Standard Bank Group

PILLAR 3 DISCLOSURE

AS AT 30 SEPTEMBER 2018

Standard Bank Moving Forward™

Also trading as Stanbic Bank

INTRODUCTION

This report sets out the Standard Bank Group's (group or SBG) quarterly disclosures in accordance with the Basel Committee on Banking Supervision's revised pillar 3 disclosure requirements, the South African Reserve Bank (SARB) Directives 11 of 2015 and 1 of 2018 issued in terms of section 6(6) of the Banks Act No. 94 of 1990 and Regulation 43 of the regulations relating to banks. Certain tables for the Standard Bank of South Africa (SBSA), being a significant bank subsidiary are also included where appropriate.

Shareholders are advised that the information in this report has not been reviewed nor reported on by the group's external auditors.

CAPITAL MANAGEMENT

The following tables provides an overview of the group and SBSA's prudential regulatory metrics.

KM1: Key metrics[1] - SBG

		3Q18	1H18	1Q18	FY17	3Q17
	Available capital[1] (Rm)					
1	Common equity tier I (CET I)	**123 092**	125 772	119 893	118 282	116 291
1a	Fully loaded expected credit losses (ECL) accounting model CET I	**118 824**	120 750	114 870	—	—
2	Tier I	**129 221**	131 807	126 211	124 898	123 106
2a	Fully loaded ECL accounting model tier I	**124 953**	126 785	121 188	—	—
3	Total capital	**146 720**	149 244	144 955	141 939	141 073
3a	Fully loaded ECL accounting model total capital	**145 290**	147 059	142 368	—	—
	Risk-weighted assets (RWA) (Rm)					
4	Total RWA	**1 012 644**	986 352	947 157	957 046	939 807
	Risk-based capital ratios as a percentage of RWA[2]					
5	CET I ratio (%)	**12.2**	12.8	12.7	12.4	12.4
5a	Fully loaded ECL accounting model CET I ratio (%)	**11.8**	12.3	12.1	—	—
6	Tier I ratio (%)	**12.8**	13.4	13.3	13.1	13.1
6a	Fully loaded ECL accounting model tier I ratio (%)	**12.4**	12.9	12.8	—	—
7	Total capital ratio (%)	**14.5**	15.1	15.3	14.8	15.0
7a	Fully loaded ECL accounting model total capital ratio (%)	**14.4**	14.9	15.0	—	—
	Additional CET I buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	**1.9**	1.9	1.9	1.3	1.3
9	Countercyclical buffer requirement (%)	**0.0136**	0.0005	0.0002	0.0005	0.0002
10	Bank domestic systemically important (D-SIB) additional requirements (%)[3]	**—**	—	—	—	—
11	Total of bank CET I specific buffer requirements (%) (row 8 + row 9 + row 10)	**1.9**	1.9	1.9	1.3	1.3
12	CET I available after meeting the bank's minimum capital requirements (%)	**3.2**	3.8	4.2	4.1	4.3
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure (Rm)	**1 803 261**	1 743 754	1 690 832	1 687 522	1 721 359
14	Basel III leverage ratio (%) (row 2 / row 13)	**7.2**	7.6	7.5	7.4	7.2
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	**6.9**	7.3	7.2	—	—
	Liquidity coverage ratio (LCR)					
15	Total high-quality liquid assets (HQLA) (Rm)	**267 148**	249 604	247 835	240 935	227 011
16	Total net cash outflow (Rm)	**212 966**	205 728	195 600	178 337	174 646
17	LCR ratio (%)	**125.4**	121.3	126.7	135.1	130.0
	Net stable funding ratio (NSFR)					
18	Total available stable funding (Rm)	**1 063 429**	1 052 465	1 003 051	—	—
19	Total required stable funding (Rm)	**880 287**	855 107	834 014	—	—
20	NSFR ratio (%)	**120.8**	123.1	120.3	—	—

1 On 1 January 2018 the group adopted IFRS 9 - Financial Instruments . For more information on the IFRS 9 transition adjustment, please refer to the group's IFRS 9 Transition Report which is available on the group's Investor Relations website. In terms of the SARB Directive 5/2017, the group elected the three-year transition period. All metrics are presented on the basis of applying this transition period with the exception of those metrics referred to as 'fully loaded'.
2 Excluding unappropriated profit.
3 Bank-specific confidential requirement.

KM1: Key metrics[1] - SBSA

The following table provides an overview of the group's prudential regulatory metrics.

		3Q18[4]
	Available capital[1] (Rm)	
1	Common equity tier I (CET I)	**72 656**
1a	Fully loaded expected credit losses (ECL) accounting model CET I	**70 577**
2	Tier I	**76 200**
2a	Fully loaded ECL accounting model tier I	**74 121**
3	Total capital	**90 326**
3a	Fully loaded ECL accounting model total capital	**90 201**
	Risk-weighted assets (RWA) (Rm)	
4	Total RWA	**622 441**
	Risk-based capital ratios as a percentage of RWA[2]	
5	CET I ratio (%)	**11.7**
5a	Fully loaded ECL accounting model CET I ratio (%)	**11.3**
6	Tier I ratio (%)	**12.2**
6a	Fully loaded ECL accounting model tier I ratio (%)	**11.9**
7	Total capital ratio (%)	**14.5**
7a	Fully loaded ECL accounting model total capital ratio (%)	**14.5**
	Additional CET I buffer requirements as a percentage of RWA	
8	Capital conservation buffer requirement (2.5% from 2019) (%)	**1.9**
9	Countercyclical buffer requirement (%)	**0.0081**
10	Bank domestic systemically important (D-SIB) additional requirements (%)[3]	**–**
11	Total of bank CET I specific buffer requirements (%) (row 8 + row 9 + row 10)	**1.9**
12	CET I available after meeting the bank's minimum capital requirements (%)	**3.4**
	Basel III leverage ratio	
13	Total Basel III leverage ratio exposure measure (Rm)	**1 442 615**
14	Basel III leverage ratio (%) (row 2 / row 13)	**5.3**
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	**5.1**
	Liquidity coverage ratio (LCR)[5]	
15	Total high-quality liquid assets (HQLA) (Rm)	**171 934**
16	Total net cash outflow (Rm)	**157 473**
17	LCR ratio (%)	**109.2**
	Net stable funding ratio (NSFR)[5]	
18	Total available stable funding (Rm)	**752 596**
19	Total required stable funding (Rm)	**695 342**
20	NSFR ratio (%)	**108.2**

1 On 1 January 2018 the group adopted IFRS 9 - Financial Instruments. For more information on the IFRS 9 transition adjustment, please refer to the group's IFRS 9 Transition Report which is available on the group's Investor Relations website. In terms of the SARB Directive 5/2017, the group elected the three-year transition period. All metrics are presented on the basis of applying this transition period with the exception of those metrics referred to as 'fully loaded'.
2 Excluding unappropriated profit.
3 Bank-specific confidential requirement.
4 Comparatives are not required for first disclosure periods
5 Excludes foreign branches

Overview of risk weighted assets

The table below is an overview of RWA per risk type and measurement approach.

OV1: Basel RWA and associated capital requirements (banking operations) - SBG

	RWA		Minimum capital requirements[1]
	3Q18	1H18	**3Q18**
	Rm	Rm	**Rm**
Credit risk (excluding counterparty credit risk (CCR))	**712 190**	686 215	**79 328**
Of which standardised approach[2]	**308 208**	287 189	**34 330**
Of which internal rating-based (IRB) approach	**403 982**	399 026	**44 998**
CCR	**25 641**	25 261	**2 856**
Of which standardised approach for CCR	**5 193**	4 736	**578**
Of which IRB approach	**20 448**	20 525	**2 278**
Equity positions in banking book under market-based approach	**6 299**	6 455	**702**
Securitisation exposures in banking book	**658**	734	**74**
Of which IRB approach	**454**	580	**51**
Of which IRB supervisory formula approach	**204**	154	**23**
Market risk	**61 875**	64 995	**6 892**
Of which standardised approach	**50 042**	54 372	**5 574**
Of which internal model approach (IMA)	**11 833**	10 623	**1 318**
Operational risk	**159 821**	157 425	**17 802**
Of which standardised approach	**91 017**	88 621	**10 138**
Of which advanced measurement approach	**68 804**	68 804	**7 664**
Amounts below the thresholds for deduction (subject to 250% risk weight)	**46 160**	45 267	**5 142**
Total	**1 012 644**	986 352	**112 796**

1 Measured at 11.14% in line with Basel III 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 in which the group operates is insignificant (buffer requirement of 0.0136%).

2 Portfolios on the standardised approach relate to the group's Africa Regions and portfolios for which application to adopt the IRB approach has not been submitted, or for which an application has been submitted but approval has not been granted.

OV1: Basel RWA and associated capital requirements (banking operations) - SBSA

	RWA		Minimum capital requirements[1]
	3Q18	1H18	3Q18
	Rm	Rm	Rm
Credit risk (excluding CCR)	448 985	443 005	50 010
Of which standardised approach[2]	38 423	36 705	4 279
Of which IRB approach	410 562	406 300	45 731
CCR	21 759	21 840	2 424
Of which standardised approach for CCR	1 309	1 494	146
Of which IRB approach	20 450	20 346	2 278
Equity positions in banking book under market-based approach	3 311	3 572	369
Securitisation exposures in banking book	658	735	74
Of which IRB approach	454	580	51
Of which IRB supervisory formula approach	204	155	23
Market risk	39 307	42 399	4 378
Of which standardised approach	27 474	31 776	3 060
Of which IMA	11 833	10 623	1 318
Operational risk	95 744	95 727	10 665
Of which standardised approach	26 940	26 923	3 001
Of which advanced measurement approach	68 804	68 804	7 664
Amounts below the thresholds for deduction (subject to 250% risk weight)	12 677	12 976	1 412
Total	622 441	620 254	69 332

1 Measured at 11.14% in line with Basel III 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 SBSA's countercyclical buffer requirement from other jurisdictions in which the group operates is insignificant (buffer requirement of 0.0081%).

2 Portfolios on the standardised approach relate to portfolios for which application to adopt the IRB approach has not been submitted, or for which an application has been submitted but approval has not been granted.

Leverage ratio

The non-risk-based leverage measure is designed to complement the Basel III risk-based framework. The tables below show the reconciliation of the total assets in the published financial statements to the leverage ratio exposure measure and detailed breakdowns of the components of the leverage ratio for the group and SBSA.

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure (banking operations) - SBG

	3Q18 Rm	1H18 Rm
Total consolidated assets as per financial statements	**1 672 695**	1 617 569
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**10 341**	10 567
Adjustments for derivative financial instruments	**(7 708)**	(13 949)
Adjustment for securities financing transactions (repos and similar secured lending)	**1 374**	1 035
Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	**119 092**	116 676
Other adjustments	**7 467**	11 856
Leverage ratio exposure	**1 803 261**	1 743 754

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure (banking operations) - SBSA

	3Q18 Rm	1H18 Rm
Total consolidated assets as per financial statements	**1 344 078**	1 316 150
Adjustments for derivative financial instruments	**(9 899)**	(16 255)
Adjustment for securities financing transactions (repos and similar secured lending)	**1 374**	1 035
Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	**87 942**	88 699
Other adjustments	**19 120**	22 213
Leverage ratio exposure	**1 442 615**	1 411 842

LR2: Leverage ratio common disclosure table (banking operations) - SBG

	3Q18 Rm	1H18 Rm
On-balance sheet exposures (excluding derivatives and securities financing transactions (SFT))	**1 549 939**	1 521 644
On-balance sheet exposures (excluding derivatives and SFT, but including collateral)	**1 575 597**	1 545 923
Less: asset amounts deducted in determining Basel III tier I capital	**(25 658)**	(24 279)
Derivatives exposures	**50 449**	52 475
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**11 489**	13 867
Add-on amounts for potential future exposures (PFE) associated with all derivatives transactions	**45 235**	44 553
Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	**(8 536)**	(8 366)
Less: exempted central counterparty leg of client-cleared trade exposures	**(18 504)**	(20 260)
Adjusted effective notional amount of written credit derivatives	**20 765**	22 681
SFT exposures	**83 781**	52 959
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**82 407**	51 924
CCR exposure for SFT assets	**1 374**	1 035
Other off-balance sheet exposures	**119 092**	116 676
Off-balance sheet exposure at gross notional amount	**320 161**	319 977
Less: adjustments for conversion to credit equivalent amounts	**(201 069)**	(203 301)
Capital and total exposures		
Tier I capital[1]	**129 221**	131 807
Total exposures	**1 803 261**	1 743 754
Leverage ratio (%)		
Basel III leverage ratio	**7.2**	7.6
Basel III leverage ratio (including unappropriated profit)	**7.8**	8.1

[1] Excluding unappropriated profit.

LR2: Leverage ratio common disclosure template (banking operations) - SBSA

	3Q18 Rm	1H18 Rm
On-balance sheet exposures (excluding derivatives and SFT)	**1 232 575**	1 221 012
On-balance sheet exposures (excluding derivatives and SFT, but including collateral)	**1 245 571**	1 234 098
Less: asset amounts deducted in determining Basel III tier I capital	**(12 996)**	(13 086)
Derivatives exposures	**48 335**	51 624
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**8 893**	12 386
Add-on amounts for PFE associated with all derivatives transactions	**45 747**	45 185
Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	**(8 565)**	(8 368)
Less: exempted CCP leg of client-cleared trade exposures	**(18 505)**	(20 260)
Adjusted effective notional amount of written credit derivatives	**20 765**	22 681
Less: adjusted effective notional offsets and add-on deductions for written credit derivatives	**—**	—
SFT exposures	**73 763**	50 509
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**72 389**	49 474
CCR exposure for SFT assets	**1 374**	1 035
Other off-balance sheet exposures	**87 942**	88 699
Off-balance sheet exposure at gross notional amount	**266 254**	270 770
Less: adjustments for conversion to credit equivalent amounts	**(178 312)**	(182 071)
Capital and total exposures		
Tier I capital[1]	**76 200**	75 954
Total exposures	**1 442 615**	1 411 844
Leverage ratio (%)		
Basel III leverage ratio	**5.3**	5.4
Basel III leverage ratio (including unappropriated profit)	**5.8**	6.0

1 Excluding unappropriated profit.

CREDIT RISK

The table below explains the variations in credit RWA under the 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 in borrower risk, such as risk grade migration or similar effects
- foreign exchange movements are changes driven by changes in foreign exchange rates.

CR8: RWA flow statements of IRB credit risk exposures - SBG

	3Q18 Rm	1H18 Rm
RWA at beginning of the quarter	**399 026**	398 498
Asset size	**6 008**	1 858
Asset quality	**(3 148)**	(4 547)
Foreign exchange movements	**1 711**	6 381
Other	**385**	(3 164)
RWA at end of the quarter	**403 982**	399 026

MARKET RISK

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 IMA

	VaR Rm	SVaR Rm	Total RWA Rm
RWA at beginning of 3Q18	**3 563**	**7 060**	**10 623**
Movement in risk levels	**71**	**1 139**	**1 210**
Model updates/changes	**—**	**—**	**—**
RWA at end of 3Q18	**3 634**	**8 199**	**11 833**
RWA at beginning of 1H18	4 346	8 458	12 804
Movement in risk levels	(783)	(1 398)	(2 181)
Model updates/changes	—	—	—
RWA at end of 1H18	3 563	7 060	10 623

The SVaR variance is mainly due to increases in the Equities and Interest Rate Trading desks which were attributable to higher positions.

FUNDING AND LIQUIDITY RISK

The LCR is designed to promote short-term resilience of the 30 calendar day liquidity profile, by ensuring that banks have sufficient high quality liquid assets (HQLA) to meet potential outflows in a stressed environment. The minimum regulatory requirement for 2018 is 90% and will increase by a further 10% on 1 January 2019 to reach the full 100% requirement.

LIQ1: Liquidity coverage ratio (average)

	SBG 3Q18		SBSA 3Q18	
	Total unweighted[1] value (average) Rm	Total weighted[2] value (average) Rm	Total unweighted[1] value (average) Rm	Total weighted[3] value (average) Rm
HQLA				
Total HQLA		267 148		171 934
Cash outflows				
Retail deposits and deposits from small business customers, of which:	350 305	34 255	219 413	21 941
Stable deposits	15 512	776	–	–
Less stable deposits	334 793	33 479	219 413	21 941
Unsecured wholesale funding, of which:	574 236	294 821	427 534	222 572
Operational deposits (all counterparties) and deposits in networks of cooperative banks	164 461	41 115	164 461	41 115
Non-operational deposits (all counterparties)	409 708	253 639	263 015	181 399
Unsecured debt	67	67	58	58
Secured wholesale funding		15		15
Additional requirements, of which	65 273	26 289	62 108	25 007
Outflows related to derivative exposures and other collateral requirements	12 944	12 944	11 936	11 936
Outflows related to loss of funding on debt products	5 047	5 047	5 047	5 047
Credit and liquidity facilities	47 282	8 298	45 125	8 024
Other contractual funding obligations	3 064	3 064	3 064	3 064
Other contingent funding obligations	387 616	15 694	274 952	12 759
Total cash outflows		374 138		285 358
Cash inflows				
Secured lending	37 328	23 877	37 328	23 877
Inflows from fully performing exposures	156 973	126 653	112 367	94 459
Other cash inflows	16 378	10 642	15 284	9 549
Total cash inflows		161 172		127 885

	SBG Total adjusted value[4] Rm	SBSA Total adjusted value[4] Rm
Total HQLA	267 148	171 934
Total net cash outflows	212 966	157 473
LCR (%)	125.4	109.2

[1] Unweighted value represents the outstanding balances maturing or callable within 30 days (for inflows and outflows).
[2] Simple average of 92 days of daily observations over the quarter ended 30 September 2018 for SBSA, SBSA Isle of Man branch, Stanbic Bank Ghana, Stanbic Bank Uganda, Stanbic IBTC Bank Nigeria, Standard Bank Namibia, Standard Bank Isle of Man Limited and Standard Bank Jersey Limited and the simple average of three month-end data points ended 31 July 2018, 31 August 2018 and 30 September 2018 for the other Africa Regions banking entities.
[3] Simple average of 92 days of daily observations over the quarter ended 30 September 2018.
[4] Adjusted value calculated after the application of both (i) haircuts and inflow and outflow rates; and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows).

CONTACT AND OTHER DETAILS

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

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