Standard Bank Group

Risk and capital disclosure as at 31 March 2017

Standard Bank Moving Forward™

Introduction

This report sets out the Standard Bank Group (group) quarterly disclosures in accordance with the Basel Committee on Banking Supervision's revised pillar 3 disclosure requirements, the South African Reserve Bank (SARB) Directive 11 of 2015, Regulation 43(1)(e)(iii) of the regulations relating to banks and the SARB Directive 4 of 2014 issued in terms of section 6(6) of the Banks Act No. 94 of 1990 (Banks Act).
Shareholders are advised that the information in this report has not been reviewed by the group's auditors.

Overview of risk-weighted assets

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

The following table is an overview of RWA per risk-type and measurement approach:

	RWA Rm		Minimum capital requirements[1] Rm
	Mar-17	Dec-16	Mar -17
Credit risk (excluding counterparty credit risk)	**635 064**	**627 691**	**68 270**
Of which standardised approach	263 951	258 526	28 375
Of which internal rating-based (IRB) approach	371 113	369 165	39 895
Counterparty credit risk	**24 416**	**21 184**	**2 625**
Of which standardised approach	4 073	2 640	438
Of which IRB approach	20 343	18 544	2 187
Equity positions in banking book under market-based approach	**7 170**	**6 167**	**771**
Securitisation exposures in banking book	**679**	**678**	**73**
Of which IRB approach	235	228	25
Of which IRB supervisory formula approach	444	450	48
Of which standardised approach			
Market risk	**39 876**	**39 444**	**4 287**
Of which standardised approach	21 505	21 411	2 312
Of which internal models approach (IMA)	18 371	18 033	1 975
Operational risk	**147 143**	**149 163**	**15 818**
Of which basic indicator approach			
Of which standardised approach	88 380	89 971	9 501
Of which advanced measurement approach	58 763	59 192	6 317
Amounts below the thresholds for deduction	**37 687**	**38 852**	**4 051**
Total	**892 035**	**883 179**	**95 895**

1 Measured at 10.75% in line with transitional requirements and excludes any bank-specific capital requirements. There is currently no requirement for the countercyclical buffer add-on in South Africa. The impact on the group's countercyclical buffer requirement from other jurisdictions that the group operates in is insignificant (buffer requirement of 0.0001%).

Leverage ratio

The non-risk-based leverage measure is designed to complement the Basel III risk-based framework. The leverage ratios of the group and The Standard Bank of South Africa (SBSA) are set out below.

Leverage ratio (group)

	Mar-17	Dec-16	Sep-16	Jun-16
Tier I capital (excluding unappropriated profit, Rm)	**117 237**	118 020	111 701	116 464
Tier I capital (including unappropriated profit, Rm)	**124 459**	126 188	119 257	123 775
Total exposures (Rm)	**1 822 110**	1 821 551	1 798 857	1 817 388
Leverage ratio (excluding unappropriated profits, %)	**6.4**	6.5	6.2	6.4
Leverage ratio (including unappropriated profits, %)	**6.8**	6.9	6.6	6.8

The reconciliation below reflects the material differences between the total assets as per the group's consolidated statement of financial position for the period and the on-balance sheet assets for the purposes of determining the leverage exposure measure.

Reconciliation of financial accounting assets to on-balance sheet assets for leverage exposure (group)

	Mar-17 Rm	Dec-16 Rm	Sep-16 Rm	Jun-16 Rm
Total consolidated financial accounting assets (excluding derivative and gross security financing transactions assets)	**1 757 925**	1 759 634	1 729 456	1 763 772
Gross-up for cash management schemes	**33 152**	37 971	38 398	39 946
Adjustment for share of consolidated insurance assets	**(227 787)**	(225 436)	(208 106)	(203 733)
On-balance-sheet assets (excluding derivative and gross security financing transactions assets)	**1 563 290**	1 572 169	1 559 748	1 599 985

Leverage ratio (SBSA)

	Mar-17	Dec-16	Sep-16	Jun-16
Tier I capital (excluding unappropriated profit, Rm)	**69 419**	68 097	67 965	68 387
Tier I capital (including unappropriated profit, Rm)	**73 889**	76 866	72 578	72 905
Total exposures (Rm)	**1 369 622**	1 379 147	1 360 038	1 369 638
Leverage ratio (excluding unappropriated profits, %)	**5.1**	4.9	5.0	5.0
Leverage ratio (including unappropriated profits, %)	**5.4**	5.6	5.3	5.3

The reconciliation below reflects the material differences between the total assets as per SBSA's consolidated statement of financial position for the period and the on-balance sheet assets for the purposes of determining the leverage exposure measure.

Reconciliation of financial accounting assets to on-balance sheet assets for leverage exposure (SBSA)

	Mar-17 Rm	Dec-16 Rm	Sep-16 Rm	Jun-16 Rm
Total consolidated financial accounting assets (excluding derivative and gross security financing transactions assets)	**1 080 187**	1 098 582	1 085 553	1 101 325
Gross-up for cash management schemes	**31 778**	36 596	38 398	39 946
On-balance-sheet assets (excluding derivative and gross security financing transactions assets)	**1 111 965**	1 135 178	1 123 951	1 141 271

Credit RWA

The table below explains the variations in credit RWA under the internal ratings-based (IRB) approach attributable to each of the key risk drivers.

Note the following:

- asset size represents organic changes in the book size and composition
- asset quality represents changes due to changes in borrower risk, such as risk grade migration or similar effects
- foreign exchange movements are changes driven by changes in foreign exchange rates.

(CR8) IRB – RWA flow statements of credit risk exposures

	RWA amounts Rm
RWA Q4 2016	**369 165**
Asset size	9 030
Asset quality	(5 257)
Foreign exchange movements	771
Other	(2 596)
RWA Q1 2017	**371 113**

Market RWA

The group has approval from the SARB to adopt the IMA for most asset classes and across most market variables in SBSA with the balance of exposures on the standardised model. The group uses the historical value-at-risk (VaR) and stressed VaR (SVaR) approach to quantify market risk under normal and stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95%. SVaR uses a similar methodology to VaR, but is based on a 251-day period of financial stress which is reviewed quarterly and assumes a ten-day holding period and a worst case loss.

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 ten-day holding period.

VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposures. VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

(MR2) RWA flow statements of market risk exposures under an IMA

	VaR Rm	SVaR Rm	Total Rm
RWA Q4 2016	**8 610**	**9 423**	**18 033**
Movement in risk levels	21	317	338
Model updates / changes			
RWA Q1 2017	**8 631**	**9 740**	**18 371**

The increase in RWA is mainly as a result of a change in SVaR exposures due to increased interest rate risk and equity risk during the period.

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Refer to **www.standardbank.com/reporting** for a list of definitions, acronyms and abbreviations