



Standard Bank Group

PILLAR 3 REPORT

for the period ended 31 March 2021



THIS REPORT

This report sets out the Standard Bank Group (group/SBG) and The Standard Bank of South Africa Limited group (SBSA) quarterly disclosures in accordance with the Basel Committee on Banking Supervision's revised pillar 3 disclosure requirements, the South African Reserve Bank (SARB) Directives 11/2015 and 1/2018 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 SBSA, being a significant bank subsidiary, are also included where appropriate.

This pillar 3 report covers our banking activities and other banking interests.

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

All amounts are in rand millions unless otherwise stated.

- 1Q21 refers to the period ended 31 March 2021
- FY20 refers to the year ended 31 December 2020
- 3Q20 refers to the period ended 30 September 2020
- 1H20 refers to the period ended 30 June 2020
- 1Q20 refers to the period ended 31 March 2020.

KEY PRUDENTIAL REGULATORY METRICS

The following tables provides an overview of the SBG and SBSA prudential regulatory metrics.

KM1: KEY METRICS - SBG

	1Q21	FY20	3Q20	1H20	1Q20
Available capital¹ (Rm)					
1 Common equity tier I (CET I)	154 395	155 079	159 352	164 684	160 296
Fully loaded expected credit losses (ECL) accounting model					
1a CET I	154 395	153 276	157 663	162 998	158 602
2 Tier I	165 129	163 945	168 568	172 467	167 749
2a Fully loaded ECL accounting model tier I	165 129	162 141	166 879	170 781	166 055
3 Total capital	192 102	189 848	198 339	202 636	196 106
3a Fully loaded ECL accounting model total capital	192 102	188 991	197 596	201 896	195 358
Risk-weighted assets (RWA) (Rm)					
4 Total RWA	1 257 306	1 229 478	1 273 813	1 324 767	1 274 176
Risk-based capital ratios as a percentage of RWA²					
5 CET I ratio (%)	12.3	12.6	12.5	12.4	12.6
5a Fully loaded ECL accounting model CET I (%)	12.3	12.5	12.4	12.3	12.5
6 Tier I ratio (%)	13.1	13.3	13.2	13.0	13.2
6a Fully loaded ECL accounting model tier I ratio (%)	13.1	13.2	13.1	12.9	13.0
7 Total capital ratio (%)	15.3	15.4	15.6	15.3	15.4
7a Fully loaded ECL accounting model total capital ratio (%)	15.3	15.4	15.5	15.2	15.3
Additional CET I buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019)					
8 (%)	2.5	2.5	2.5	2.5	2.5
Countercyclical buffer requirement (%)					
Bank domestic systemically important (D-SIB) additional					
10 requirements (%) ³	1.0	1.0	1.0	1.0	
Total of bank CET I specific buffer requirements (%) (row 8 +					
11 row 9 + row 10)	3.5	3.5	3.5	3.5	2.5
CET I available after meeting the bank's minimum capital					
12 requirements (%)	3.3	3.4	3.5	3.2	3.8
Basel III leverage ratio					
13 Total Basel III leverage ratio exposure measure (Rm)	2 255 616	2 210 449	2 264 244	2 310 930	2 206 213
14 Basel III leverage ratio (%) (row 2/row 13)	7.3	7.4	7.4	7.5	7.6
14a Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	7.3	7.3	7.4	7.4	7.5
Liquidity coverage ratio (LCR)					
15 Total high-quality liquid assets (HQLA) (Rm)	346 110	349 104	343 507	341 672	300 508
16 Total net cash outflow (Rm)	245 047	259 065	234 733	251 132	211 787
17 LCR ratio (%)	141.2	134.8	146.3	136.1	141.9
Net stable funding ratio (NSFR)					
1 305					
18 Total available stable funding (Rm)	320	1 298 314	1 330 483	1 332 554	1 259 294
19 Total required stable funding (Rm)	1 058 512	1 040 433	1 069 378	1 090 127	1 072 503
20 NSFR ratio (%)	123.3	124.8	124.4	122.2	117.4

¹ The IFRS9 transition period provided for in SARB Directive 5/2017 concluded on 1 January 2021. All metrics presented for periods prior to 1Q21 are on the basis of applying the transitional arrangements with the exception of those metrics referred to as fully loaded.

² Excludes unappropriated profits.

³ Confidential requirement for disclosure made prior to June 2020.

KM1: KEY METRICS - SBSA

	1Q21	FY20	3Q20	1H20	1Q20
Available capital¹ (Rm)					
1 CET I	83 778	83 676	84 250	84 176	79 319
1a Fully loaded ECL accounting model	83 778	82 984	83 558	83 483	78 626
2 Tier I	92 519	90 620	91 207	89 634	84 756
2a Fully loaded ECL accounting model tier I	92 519	89 927	90 515	88 940	84 063
3 Total capital	114 697	112 069	116 038	114 648	107 167
3a Fully loaded ECL accounting model total capital	114 697	112 029	115 998	114 606	107 125
RWA (Rm)					
4 Total RWA	745 499	722 809	724 961	746 991	730 446
Risk-based capital ratios as a percentage of RWA²					
5 CET I ratio (%)	11.2	11.6	11.6	11.3	10.9
5a Fully loaded ECL accounting model CET I (%)	11.2	11.5	11.5	11.2	10.8
6 Tier I ratio (%)	12.4	12.5	12.6	12.0	11.6
6a Fully loaded ECL accounting model tier I ratio (%)	12.4	12.4	12.5	11.9	11.5
7 Total capital ratio (%)	15.4	15.5	16.0	15.3	14.7
7a Fully loaded ECL accounting model total capital ratio (%)	15.4	15.5	16.0	15.3	14.7
Additional CET I buffer requirements as a percentage of RWA					
8 Capital conservation buffer requirement (2.5% from 2019) (%)	2.5	2.5	2.5	2.5	2.5
9 Countercyclical buffer requirement (%)					
10 Bank G-SIB and/or D-SIB additional requirements (%) ³	1.0	1.0	1.0	1.0	
11 Total of bank CET I specific buffer requirements (%) (row 8 + row 9 + row 10)	3.5	3.5	3.5	3.5	2.5
12 CET I available after meeting the bank's minimum capital requirements (%)	2.9	3	3.5	2.8	3.2
Basel III leverage ratio					
13 Total Basel III leverage ratio exposure measure (Rm)	1 743 278	1 746 411	1 744 725	1 772 260	1 723 936
14 Basel III leverage ratio (%) (row 2/row 13)	5.3	5.2	5.2	5.1	4.9
14a Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	5.3	5.1	5.2	5.0	4.9
LCR					
15 Total HQLA (Rm)	224 656	229 488	230 410	221 503	210 712
16 Total net cash outflow (Rm)	189 278	203 832	182 317	189 025	161 290
17 LCR ratio (%)	118.7	112.6	126.4	117.2	125.1
NSFR					
18 Total available stable funding (Rm)	907 300	904 040	896 389	890 808	851 175
19 Total required stable funding (Rm)	830 889	807 975	795 488	805 821	810 756
20 NSFR ratio (%)	109.2	111.9	112.7	110.5	105.0

¹ The IFRS9 transition period provided for in SARB Directive 5/2017 concluded on 1 January 2021. All metrics presented for periods prior to 1Q21 are on the basis of applying the transitional arrangements with the exception of those metrics referred to as fully loaded.

² Excluding unappropriated profits.

³ Confidential requirement for disclosure made prior to June 2020.

CAPITAL MANAGEMENT

OVERVIEW OF RISK-WEIGHTED ASSETS

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

OV1: BASEL RWA AND ASSOCIATED CAPITAL REQUIREMENTS - SBG

	RWA		Minimum capital requirements ¹
	1Q21 Rm	FY20 Rm	1Q21 Rm
Credit risk (excluding counterparty credit risk (CCR))	894 494	883 098	107 340
Of which: standardised approach ²	402 647	396 943	48 318
Of which: internal rating-based (IRB) approach	491 847	486 155	59 022
CCR	62 304	51 330	7 476
Of which: standardised approach for CCR	13 033	9 940	1 564
Of which: IRB approach	25 936	22 329	3 112
Of which: credit valuation adjustments	23 335	19 061	2 800
Equity positions in banking book under market-based approach	15 494	9 500	1 859
Securitisation exposures in banking book	689	704	83
Of which: IRB approach	475	491	57
Of which: IRB supervisory formula approach	214	213	26
Market risk	67 441	63 043	8 093
Of which: standardised approach	50 997	47 191	6 120
Of which: internal model approach (IMA)	16 444	15 852	1 973
Operational risk	163 540	163 648	19 625
Of which: standardised approach	82 331	82 578	9 880
Of which: advanced measurement approach	81 209	81 070	9 745
Amounts below the thresholds for deduction (subject to 250% risk weight)	53 344	58 155	6 401
Total	1 257 306	1 229 478	150 877

¹ Measured at 12.0% and excludes confidential bank-specific capital requirements and the pillar 2A buffer requirement that has been temporarily removed in response to the Covid-19 pandemic. The group's D-SIB buffer requirement amounts to 1.5% of which 1.0% is required to be held in CET I. There is currently no requirement for the countercyclical buffer add-on in South Africa or in other jurisdictions in which the group has significant exposures.

² Portfolios on the standardised approach relate to Africa Regions and portfolios for which application to adopt the internal model 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 – SBSA

	RWA		Minimum capital requirements ¹
	1Q21 Rm	FY20 Rm	1Q21 Rm
Credit risk (excluding CCR)	535 864	525 139	66 983
Of which: standardised approach ²	38 354	37 393	4 794
Of which: IRB approach	497 510	487 746	621 89
CCR	49 619	40 290	6 203
Of which: standardised approach for CCR	3 988	1 845	499
Of which: IRB approach	26 335	22 162	3 292
Of which: credit valuation adjustments	19 296	16 283	2 412
Equity positions in banking book under market-based approach	6 755	3 189	844
Securitisation exposures in banking book	689	704	86
Of which: IRB approach	475	491	59
Of which: IRB supervisory formula approach	214	213	27
Market risk	45 166	41 537	5 646
Of which: standardised approach	28 722	25 685	3 590
Of which: IMA	16 444	15 852	2 056
Operational risk	97 079	97 069	12 135
Of which: standardised approach	15 870	16 000	1984
Of which: advanced measurement approach	81 209	81 069	10 151
Amounts below the thresholds for deduction (subject to 250% risk weight)	10 327	14 881	1 291
Total	745 499	722 809	93 188

¹ Measured at 12.5% and excludes confidential bank-specific capital requirements and the pillar 2A buffer requirement that has been temporarily removed in response to the Covid-19 pandemic. The group's D-SIB buffer requirement amounts to 2.0% of which 1.0% is required to be held in CET I. There is currently no requirement for the countercyclical buffer add-on in South Africa or in other jurisdictions in which the group has significant exposures.

² Portfolios on the standardised approach relate to portfolios for which application to adopt the internal model 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 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 - SBG

	1Q21 Rm	FY20 Rm
Total consolidated assets¹	2 077 668	2 080 771
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	11 714	11 528
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		
Adjustments for derivative financial instruments	(13 382)	(39 890)
Adjustment for securities financing transactions (SFT) (repos and similar secured lending)	18 585	1 582
Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	141 704	141 363
Other adjustments	19 327	15 095
Leverage ratio exposure	2 255 616	2 210 449

¹ Banking activities and other banking interests.

LR1: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE - SBSA

	1Q21 Rm	FY20 Rm
Total consolidated assets	1 634 251	1 658 686
Adjustment for derivative financial instruments	(10 982)	(48 607)
Adjustments for SFT (i.e repos and similar securities lending)	18 585	1 609
Adjustment for off-balance sheet items (i.e conversion to credit equivalent amounts of off-balance sheet)	81 688	111 337
Other adjustments	19 736	23 386
Leverage ratio exposure	1 743 278	1 746 411

LR2: LEVERAGE RATIO COMMON DISCLOSURE TABLE - SBG

	1Q21 Rm	FY20 Rm
On-balance sheet exposures (excluding derivatives and SFT)	1 895 118	1 872 932
On-balance sheet exposures (excluding derivatives and SFT, but including collateral)	1 915 624	1 892 745
Less: asset amounts deducted in determining Basel III tier I capital	(20 506)	(19 813)
Derivatives exposures	71 427	66 205
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	36 010	35 119
Add-on amounts for potential future exposures associated with all derivatives transactions	82 311	64 653
Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	(23 287)	(19 106)
Less: exempted central counterparty leg of client-cleared trade exposures	(45 458)	(30 553)
Adjusted effective notional amount of written credit derivatives	21 851	16 092
SFT exposures	147 367	129 949
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions (netted amounts of cash payables and cash receivables of gross SFT assets)	128 782	128 367
CCR exposure for SFT assets	18 585	1 582
Other off-balance sheet exposures	141 704	141 363
Off-balance sheet exposure at gross notional amount	436 201	397 049
Less: adjustments for conversion to credit equivalent amounts	(294 497)	(255 686)
Capital and total exposures		
Tier I capital ¹	165 129	163 945
Total exposures	2 255 616	2 210 449
Leverage ratio		
Basel III leverage ratio	7.3	7.4
Basel III leverage ratio (including unappropriated profits)	7.8	7.8

¹ Excluding unappropriated profits.

LR2: LEVERAGE RATIO COMMON DISCLOSURE TABLE – SBSA

	1Q21 Rm	FY20 Rm
On-balance sheet exposures (excluding derivatives and SFT)	1 450 022	1 440 785
On-balance sheet exposures (excluding derivatives and SFT, but including collateral)	1 460 794	1 451 719
Less: asset amounts deducted in determining Basel III tier I capital	(10 772)	(10 934)
Derivatives exposures	70 048	61 743
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	31 800	30 212
Add-on amounts for potential future exposures associated with all derivatives transactions	85 142	73 347
Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	(23 287)	(27 355)
Less: exempted central counterparty leg of client-cleared trade exposures	(45 458)	(30 553)
Adjusted effective notional amount of written credit derivatives	21 851	16 092
SFT exposures	141 520	132 546
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions (netted amounts of cash payables and cash receivables of gross SFT assets)	122 935	130 937
CCR exposure for SFT assets	18 585	1 609
Other off-balance sheet exposures	81 688	111 337
Off-balance sheet exposure at gross notional amount	355 377	333 235
Less: adjustments for conversion to credit equivalent amounts	(273 689)	(221 898)
Capital and total exposures		
Tier I capital ¹	92 519	90 620
Total exposures	1 743 278	1 746 411
Leverage ratio		
Basel III leverage ratio	5.3	5.2
Basel III leverage ratio (including unappropriated profits)	5.6	5.4

¹ Excluding unappropriated profits.

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: IRB - RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES - SBG

	1Q21 Rm	FY20 Rm
RWA at beginning of period	486 155	435 002
Asset size	3 181	22 262
Asset quality	2 439	23 815
Model updates		
Foreign exchange movements	(144)	5 386
Other	216	(310)
RWA at end of period	491 847	486 155
	OV1	OV1

MARKET RISK

We have 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. We use 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 we have 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 EXPOSURE UNDER IMA - SBG

	1Q21			FY20		
	VaR Rm	SVaR Rm	Total RWA Rm	VaR Rm	SVaR Rm	Total RWA Rm
RWA at beginning of reporting period	8 063	7 789	15 852	6 188	8 400	14 588
Movement in risk levels	753	(161)	592	1 874	(625)	1 249
Model updates/changes				1	14	15
RWA at end of reporting period	8 816	7 628	16 444	8 063	7 789	15 852
			OV1			OV1

LIQUIDITY RISK

The LCR is designed to promote short-term resilience of the 30 calendar-day liquidity profile, by ensuring that banks have sufficient HQLA to meet potential outflows in a stressed environment.

LIQ1: LIQUIDITY COVERAGE RATIO - SBG AND SBSA

	SBG 1Q21 ¹		SBSA 1Q21 ²	
	Total unweighted ³ value (average) Rm	Total weighted ⁴ value (average) Rm	Total unweighted ³ value (average) Rm	Total weighted ⁴ value (average) Rm
HQLA				
Total HQLA		346 110		224 656
Retail deposits and deposits from small business customers, of which:	426 483	41 584	265 467	26 547
Stable deposits	21 268	1 063		
Less-stable deposits	405 215	40 521	265 467	26 547
Unsecured wholesale funding, of which:	855 915	429 663	625 816	311 345
Operational deposits (all counterparties) and deposits in networks of cooperative banks	232 416	58 104	232 397	58 099
Non-operational deposits (all counterparties)	621 017	369 077	390 951	250 778
Unsecured debt	2 482	2 482	2 468	2 468
Secured wholesale funding		354		354
Additional requirements	140 627	49 833	83 598	40 145
Outflows related to derivative exposures and other collateral requirements	26 773	26 773	25 517	25 517
Outflows related to loss of funding on debt products	3 602	3 602	3 602	3 602
Credit and liquidity facilities	110 252	19 458	54 479	11 026
Other contractual funding obligations	4 034	4 034	3 842	3 842
Other contingent funding obligations	368 287	14 596	313 394	12 777
Cash outflows		540 064		395 010
Secured lending	110 063	99 425	68 001	57 363
Inflows from fully performing exposures	198 353	172 195	139 374	125 436
Other cash inflows	32 016	23 397	31 188	22 933
Cash inflows		295 017		205 732
		Total adjusted value ⁵ Rm		Total adjusted value ⁵ Rm
Total HQLA		346 110		224 656
Total net cash outflows		245 047		189 278
LCR (%)		141.2		118.7

1 Simple average of 90 days of daily observations over the quarter ended 31 March 2021 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 January 2021, 28 February 2021 and 31 March 2021 for the other Africa Regions banking entities.

2 Simple average of 90 days of daily observations over the quarter ended 31 March 2021 excluding foreign branches.

3 Unweighted value represents the outstanding balances maturing or callable within 30 days (for inflows and outflows).

4 Total weighted value is calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

5 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).



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