital, and finance.

Physical commodities

A physical commodities specialist function based in Johannesburg, London, Singapore and Shanghai manages physical commodities transactions where the group takes ownership of the underlying commodity. The role of the team is to focus on the risks embedded in each trade, on a pre- and post-trade basis, and to ensure they are understood, tracked, controlled and escalated if appropriate. The team works with approved third parties who play a key role in the process and the provision of related control functions such as shipbrokers, insurers, warehouse providers and security companies.

The group, through Standard Bank Plc, entered into a series of commodity reverse repurchase agreements (repos) with a third party client (the client). As at 30 June 2014 the gross exposure was USD167 million against which collateral in the form of aluminium to the value of USD210 million was held in the group's name in bonded warehouses in China. Following default by the client, Standard Bank Plc commenced legal proceedings to realise the value of the aluminium held as collateral. Through these proceedings and related investigations it became clear that, due to possible irregularities, its ability to access these stocks was impaired. As at 30 June 2014, Standard Bank Plc recognised a valuation adjustment of USD80 million against the repos, representing management's best estimate of the risk adjustment required in determining the fair value of Standard Bank Plc's net exposure. Standard Bank Plc considered the collateral, the client's ability to perform and the obligations of the custodians to account for the collateral. The group also maintains insurance for such loss events and insurance claims are in process. The value of rights to compensation from insurers can, however, only be recognised once the applicable IFRS recognition criteria have been met.

Business risk

Business risk is the risk of loss due to operating revenues not covering operating costs.

Business risk is usually caused by the following:

- ▶ inflexible cost structures
- ▶ market-driven pressures, such as decreased demand, increased competition or cost increases
- ▶ group-specific causes, such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.

The group mitigates business risk in a number of ways, including:

- ▶ performing extensive due diligence during the investment appraisal process, in particular for new acquisitions and joint ventures
- ▶ detailed analysis of the business case for, and financial, operational and reputational risk associated with, disposals
- ▶ the application of new product processes per business line through which the risks and mitigating controls for new and amended products and services are evaluated
- ▶ stakeholder management to ensure favourable outcomes from external factors beyond the group's control
- ▶ monitoring the profitability of product lines and customer segments
- ▶ maintaining tight control over the group's cost base, including the management of its cost-to-income ratio, which allows for early intervention and management action to reduce costs
- ▶ being alert and responsive to changes in market forces
- ▶ a strong focus in the budgeting process on achieving headline earnings growth while containing cost growth; contingency plans are built into the budget that allow for costs to be significantly reduced in the event that expected revenues do not materialise
- ▶ increasing the ratio of variable costs to fixed costs which creates flexibility to reduce costs during an economic downturn.

Business risk includes strategic risk and post-retirement obligation risk as follows:

- ▶ Strategic risk is the risk that the group's future business plans and strategies may be inadequate to prevent financial loss or protect the group's competitive position and shareholder returns. The group's business plans and strategies are discussed and approved by executive management and the board and, where appropriate, subjected to stress tests.
- ▶ Post-retirement obligation risk arises from the requirement to contribute as an employer to an under-funded defined benefit plan. The group operates both defined contribution plans and defined benefit plans, with the majority of its employees participating in defined contribution plans. The group's defined benefit pension and healthcare provider schemes for past and certain current employees create post-retirement obligations.

The group mitigates these risks through independent asset managers and independent asset and liability management advisors for material funds. Potential residual risks which may impact the group are managed within the group asset and liability management process.

The primary governance committee for overseeing this risk is the group ALCO which is chaired by the group financial director.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Reputational risk

Reputational risk is the potential or actual damage to the group's image which may impair the profitability and/or sustainability of its business.

Such damage may result from a breakdown of trust, confidence or business relationships on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect the group's ability to maintain existing business or generate new business relationships and continued access to sources of funding.

Safeguarding the group's reputation is of paramount importance. There is growing emphasis on reputational risks arising from compliance breaches, as well as from ethical considerations linked to countries, clients and sectors, and environmental considerations.

The group's crisis management processes are designed to minimise the reputational impact of the event. Crisis management teams are in place both at executive and business line level to ensure the effective management of any such events. This includes ensuring that the group's perspective is fairly represented in the media.

The group's code of ethics is an important reference point for all staff. The group ethics officer and group chief executives are the formal custodians of the code of ethics.



For more information on the group's code of ethics go to www.standardbank.com

Restatements

Capital management – Basel III: qualifying capital excluding unappropriated profits

The group's 2013 normalised financial results included adjustments to reverse the *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5) accounting adjustments to present the group's outside Africa global markets business results as part of the group's 2013 continuing operations. The group's 2013 normalised ordinary shareholders' equity has been restated in order to reflect the IFRS 5 required adjustments, most notably that of the impairment loss of R610 million relating to the disposal of the group's controlling interest in outside Africa global markets business. Refer to page 11 for the restatement of the December 2013 normalised ordinary shareholders' equity.

Credit risk-based: Securities financing transactions

The exposure amounts without master netting agreements were erroneously transposed. The comparative results have accordingly been restated. Refer to page 30 for the restatement of the securities financing transactions exposures.

Liquidity risk: Impact on collateral requirements of ratings downgrade

The method used to calculate the impact on collateral requirements has been updated to include those contracts referencing different thresholds for different rating agencies. The comparative results have accordingly been restated. Refer to page 49 for the restatement.

Market risk: Basel equity positions in the banking book

The total banking book equity positions amount was erroneously calculated to include certain non-banking book positions. The comparative results have accordingly been restated. Refer to page 56 for the restatement of the equity positions in the banking book.

Credit risk: Basel derivatives exposure

The gross positive fair value of derivatives (GPFV) and netting benefits, reported on page 31, previously included cash collateral held on derivative liability positions. The GPFV was also previously determined after the application of offsetting risk positions. The previously reported GPFV has been restated to exclude the cash collateral and to be presented before the effects of offsetting. The netting benefit was restated to include the effects of offsetting and to exclude the cash collateral on the derivative liability positions. The restatement has no effect on the group's capital requirements. These two adjustments have also been adjusted in the following tables:

- ▶ Basel: Exposure subject to the standardised approach per risk weighting: page 18
- ▶ Basel: Exposure by approach and class: page 22 – 23
- ▶ Basel: Exposures by type of asset and industry: page 24
- ▶ Basel: Exposures by type of asset and geographic region: page 25
- ▶ Basel: Exposures by residual contractual maturity: page 26
- ▶ Basel: Credit risk mitigation for portfolios under the IRB approach: page 29
- ▶ Basel: Credit risk mitigation for portfolios under the standardised approach: page 29
- ▶ Basel: Analysis of central counterparty trade exposure: page 30

Terms and conditions of capital instruments issued

Share capital¹

	June 2014 Rm	December 2013 Rm
Authorised		
2 000 000 000 (December 2013: 2 000 000 000) ordinary shares of 10 cents each	200	200
8 000 000 (December 2013: 8 000 000) 6.5% first cumulative preference shares of R1 each	8	8
1 000 000 000 (December 2013: 1 000 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	10	10
	218	218
Issued		
Ordinary share capital		
1 618 210 308 (December 2013: 1 617 844 128) ordinary shares of 10 cents each	162	162
Ordinary share premium	17 906	17 964
A premium of R324 million (December 2013: R377 million) was raised on the allotment and issue during the year of 3 008 952 ordinary shares (December 2013: 4 304 866).		
During 2014 there was a share buyback of 2 642 772 shares (December 2013: 2 877 768) by the group. R382 million was reduced from ordinary share premium.		
Preference share capital and premium	5 503	5 503
8 000 000 (December 2013: 8 000 000) 6.5% first cumulative preference shares of R1 each – first preference shares	8	8
52 982 248 (December 2013: 52 982 248) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each – second preference shares	1	1
Preference share premium – non-redeemable, non-cumulative, non-participating preference shares – second preference shares	5 494	5 494
The non-redeemable, non-cumulative, non-participating preference shares are entitled to an annual dividend, if declared, payable in two semi-annual instalments of not less than 77% of the prime interest rate multiplied by the subscription price of R100 per share. All classes of preference shares in issue are non-redeemable.		
	23 571	23 629

¹ The numbers are, where applicable, presented on a normalised basis. Please refer to page 72 to 74 of the group's 2013 annual integrated report for an explanation of the principal differences between normalised and IFRS results.

Composition of capital – SBG

	June 2014 ¹	
	Basel III Rm	Amounts subject to pre-Basel II treatment Rm
CET I capital	94 517	
Instruments and reserves		
CET I capital before regulatory adjustments	123 883	
Directly issued qualifying common share capital plus related stock surplus	18 068	
Retained earnings	93 709	
Accumulated OCI (and other reserves)	7 918	
Directly issued capital subject to phase out from CET I (only applicable to non-joint stock companies)		
<i>Public sector capital injections grandfathered until 1 January 2018</i>		
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET I)	4 188	
Regulatory adjustments		
<i>Less: total regulatory adjustments to CET I</i>	(29 366)	
Prudential valuation adjustments	(3 728)	
Goodwill (net of related tax liability)	(14 767)	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	(554)	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(864)	
Cash-flow hedge reserve	(2 853)	
Shortfall of provisions to expected losses	(631)	
Securitisation gain on sale	(669)	
Gains and losses due to changes in own credit risk on fair valued liabilities		
Defined-benefit pension fund net assets		
Investments in own shares (if not already netted of paid-in capital on reported balance sheet)		
Reciprocal cross-holdings in common equity		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(5 300)	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
Mortgage servicing rights (amount above 10% threshold)		
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
Amount exceeding the 15% threshold, relating to:		
Significant investments in the common stock of financials		
Mortgage servicing rights		
Deferred tax assets arising from temporary differences		
National specific regulatory adjustments		
<i>Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment</i>		
<i>Regulatory adjustments applied to CET I due to insufficient additional tier I and tier II to cover deductions</i>		

¹ Disclosure based on prescribed SARB template. All blank line items are not applicable as at 30 June 2014.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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	June 2014 ¹	
	Basel III Rm	Amounts subject to pre-Basel II treatment Rm
Additional tier I capital	4 513	
Instruments		
Additional tier I capital before regulatory adjustments	4 513	
Directly issued qualifying additional tier I instruments plus related stock surplus, classified as:	4 396	
Equity under applicable accounting standards	4 396	
Liabilities under applicable accounting standards		
<i>Directly issued capital instruments subject to phase out from additional tier I</i>	5 495	
Additional tier I instruments (and CET I instruments not included in common share capital) issued by subsidiaries and held by third parties (amount allowed in group additional tier I), including:	117	
<i>Instruments issued by subsidiaries subject to phase out</i>		
Regulatory adjustments		
Total regulatory adjustments to additional tier I capital		
Investments in own additional tier I instruments		
Reciprocal cross-holdings in additional tier I instruments		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
National specific regulatory adjustments:		
<i>Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment</i>		
Regulatory adjustments applied to additional tier I due to insufficient additional tier I due to insufficient tier II to cover deductions		
Tier I capital	99 030	
Capital and provisions		
Tier II capital before regulatory adjustments	21 640	
Directly issued qualifying tier II instruments plus related stock surplus		
Directly issued capital instruments subject to phase out from tier II		
Tier II instruments (and CET I and additional tier I instruments not included in common share capital and additional tier I instruments) issued by subsidiaries and held by third parties (amount allowed in group tier II), including:	20 689	
<i>Instruments issued by subsidiaries subject to phase out</i>	26 149	
Provisions	951	
Regulatory adjustments		
Total regulatory adjustments to tier II capital		
Investments in own tier II instruments		
Reciprocal cross-holdings in tier II instruments		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
National specific regulatory adjustments		
<i>Regulatory adjustments applied to tier II in respect of amounts subject to pre-Basel III treatment</i>		
Tier II capital	21 640	
Total capital	120 670	

¹ Disclosure based on prescribed SARB template. All blank line items are not applicable as at 30 June 2014.

Additional information

Composition of capital – SBG continued

	June 2014 ¹	
	Basel III Rm	Amounts subject to pre-Basel II treatment Rm
Total risk-weighted assets	876 105	
<i>Risk-weighted assets in respect of amounts subject to pre-Basel III treatment</i>		
Capital ratios and buffers		
CET I (as a percentage of risk-weighted assets)	%	10.8
Tier I (as a percentage of risk-weighted assets)	%	11.3
Total capital (as a percentage of risk-weighted assets)	%	13.8
Institution-specific buffer requirement (minimum CET I requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIBs buffer requirement, expressed as a percentage of risk-weighted assets)	%	7.0
Capital conservation buffer requirement	%	2.5
Bank-specific countercyclical buffer requirement	%	
Global systemically important bank (G-SIB) buffer requirement	%	
CET I available to meet buffers (as a percentage of risk-weighted assets)	%	9.9
National minima (if different from Basel III)		
National CET I minimum ratio (if different from Basel III minimum) – excluding individual capital requirement (ICR) and D-SIBs	%	5.5
National tier I minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIBs	%	7.0
National total capital minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIBs	%	10.0
Amounts below the threshold for deductions (before risk weighting)		
Non-significant investments in the capital of other financials		631
Significant investments in the common stock of financials		9 982
Mortgage servicing rights (net of related tax liability)		
Deferred tax assets arising from temporary differences (net of related tax liability)		184
Applicable caps on the inclusion of provisions in tier II		
Provisions eligible for inclusion in tier II in respect of exposures subject to standardised approach (prior to application of cap)		5 508
Cap on inclusion of provisions in tier II under standardised approach		951
Provisions eligible for inclusion in tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
Cap for inclusion of provisions in tier II under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)		
Current cap on CET I instruments subject to phase-out arrangements		
Amount excluded from CET I due to cap (excess over cap after redemptions and maturities)		
Current cap on additional tier I instruments subject to phase-out arrangements		
Amount excluded from additional tier I due to cap (excess over cap after redemptions and maturities)		
Current cap on tier II instruments subject to phase-out arrangements		22 834
Amount excluded from tier II due to cap (excess over cap after redemptions and maturities)		3 315

¹ Disclosure based on prescribed SARB template. All blank line items are not applicable as at 30 June 2014.

Composition of capital – SBSA

	June 2014 ¹	
	Basel III Rm	Amounts subject to pre-Basel II treatment Rm
CET I capital	55 496	
Instruments and reserves		
CET I capital before regulatory adjustments	74 053	
Directly issued qualifying common share capital plus related stock surplus	36 354	
Retained earnings	37 316	
Accumulated OCI (and other reserves)	383	
Directly issued capital subject to phase out from CET I (only applicable to non-joint stock companies)		
<i>Public sector capital injections grandfathered until 1 January 2018</i>		
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET I)		
Regulatory adjustments		
Less: total regulatory adjustments to CET I	(18 557)	
Prudential valuation adjustments		
Goodwill (net of related tax liability)	(36)	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	(14 388)	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(17)	
Cash-flow hedge reserve	(28)	
Shortfall of provisions to expected losses	(2 958)	
Securitisation gain on sale		
Gains and losses due to changes in own credit risk on fair valued liabilities	(461)	
Defined-benefit pension fund net assets	(669)	
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
Reciprocal cross-holdings in common equity		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
Mortgage servicing rights (amount above 10% threshold)		
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
Amount exceeding the 15% threshold, relating to:	(1 685)	
Significant investments in the common stock of financials	(1 643)	
Mortgage servicing rights		
Deferred tax assets arising from temporary differences	(42)	
National specific regulatory adjustments		
<i>Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment</i>		
<i>Regulatory adjustments applied to CET I due to insufficient additional tier I and tier II to cover deductions</i>		

¹ Disclosure based on prescribed SARB template. All blank line items are not applicable as at 30 June 2014.

Additional information

Composition of capital – SBSA

	June 2014 ¹	
	Basel III Rm	Amounts subject to pre-Basel II treatment Rm
Additional tier I capital		
Instruments		
Additional tier I capital before regulatory adjustments		
Directly issued qualifying additional tier I instruments plus related stock surplus, classified as:		
Equity under applicable accounting standards		
Liabilities under applicable accounting standards		
<i>Directly issued capital instruments subject to phase out from additional tier I</i>		
Additional tier I instruments (and CET I instruments not included in common share capital) issued by subsidiaries and held by third parties (amount allowed in group additional tier I), including:		
<i>Instruments issued by subsidiaries subject to phase out</i>		
Regulatory adjustments		
Total regulatory adjustments to additional tier I capital		
Investments in own additional tier I instruments		
Reciprocal cross-holdings in additional tier I instruments		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
National specific regulatory adjustments:		
<i>Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment</i>		
Regulatory adjustments applied to additional tier I due to insufficient additional tier I due to insufficient tier II to cover deductions		
Tier I capital	55 496	
Capital and provisions		
Tier II capital before regulatory adjustments	17 437	
Directly issued qualifying tier II instruments plus related stock surplus	17 240	
Directly issued capital instruments subject to phase out from tier II	19 750	
Tier II instruments (and CET I and additional tier I instruments not included in common share capital and additional tier I instruments) issued by subsidiaries and held by third parties (amount allowed in group tier II), including:		
<i>Instruments issued by subsidiaries subject to phase out</i>		
Provisions	197	
Regulatory adjustments		
Total regulatory adjustments to tier II capital	(1 479)	
Investments in own tier II instruments		
Reciprocal cross-holdings in tier II instruments		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	(1 479)	
National specific regulatory adjustments		
<i>Regulatory adjustments applied to tier II in respect of amounts subject to pre-Basel III treatment</i>		
Tier II capital	15 958	
Total capital	71 454	

¹ Disclosure based on prescribed SARB template. All blank line items are not applicable as at 30 June 2014.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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	June 2014 ¹	
	Basel III Rm	Amounts subject to pre-Basel II treatment Rm
Total risk-weighted assets		
<i>Risk-weighted assets in respect of amounts subject to pre-Basel III treatment</i>	504 042	
Capital ratios and buffers		
CET I (as a percentage of risk-weighted assets)	% 11.0	
Tier I (as a percentage of risk-weighted assets)	% 11.0	
Total capital (as a percentage of risk-weighted assets)	% 14.2	
Institution-specific buffer requirement (minimum CET I requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIBs buffer requirement, expressed as a percentage of risk-weighted assets)	% 7.0	
Capital conservation buffer requirement	% 2.5	
Bank-specific countercyclical buffer requirement	%	
G-SIB buffer requirement	%	
CET I available to meet buffers (as a percentage of risk-weighted assets)	% 9.9	
National minima (if different from Basel III)		
National CET I minimum ratio (if different from Basel III minimum) – excluding individual capital requirement (ICR) and D-SIBs	% 5.5	
National tier I minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIBs	% 7.0	
National total capital minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIBs	% 10.0	
Amounts below the threshold for deductions (before risk weighting)		
Non-significant investments in the capital of other financials		355
Significant investments in the common stock of financials		1 643
Mortgage servicing rights (net of related tax liability)		
Deferred tax assets arising from temporary differences (net of related tax liability)		42
Applicable caps on the inclusion of provisions in tier II		
Provisions eligible for inclusion in tier II in respect of exposures subject to standardised approach (prior to application of cap)		281
Cap on inclusion of provisions in tier II under standardised approach		197
Provisions eligible for inclusion in tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
Cap for inclusion of provisions in tier II under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)		
Current cap on CET I instruments subject to phase-out arrangements		
Amount excluded from CET I due to cap (excess over cap after redemptions and maturities)		
Current cap on additional tier I instruments subject to phase-out arrangements		
Amount excluded from additional tier I due to cap (excess over cap after redemptions and maturities)		
Current cap on tier II instruments subject to phase-out arrangements		17 240
Amount excluded from tier II due to cap (excess over cap after redemptions and maturities)		2 510

¹ Disclosure based on prescribed SARB template. All blank line items are not applicable as at 30 June 2014.

Additional information

Capital instruments: main features disclosure template

	Ordinary share capital (including share premium)	Subordinated bond – SBK7	Subordinated bond – SBK9	Subordinated bond – SBK12	Subordinated bond – SBK13
June 2014					
Issuer	SBSA	SBSA	SBSA	SBSA	SBSA
Unique identifier (for example CUSIP, ISIN or Bloomberg identifier for private placement)	ZAG000024894	ZAG000029687	ZAG000073388	ZAG000073396	
Governing law(s) of the instrument	SA	SA	SA	SA	SA
Regulatory treatment					
Transitional Basel III rules	CET I	Tier II	Tier II	Tier II	Tier II
Post-transitional Basel III rules	CET I	Tier II	Tier II	Tier II	Tier II
Eligible at solo/group/group & solo	Solo	Group & solo	Group & solo	Group & solo	Group & solo
Instrument type (types to be specified by each jurisdiction)	Ordinary share capital and premium	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
Amount recognised in regulatory capital (currency in Rm, as of most recent reporting date)	ZAR 36 354	ZAR 3 000	ZAR 1 500	ZAR 1 600	ZAR 1 150
Par value of instrument	ZAR 1	ZAR 3 000	ZAR 1 500	ZAR 1 600	ZAR 1 150
Accounting classification	Equity attributable to ordinary shareholders	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
Original date of issuance	Ongoing	2005/05/24	2006/04/10	2009/11/24	2009/11/24
Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated
Original maturity date	N/A	2020/05/24	2023/04/10	2021/11/24	2021/11/24
Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount (currency in Rm)	N/A	2015/05/24	2018/04/10	2016/11/24	2016/11/24
Subsequent call dates, if applicable	N/A	ZAR 3 000 2015/05/24 or any subsequent interest payment date	ZAR 1 500 2018/04/10 or any subsequent interest payment date	ZAR 1 600 N/A	ZAR 1 150 N/A
Coupons/dividends					
Fixed or floating dividend/coupon	N/A	Fixed	Fixed	Fixed	Floating
Coupon rate and any related index	N/A	9.63% semi annual	8.40% semi annual	10.82% semi annual	JIBAR + 2.20
Existence of a dividend stopper	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Full discretionary	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	Yes	Yes	Yes	Yes
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down feature	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Most subordinated	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured
Non-compliant transitioned features	No	Yes	Yes	Yes	Yes
If yes, specify non-compliant features	N/A	Regulation 38(14)(a)(i)	Regulation 38(14)(a)(i)	Regulation 38(14)(a)(i)	Regulation 38(14)(a)(i)
		Regulation 38(14)(a)(iv)(D)	Regulation 38(14)(a)(iv)(D)	Regulation 38(14)(a)(iv)(D)	Regulation 38(14)(a)(iv)(D)
		Regulation 38(14)(a)(iv)(H)(ii)	Regulation 38(14)(a)(iv)(H)(ii)	Regulation 38(14)(a)(iv)(H)(ii)	Regulation 38(14)(a)(iv)(H)(ii)
Carrying value (Rm)¹					
June 2014	36 354	3 032	1 528	1 618	1 159
December 2013	35 256	3 031	1 528	1 618	1 159

¹ The difference between the carrying and notional value represents accrued interest together with the unamortised fair value adjustments relating to bonds hedged for interest rate risk where applicable.

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Subordinated bond – SBK14	Subordinated bond – SBK15	Subordinated bond – SBK16	Subordinated bond – SBK17	Subordinated bond – SBK18	Subordinated bond – SBK19	Ordinary share capital (including share premium)	Cumulative preference share capital	Non-cumulative preference share capital
SBSA ZAG000091018	SBSA ZAG000092339	SBSA ZAG000093741	SBSA ZAG000097619	SBSA ZAG000100827	SBSA ZAG000100835	SBG SBK ZAE 000109815	SBG SBK ZAE000038881	SBG SBPP ZAE000056339
SA	SA	SA	SA	SA	SA	SA	SA	SA
Tier II Tier II Group & solo Subordinated debt	Tier II Tier II Group & solo Subordinated debt	Tier II Tier II Group & solo Subordinated debt	Tier II Tier II Group & solo Subordinated debt	Tier II Tier II Group & solo Subordinated debt	Tier II Tier II Group & solo Subordinated debt	CET I CET I Group Ordinary share capital and premium	Tier II Tier II Group Preference share capital and share premium ZAR 8	Additional tier I Additional tier I Group Preference share capital and share premium ZAR 4 396
ZAR 1 780	ZAR 1 220	ZAR 2 000	ZAR 2 000	ZAR 3 500	ZAR 500	ZAR 18 068		
ZAR 1 780 Subordinated debt	ZAR 1 220 Subordinated debt	ZAR 2 000 Subordinated debt	ZAR 2 000 Subordinated debt	ZAR 3 500 Subordinated debt	ZAR 500 Subordinated debt	10c Equity attributable to ordinary shareholders Ongoing	ZAR 1 Preference share capital and share premium 1969/11/25	1 c Preference share capital and share premium 2004/07/07, 2006/05/23, 2006/08/12 Perpetual N/A No N/A
2011/12/01	2012/01/23	2012/03/15	2012/07/30	2012/10/24	2012/10/24			
Dated 2022/12/01 Yes 2017/12/01 ZAR 1 780 2017/12/01 or any subsequent interest payment date	Dated 2022/01/23 Yes 2017/01/23 ZAR 1 220 N/A	Dated 2023/03/15 Yes 2018/03/15 ZAR 2 000 N/A	Dated 2024/07/30 Yes 2019/07/30 ZAR 2 000 N/A	Dated 2025/10/24 Yes 2020/10/24 ZAR 3 500 N/A	Dated 2024/10/24 Yes 2019/10/24 ZAR 500 N/A	Perpetual N/A No N/A N/A	Perpetual N/A No N/A N/A	Perpetual N/A No N/A N/A
Fixed 9.66% semi annual	Floating JIBAR + 2.00	Floating JIBAR + 2.10	Floating JIBAR + 2.20	Floating JIBAR + 2.35	Floating JIBAR + 2.20	N/A N/A	Fixed 6.50%	Floating 77% of prime interest rate No Full discretionary
No Mandatory	No Mandatory	No Mandatory	No Mandatory	No Mandatory	No Mandatory	No Full discretionary	No Full discretionary	No Full discretionary
No Non-cumulative Non-convertible N/A Senior unsecured	No Non-cumulative Non-convertible N/A Senior unsecured	No Non-cumulative Non-convertible N/A Senior unsecured	No Non-cumulative Non-convertible N/A Senior unsecured	No Non-cumulative Non-convertible N/A Senior unsecured	No Non-cumulative Non-convertible N/A Senior unsecured	No Non-cumulative Non-convertible N/A Non-cumulative preference shares	No Cumulative Non-convertible N/A Subordinated debt	No Non-cumulative Non-convertible N/A Cumulative preference shares Yes No loss absorbancy features at the point of on non-viability
Yes Regulation 38(14) (a)(i)	Yes Regulation 38(14) (a)(i)	Yes Regulation 38(14) (a)(i)	Yes Regulation 38(14) (a)(i)	Yes Regulation 38(14) (a)(i)	Yes Regulation 38(14) (a)(i)	Yes Regulation 38(14) (a)(i)	No N/A loss absorbancy features at the point of on non-viability	Yes No absorbancy features at the point of on non-viability
Yes Regulation 38(14) (a)(iv)(H)(ii)	Yes Regulation 38(14) (a)(iv)(H)(ii)	Yes Regulation 38(14) (a)(iv)(H)(ii)	Yes Regulation 38(14) (a)(iv)(H)(ii)	Yes Regulation 38(14) (a)(iv)(H)(ii)	Yes Regulation 38(14) (a)(iv)(H)(ii)	Yes Regulation 38(14) (a)(iv)(H)(ii)		
1 794	1 238	2 006	2 027	3 555	507	18 068	8	5 494
1 795	1 237	2 006	2 025	3 552	507	18 126	8	5 494

Additional information

Capital instruments: main features disclosure template continued

June 2014

Issuer

Unique identifier (for example CUSIP, ISIN or Bloomberg identifier for private placement)

Governing law(s) of the instrument

Regulatory treatment

Transitional Basel III rules

Post-transitional Basel III rules

Eligible at solo/group/group & solo

Instrument type (types to be specified by each jurisdiction)

Amount recognised in regulatory capital

(currency in Rm, as of most recent reporting date)

Par value of instrument

Accounting classification

Original date of issuance

Perpetual or dated

Original maturity date

Issuer call subject to prior supervisory approval

Optional call date, contingent call dates and

redemption amount (currency in Rm)

Subsequent call dates, if applicable

Coupons/dividends

Fixed or floating dividend/coupon

Coupon rate and any related index

Existence of a dividend stopper

Fully discretionary, partially discretionary or mandatory

Existence of step up or other incentive to redeem

Non-cumulative or cumulative

Convertible or non-convertible

Write-down feature

Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)

Non-compliant transitioned features

If yes, specify non-compliant features

Carrying value (Rm)¹

June 2014

December 2013

	Subordinated bond – Standard Bank Swaziland 1	Subordinated bond – Standard Bank Swaziland 2	Subordinated bond – Stanbic Bank Botswana 1	Subordinated bond – Stanbic Bank Botswana 5	Subordinated bond – Standard Bank Mozambique
Issuer	Standard Bank Swaziland Limited SZD000551226	Standard Bank Swaziland Limited SZD000551242	Stanbic Bank Botswana Limited SBBL056	Stanbic Bank Botswana Limited SBBL057	Standard Bank Mozambique SBM-2007
Governing law(s) of the instrument	Swaziland	Swaziland	Botswana	Botswana	Mozambique
Regulatory treatment	Tier II	Tier II	Tier II	Tier II	Tier II
Transitional Basel III rules	Tier II	Tier II	Tier II	Tier II	Tier II
Post-transitional Basel III rules	Group & solo	Group & solo	Group & solo	Group & solo	Group & solo
Eligible at solo/group/group & solo	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated
Instrument type (types to be specified by each jurisdiction)	debt	debt	debt	debt	debt
Amount recognised in regulatory capital	ZAR 30	ZAR 50	ZAR 60	ZAR 97	ZAR 88
(currency in Rm, as of most recent reporting date)	E 30	E 50	BWP 50	BWP 80	MT 260
Par value of instrument	ZAR 30	ZAR 50	ZAR 60	ZAR 97	ZAR 88
	E 30	E 50	BWP 50	BWP 80	MT 260
Accounting classification	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
Original date of issuance	2009/12/14	2010/10/14	2011/06/13	2012/05/23	2007/06/29
Perpetual or dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	2019/12/14	2020/10/14	2021/06/13	2022/05/23	2017/06/29
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount (currency in Rm)	2014/12/14	2015/10/14	2016/06/13	2017/05/23	N/A
	E 30	E 50	BWP 50	BWP 80	
Subsequent call dates, if applicable	On or after 14 December 2014	On or after 14 October 2015	On or after 13 June 2016	On or after 23 May 2017	N/A
Coupons/dividends	Fixed	Fixed	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate
Coupon rate and any related index	8.7%	8.1%	91 Day BoBC + 130bps	91 Day BoBC + 150bps	Weighted average + 50bps
Existence of a dividend stopper	No	No	No	No	No
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Yes	Yes	Yes	Yes	Yes
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down feature	N/A	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured
Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes
If yes, specify non-compliant features	Regulation 38(14) (a)(i)	Regulation 38(14) (a)(i)	Regulation 38(14) (a)(i)	Regulation 38 (14) (a)(i)	Regulation 38 (14) (a)(i)
	Regulation 38(14) (a)(iv)(D)	Regulation 38(14) (a)(iv)(D)	Regulation 38(14) (a)(iv)(D)	Regulation 38(14) (a)(iv)(D)	Regulation 38 (14) (a)(iv)(D)
	Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38(14) (a)(iv)(H)(ii)	Regulation 38 (14) (a)(iv)(H)(ii)
Carrying value (Rm) ¹					
June 2014	30	50	60	97	88
December 2013	30	50	60	96	92

¹ The difference between the carrying amount and notional value represent accrued interest together with the unamortised fair value adjustments relating to bonds hedged for interest rate risk (where applicable).

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Subordinated bond – CFC Stanbic Bank Kenya 3	Subordinated bond – CFC Stanbic Bank Kenya 3	Subordinated bond – Stanbic Bank Uganda	Subordinated bond – Stanbic Bank Ghana 1	Subordinated loan – Stanbic Bank Ghana 2	Subordinated loan – Standard Bank DRC	Subordinated loan – Standard Bank Mauritius	Subordinated loan – Standard Bank Tanzania	Subordinated loan – Stanbic Bank Uganda
CFC Stanbic Bank Limited KE1000001684	CFC Stanbic Bank Limited KE1000001672	Stanbic Bank Uganda UG0000000661	Stanbic Bank Ghana Limited IFC	Stanbic Bank Ghana Limited IFC	Stanbic Bank DRC IFC	Standard Bank Mauritius Standard Bank South Africa Mauritius	Standard Bank Tanzania Standard Bank South Africa Tanzania	Stanbic Bank Uganda SAHL
Kenya	Kenya	Uganda	Ghanaian law	Ghana	DRC Congo			Uganda
Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II
Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II
Group & solo	Group & solo	Group & solo	Group & solo	Group & solo	Group & solo	Solo	Solo	Solo
Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated
debt	debt	debt	debt	loan	loan	loan	loan	loan
ZAR 290	ZAR 12	ZAR 124	ZAR 21	ZAR 53	ZAR 33	ZAR 266	ZAR 53	ZAR 74
KES 2 402	KES 98	UGX 30 000	GHS 7	GHS 17	CDF 2 771	USD 25	TZS 8 245	UGX 18 108
ZAR 290	ZAR 12	ZAR 124	ZAR 21	ZAR 53	ZAR 33	ZAR 266	ZAR 53	ZAR 74
KES 2 402	KES 98	UGX 30 000	GHS 7	GHS 17	CDF 2 771	USD 25	TZS 8 245	UGX 18 108
Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated
debt	debt	debt	debt	loan	loan	loan	loan	loan
2009/07/07	2009/07/07	2009/08/10	2012/01/23	2010/03/29	2009/03/16	2012/12/03	2011/12/15	2011/10/31
Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
2016/07/07	2016/07/07	2016/08/10	2022/01/23	2018/03/29	2019/03/16	2022/12/04	2021/12/15	2021/10/31
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N/A	N/A	N/A	2017/01/23	2015/03/29	2014/03/16	2017/12/04	2016/12/15	2016/10/31
N/A	N/A	N/A	GHS 7	GHS 17	CDF 2 771	USD 25	TZS 8 245	UGX 18 108
			23 January 2017 or any interest date thereafter	29 March 2015 or any interest date thereafter	16 March 2014 or any interest date thereafter	5 December 2017 or any interest date thereafter	16 December 2016 or any interest date thereafter	1 November 2016 or any interest date thereafter
Fixed	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate	Fixed	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate
12.5%	182 day T-bill + 175 bps	14.5% and T-bill + 150bps	11.25%	LIBOR + 325bps	LIBOR + 375bps	LIBOR + 300bps	LIBOR + 395bps	LIBOR + 376bps
No	No	No	No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Senior	Senior	Senior	Senior	Senior	Senior	Senior	Senior	Senior
unsecured	unsecured	unsecured	unsecured	unsecured	unsecured	debt	debt	debt
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Regulation 38 (14) (a)(i)	Regulation 38 (14) (a)(i)	Regulation 38 (14) (a)(i)	Regulation 38 (14) (a)(i)	Regulation 38 (14) (a)(i)	Regulation 38 (14) (a)(i)	Regulation 38 (14) (a)(i)	Regulation 38 (14) (a)(i)	Regulation 38 (14) (a)(i)
Regulation 38 (14) (a)(iv)(H)(ii)	Regulation 38 (14) (a)(iv)(D)	Regulation 38 (14) (a)(iv)(H)(ii)	Regulation 38 (14) (a)(iv)(D)	Regulation 38 (14) (a)(iv)(D)	Regulation 38 (14) (a)(iv)(D)	Regulation 38 (14) (a)(iv)(D)	Regulation 38 (14) (a)(iv)(D)	Regulation 38 (14) (a)(iv)(D)
	Regulation 38 (14) (a)(iv)(H)(ii)		Regulation 38 (14) (a)(iv)(H)(ii)	Regulation 38 (14) (a)(iv)(H)(ii)	Regulation 38 (14) (a)(iv)(H)(ii)	Regulation 38 (14) (a)(iv)(H)(ii)	Regulation 38 (14) (a)(iv)(H)(ii)	Regulation 38 (14) (a)(iv)(H)(ii)
290	12	124	21	53	33	266	53	74
292	12	125	31	52	32	262	53	73

Additional information

Capital instruments: main features disclosure template continued

	Subordinated loan – Standard Bank Angola	Subordinated loan – Stanbic Bank IBTC	Subordinated loan – Standard Bank Zambia
June 2014			
Issuer	Standard Bank Angola	Stanbic Bank IBTC	Standard Bank Zambia
Unique identifier (for example CUSIP, ISIN or Bloomberg identifier for private placement)	Standard Bank South Africa Angola	Standard Bank South Africa Nigeria	Standard Bank South Africa Zambia
Governing law(s) of the instrument			
Regulatory treatment			
Transitional Basel III rules	N/A	N/A	Tier II
Post-transitional Basel III rules	N/A	N/A	Tier II
Eligible at solo/group/group & solo	Solo	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	Subordinated loan	Subordinated loan	Subordinated loan
Amount recognised in regulatory capital (currency in Rm, as of most recent reporting date)	ZAR 322	ZAR 424	ZAR 161
Par value of instrument	AOA 2 954	NGN 6 492	ZMK 95
Accounting classification	ZAR 322	ZAR 424	ZAR 161
	AOA 2 954	NGN 6 492	ZMK 95
Original date of issuance	Subordinated loan	Subordinated loan	Subordinated loan
Perpetual or dated	2013/05/23	2013/04/30	2011/12/13
Original maturity date	Dated	Dated	Dated
Issuer call subject to prior supervisory approval	2023/04/23	2025/10/31	2021/12/13
Optional call date, contingent call dates and redemption amount (currency in Rm)	Yes	Yes	Yes
	2018/04/23	2020/05/31	2016/12/13
	AOA 2 954	NGN 6 492	ZMK 95
Subsequent call dates, if applicable	24 April 2018 or any interest date thereafter	1 November 2016 or any interest date thereafter	14 December 2016 or any interest date thereafter
Coupons/dividends			
Fixed or floating dividend/coupon	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate	Fixed margin linked to a floating base rate
Coupon rate and any related index	LIBOR + 360bps	LIBOR + 360bps	LIBOR + 385bps
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Yes	Yes	Yes
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down feature	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior debt	Senior debt	Senior debt
Non-compliant transitioned features	N/A	N/A	Yes
If yes, specify non-compliant features			Regulation 38(14)(a)(i) Regulation 38(14)(a)(iv)(D) Regulation 38(14)(a)(iv)(H)(ii)
Carrying value (Rm)¹			
June 2014			
December 2013	322	424	161
	315	420	157

¹ The difference between the carrying amount and notional value represent accrued interest together with the unamortised fair value adjustments relating to bonds hedged for interest rate risk (where applicable).

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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Subordinated loan - Stanbic Bank DRC	Subordinated bond - Standard Bank Plc 1	Subordinated bond - SB Plc 2	Subordinated bond - SB Plc 4	Subordinated loan - Standard Bank Offshore Group	Subordinated loan - Standard Bank Offshore Group	Subordinated loan - Standard Bank Offshore Group	Subordinated loan - Standard Bank Offshore Group	Subordinated loan - Standard Bank Offshore Group
Stanbic Bank DRC	SB Plc	SB Plc	SB Plc	SBOG	SBOG	SBOG	SBOG	SBOG
Standard Bank South Africa DRC Congo	BXS0262708554 UK	BXS0470473231 UK	BXS0471654409 UK	Standard Bank Offshore Group Jersey	Standard Bank Offshore Group Jersey	Standard Bank South Africa Jersey	Standard Bank Offshore Group Jersey	Standard Bank Offshore Group Jersey
N/A	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II
N/A	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II	Tier II
Solo	Group & solo	Group & solo	Group & solo	Solo	Solo	Solo	Solo	Solo
Subordinated loan	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
ZAR 32	ZAR 1 507	ZAR 5 318	ZAR 266	ZAR 145	ZAR 54	ZAR 179	ZAR 71	ZAR 125
CDF 2 771	USD 142	USD 500	USD 25	GBP 8	GBP 3	GBP 10	GBP 4	GBP 7
ZAR 32	ZAR 1 507	ZAR 5 318	ZAR 266	ZAR 145	ZAR 54	ZAR 179	ZAR 71	ZAR 125
CDF 2 771	USD 142	USD 500	USD 25	GBP 8	GBP 3	GBP 10	GBP 4	GBP 7
Subordinated loan	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
2014/06/03	2006/07/27	2009/12/02	2009/12/03	2011/06/09	2011/06/09	2010/06/10	2011/06/15	2011/06/29
Dated	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated
2024/06/03	N/A	2019/12/02	2019/12/03	2021/06/30	2020/06/30	2020/06/30	2021/06/30	2021/06/30
Yes	Yes	N/A	Yes	N/A	N/A	N/A	N/A	N/A
2019/06/03	2016/07/27	N/A	2014/12/03	N/A	N/A	N/A	N/A	N/A
CDF 2 771	ZAR 1 507		ZAR 266					
4 June 2019 or any interest date thereafter	27 July 2016 or any interest date thereafter	N/A	3 December 2014 or any interest date thereafter	N/A	N/A	N/A	N/A	N/A
Fixed margin linked to a floating base rate LIBOR + 975bps	Fixed until 27/07/2016 then floating 8.012% per annum until 27/07/2016 Then 3 month Libor + 3.25%	Fixed 8.125% per annum	Fixed 8% per annum until 3/12/2014 Then 8.5% until maturity	Floating 25bps over LIBOR, payable 6 monthly	Floating 25bps over LIBOR, payable 3 monthly	Floating 420bps over LIBOR, payable 3 monthly	Floating 25bps over LIBOR, payable 3 monthly	Floating 25bps over LIBOR, payable 6 monthly
No	No	No	No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Yes	Yes	No	Yes	No	No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Senior debt	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured	Senior unsecured
N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Recital 27 of the Capital Requirements Regulation (CRR)	Recital 27 of the CRR	Recital 27 of the CRR	Non-compliant with Basel III post transition	Non-compliant with Basel III post transition	Non-compliant with Basel III post transition	Non-compliant with Basel III post transition	Non-compliant with Basel III post transition
32	1 617	5 784	266	145	54	179	71	125
	1 542	5 643	262	121	45	151	60	106

Acronyms and abbreviations

A	
AIRB	Advanced internal ratings-based
ALCO	Asset and liability committee
AMA	Advanced measurement approach
AOA	Angolan kwanza
B	
Banks Act	South African Banks Act 94 of 1990
Basel	Basel Capital Accord
Basel III	Basel III: A global regulatory framework for more resilient banks and banking systems
BCM	Business continuity management
BCBS	Basel Committee on Banking Supervision
BEE	Black economic empowerment
BG1	Blue Granite No 1 (RF) Limited
BG2	Blue Granite No 2 (RF) Limited
BG3	Blue Granite No 3 (RF) Limited
BG4	Blue Granite No 4 (RF) Limited
BoBC	Bank of Botswana Certificate
BTC	Blue Titanium Conduit (RF) Limited
BPS	Basis points
Board	Standard Bank Group Board of Directors
BWP	Botswana pula
C	
CCP	Central counterparty
CET I	Common equity tier I
CIB	Corporate & Investment Banking
CoE	Cost of equity
CR	Country risk grade
CRR	Capital requirements regulation
CRO	Chief risk officer
CUSIP	Committee on Uniform Securities Identification Procedures

D	
D-SIB	Domestic systemically important bank
E	
E	Swazi emalangeni
EAD	Exposure at default
ERC	Equity risk committee
F	
FCC	Financial crime control
FIRB	Foundation internal ratings-based
G	
GAC	Group audit committee
GBP	British pound sterling
GCCO	Group chief compliance officer
GHS	Ghana cedi
GPFV	Gross positive fair value
GRCMC	Group risk and capital management committee
GROC	Group risk oversight committee
G-SIB	Global systemically important bank
I	
IA	Internal audit
IAS	International Accounting Standards
ICAAP	Internal capital adequacy assessment process
ICR	Individual capital requirement
IFRS	International Financial Reporting Standards
IOR	Integrated operational risk
IRB	Internal ratings-based
IRRBB	Interest rate risk in the banking book
ISIN	International Securities Identification Number
IT	Information technology
J	
JIBAR	Johannesburg Interbank Agreed Rate

Overview	Risk and capital reporting frameworks	Capital management	Risk appetite and stress testing	Risk types	Restatements	Additional information
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K	
KES	Kenyan shilling
L	
LCR	Liquidity coverage ratio
LGD	Loss given default
LIBOR	London Interbank Offered Rate
M	
MT	Mozambican metical
N	
NGN	Nigerian naira
NSFR	Net stable funding ratio
O	
OCI	Other comprehensive income
OTC	Over-the-counter
P	
PBB	Personal & Business Banking
PD	Probability of default
Q	
QRRE	Qualifying retail revolving exposure
R	
R	South African rand
RAPM	Risk-adjusted performance measurement
RAS	Risk appetite statement
Rbn	Billions of rand
RCCM	Group risk, compliance and capital management
Rm	Millions of rand

S	
SARB	South African Reserve Bank
SB	Sovereign risk grade and transfer and convertibility risk grade
SBG	Standard Bank Group
SBSA	The Standard Bank of South Africa Limited
SE	Structured entity
Siyakha	Siyakha Fund (RF) Limited
SVaR	Stressed value-at-risk
T	
T-bill	Treasury bill
TCM	Treasury and capital management
The group	Standard Bank Group
Tier I	Primary capital
Tier II	Secondary capital
Tier III	Tertiary capital
Tutuwa	The group's black economic empowerment ownership initiative
Twin peaks	Model of financial regulation
TZS	Tanzanian shilling
U	
UK	United Kingdom
USD	United States dollar
UGX	Ugandan shilling
V	
VaR	Value-at-risk
Z	
ZAR	South African rand
ZMK	Zambian kwacha

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Facilitating stronger African economies

Our network of on-the-ground operations across sub-Saharan Africa is positioned to serve the anticipated growth in demand for banking and non-banking financial services.

By facilitating access to financial services we enable socioeconomic development and personal wealth creation in the countries in which we operate.

Pictured is CFC Stanbic Limited's (Kenya) head office in Nairobi.

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