



Standard Bank Group

PILLAR 3 REPORT

for the period ended 30 September 2021



THIS REPORT

This report sets out the Standard Bank Group (group/SBG) and The Standard Bank of South Africa Limited group (SBSA) interim 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 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.

- 3Q21 refers to the period ended 30 September 2021
- 1H21 refers to the period ended 30 June 2021
- 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.

Pillar 3 table references (OV1, CR1 etc.) have been included in the table headings.

KEY PRUDENTIAL REGULATORY METRICS

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

KM1: KEY METRICS - SBG

	3Q21	1H21	1Q21	FY20	3Q20
Available capital¹(Rm)					
1 Common equity tier I (CET I)	165 322	157 853	154 395	155 079	159 352
1a Fully loaded expected credit losses (ECL) accounting model CET I	165 322	157 853	154 395	153 276	157 663
2 Tier I	175 915	168 345	165 129	163 945	168 568
2a Fully loaded ECL accounting model tier I	175 915	168 345	165 129	162 141	166 879
3 Total capital	203 468	195 313	192 102	189 848	198 339
3a Fully loaded ECL accounting model total capital	203 468	195 313	192 102	188 991	197 596
Risk-weighted assets (RWA) (Rm)					
4 Total RWA	1 313 993	1 259 249	1 257 306	1 229 478	1 273 813
Risk-based capital ratios as a percentage of RWA ²					
5 CET I ratio (%)	12.6	12.5	12.3	12.6	12.5
5a Fully loaded ECL accounting model CET I (%)	12.6	12.5	12.3	12.5	12.4
6 Tier I ratio (%)	13.4	13.4	13.1	13.3	13.2
6a Fully loaded ECL accounting model tier I ratio (%)	13.4	13.4	13.1	13.2	13.1
7 Total capital ratio (%)	15.5	15.5	15.3	15.4	15.6
7a Fully loaded ECL accounting model total capital ratio (%)	15.5	15.5	15.3	15.4	15.5
Additional CET I buffer requirements as a percentage of RWA					
8 Capital conservation buffer requirement (%)	2.5	2.5	2.5	2.5	2.5
9 Countercyclical buffer requirement (%)					
10 Bank domestic systemically important (D-SIB) additional requirements (%)	1.0	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	3.5
12 CET I available after meeting the bank's minimum capital requirements (%)	3.5	3.3	3.3	3.4	3.5
Basel III leverage ratio					
13 Total Basel III leverage ratio exposure measure (Rm)	2 340 444	2 257 043	2 255 616	2 210 449	2 264 244
14 Basel III leverage ratio (%) (row 2/row 13)	7.5	7.5	7.3	7.4	7.4
14a Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	7.5	7.4	7.3	7.3	7.4
Liquidity coverage ratio (LCR)					
15 Total high-quality liquid assets (HQLA) (Rm)	330 552	317 914	346 110	349 104	343 507
16 Total net cash outflow (Rm)	226 741	224 909	245 047	259 065	234 733
17 LCR ratio (%)	145.8	141.3	141.2	134.8	146.3
Net stable funding ratio (NSFR)					
18 Total available stable funding (Rm)	1 371 848	1 315 599	1 305 320	1 298 314	1 330 483
19 Total required stable funding (Rm)	1 100 892	1 055 577	1 058 512	1 040 433	1 069 378
20 NSFR ratio (%)	124.6	124.6	123.3	124.8	124.4

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.

KM1: KEY METRICS - SBSA

	3Q21	1H21	1Q21	FY20	3Q20	
Available capital¹ (Rm)						
1	CET I	85 646	84 478	83 778	83 676	84 250
1a	Fully loaded ECL accounting model	85 646	84 478	83 778	82 984	83 558
2	Tier I	94 424	93 206	92 519	90 620	91 207
2a	Fully loaded ECL accounting model tier I	94 424	93 206	92 519	89 927	90 515
3	Total capital	116 698	115 189	114 697	112 069	116 038
3a	Fully loaded ECL accounting model total capital	116 698	115 189	114 697	112 029	115 998
RWA (Rm)						
4	Total RWA	749 472	736 840	745 499	722 809	724 961
Risk-based capital ratios as a percentage of RWA²						
5	CET I ratio (%)	11.4	11.5	11.2	11.6	11.6
5a	Fully loaded ECL accounting model CET I (%)	11.4	11.5	11.2	11.5	11.5
6	Tier I ratio (%)	12.6	12.6	12.4	12.5	12.6
6a	Fully loaded ECL accounting model tier I ratio (%)	12.6	12.6	12.4	12.4	12.5
7	Total capital ratio (%)	15.6	15.6	15.4	15.5	16.0
7a	Fully loaded ECL accounting model total capital ratio (%)	15.6	15.6	15.4	15.5	16.0
Additional CET I buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (%)	2.5	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)					
10	Bank G-SIB and/or D-SIB additional requirements (%)	1.0	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	3.5
12	CET I available after meeting the bank's minimum capital requirements (%)	3.1	2.9	2.9	3.0	3.5
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure (Rm)	1 784 612	1 737 930	1 743 278	1 746 411	1 744 725
14	Basel III leverage ratio (%) (row 2/row 13)	5.3	5.4	5.3	5.2	5.2
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	5.3	5.4	5.3	5.1	5.2
LCR						
15	Total HQLA (Rm)	199 470	198 719	224 656	229 488	230 410
16	Total net cash outflow (Rm)	174 512	176 331	189 278	203 832	182 317
17	LCR ratio (%)	114.3	112.7	118.7	112.6	126.4
NSFR						
18	Total available stable funding (Rm)	930 534	917 075	907 300	904 040	896 389
19	Total required stable funding (Rm)	864 588	837 893	830 889	807 975	795 488
20	NSFR ratio (%)	107.6	109.4	109.2	111.9	112.7

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.

CAPITAL MANAGEMENT

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

OV1: BASEL RWA AND ASSOCIATED CAPITAL REQUIREMENTS - SBG

	RWA		Minimum capital requirements ¹
	3Q21	1H21	3Q21
Credit risk (excluding counterparty credit risk (CCR))	927 947	889 140	111 353
Of which standardised approach ²	435 179	402 480	52 221
Of which internal rating-based (IRB) approach	492 768	486 660	59 132
CCR	62 947	56 730	7 553
Of which standardised approach for CCR	19 602	15 318	2 352
Of which IRB approach	25 445	23 142	3 053
Of which credit valuation adjustments	17 900	18 270	2 148
Equity positions in banking book under market-based approach	9 743	8 218	1 169
Equity investment in funds - look through approach	4 936	6 387	592
Equity investment in funds - mandate-based approach	1 535	1 401	184
Equity investment in funds - fall-back approach	413	376	50
Securitisation exposures in banking book	588	706	71
Of which IRB approach	374	492	45
Of which IRB supervisory formula approach	214	214	26
Market risk	76 394	72 839	9 167
Of which standardised approach	59 499	53 421	7 140
Of which internal model approach	16 895	19 418	2 027
Operational risk	170 947	167 695	20 513
Of which standardised approach	88 595	85 359	10 631
Of which advanced measurement approach	82 352	82 336	9 882
Amounts below the thresholds for deduction (subject to 250% risk weight)	58 543	55 757	7 025
Total	1 313 993	1 259 249	157 677

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 1. There is currently no requirement for the countercyclical buffer add-on in South Africa or in other jurisdictions in which we have 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.

³ Equity investment in funds disclosure requirements came into effect on 1 January 2021.

OV1: BASEL RWA AND ASSOCIATED CAPITAL REQUIREMENTS - SBSA

	RWA		Minimum capital requirements ¹
	3Q21	1H21	3Q21
Credit risk (excluding CCR)	541 679	530 647	67 710
Of which standardised approach ²	42 034	39 183	5 254
Of which IRB approach	499 645	491 464	62 456
CCR	46 345	44 013	5 794
Of which standardised approach for CCR	6 004	5 811	751
Of which IRB approach	25 461	19 792	3 183
Of which credit valuation adjustments	14 880	18 410	1 860
Equity positions in banking book under market-based approach	3 474	2 648	434
Equity investment in funds - look through approach	1 581	1 561	198
Equity investment in funds - mandate-based approach	1 535	1 401	192
Equity investment in funds - fall-back approach	413	376	52
Securitisation exposures in banking book	588	706	74
Of which IRB approach	374	492	47
Of which IRB supervisory formula approach	214	214	27
Market risk	45 100	46 984	5 638
Of which standardised approach	28 205	27 566	3 526
Of which internal model approach	16 895	19 418	2 112
Operational risk	97 349	97 226	12 169
Of which standardised approach	14 997	14 890	1 875
Of which advanced measurement approach	82 352	82 336	10 294
Amounts below the thresholds for deduction (subject to 250% risk weight)	11 408	11 278	1 426
Total	749 472	736 840	93 687

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 we have 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.

3 Equity investment in funds disclosure requirements came into effect on 1 January 2021.

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

	3Q21	1H21
	Rm	Rm
Total consolidated assets	2 139 928	2 073 040
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	12 821	11 704
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	15 942	(272)
Adjustment for securities financing transactions (SFT) (repos and similar secured lending)	19 272	19 549
Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	143 146	142 674
Other adjustments	9 335	10 348
Leverage ratio exposure	2 340 444	2 257 043

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

	3Q21	1H21
	Rm	Rm
Total consolidated assets	1 662 745	1 624 327
Adjustment for derivative financial instruments	331	(3 575)
Adjustments for securities financing transactions (repos and similar securities lending)	19 272	19 549
Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet)	85 798	77 884
Other adjustments	16 466	19 745
Leverage ratio exposure	1 784 612	1 737 930

LR2: LEVERAGE RATIO COMMON DISCLOSURE TABLE - SBG

	3Q21	1H21
	Rm	Rm
On-balance sheet exposures (excluding derivatives and securities financing transactions (SFT))	1 916 607	1 851 391
On-balance sheet exposures (excluding derivatives and SFTs, but including collateral)	1 936 306	1 872 103
Less: asset amounts deducted in determining Basel III tier I capital	(19 699)	(20 712)
Derivatives exposures	72 088	64 612
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	33 246	28 506
Add-on amounts for potential future exposures (PFE) associated with all derivatives transactions	76 442	81 938
Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	(13 784)	(21 157)
Less: exempted central counterparty (CCP) leg of client-cleared trade exposures	(45 466)	(45 458)
Adjusted effective notional amount of written credit derivatives	21 650	20 783
SFT exposures	208 605	198 366
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)	189 333	178 817
CCR exposure for SFT assets	19 272	19 549
Agent transaction exposures		
Other off-balance sheet exposures	143 147	142 674
Off-balance sheet exposure at gross notional amount	395 293	398 681
Less: adjustments for conversion to credit equivalent amounts	(252 146)	(256 007)
Capital and total exposures		
Tier I capital ¹	175 915	168 345
Total exposures	2 340 444	2 257 043
Leverage ratio		
Basel III leverage ratio	7.5	7.5
Basel III leverage ratio (including unappropriated profits)	8.1	8.0

¹ Excludes unappropriated profits.

LR2: LEVERAGE RATIO COMMON DISCLOSURE TABLE - SBSA

	3Q21 Rm	1H21 Rm
On-balance sheet exposures (excluding derivatives and SFT)	1 455 935	1 421 796
On-balance sheet exposures (excluding derivatives and SFT), but including collateral	1 466 029	1 432 328
Less: asset amounts deducted in determining Basel III tier I capital	(10 094)	(10 532)
Derivatives exposures	64 817	64 030
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	28 236	24 720
Add-on amounts for PFE associated with all derivatives transactions	74 181	85 142
Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	(13 784)	(21 157)
Less: exempted CCP leg of client-cleared trade exposures	(45 466)	(45 458)
Adjusted effective notional amount of written credit derivatives	21 650	20 783
SFT exposures	178 062	174 220
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	158 790	154 671
Less: Netted amounts of cash payables and cash receivables of gross SFT assets		
CCR exposure for SFT assets	19 272	19 549
Agent transaction exposures		
Other off-balance sheet exposures	85 798	77 884
Off-balance sheet exposure at gross notional amount	203 122	186 297
Less: adjustments for conversion to credit equivalent amounts	(117 324)	(108 413)
Capital and total exposures		
Tier I capital ¹	94 424	93 206
Total exposures	1 784 612	1 737 930
Leverage ratio		
Basel III leverage ratio	5.3	5.4
Basel III leverage ratio (including unappropriated profits)	5.7	5.8

¹ Excludes unappropriated profits.

CREDIT RISK

CR8: IRB - RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES - SBG

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.

	3Q21 RWA Rm	1H21 RWA Rm
RWA at beginning of period	486 660	486 155
Asset size	32 052	15 860
Asset quality	(27 892)	(13 264)
Model updates		
Foreign exchange movements	1 791	(2 305)
Other	157	214
RWA at end of period	492 768	486 660

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 analysis that follows includes banking and/or deposit taking entities and represents an aggregation of the relevant individual net cash outflows and HQLA portfolios. In light of the effects of COVID-19 on the South African market, the SARB amended the minimum requirements relating to the LCR from 100% to 80% to provide temporary liquidity relief to banks, in line with the intention of the Basel III LCR framework, and to promote continued provision of credit by banks.

LIQ1: LIQUIDITY COVERAGE RATIO - SBG AND SBSA

	SBG 3Q21 ¹		SBSA 3Q21 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		330 552		199 470
Retail deposits and deposits from small business customers, of which	437 794	42 727	267 014	26 701
Stable deposits	21 059	1 053		
Less-stable deposits	416 735	41 674	267 014	26 701
Unsecured wholesale funding, of which	853 768	416 029	609 529	294 672
Operational deposits (all counterparties) and deposits in networks of cooperative banks	267 006	66 751	267 006	66 751
Non-operational deposits (all counterparties)	584 966	347 482	340 742	226 140
Unsecured debt	1 796	1 796	1 781	1 781
Secured wholesale funding		4		4
Additional requirements	135 276	44 325	76 529	34 752
Outflows related to derivative exposures and other collateral requirements	21 301	21 301	20 439	20 439
Outflows related to loss of funding on debt products	3 882	3 882	3 882	3 882
Credit and liquidity facilities	110 093	19 142	52 208	10 431
Other contractual funding obligations	5 136	5 136	4 283	4 283
Other contingent funding obligations	355 733	14 179	302 284	12 285
Cash outflows		522 400		372 697
Secured lending	99 933	92 438	59 905	52 409
Inflows from fully performing exposures	210 518	184 795	140 450	126 858
Other cash inflows	28 861	18 426	28 938	18 918
Cash inflows		295 659		198 185
		Total adjusted value ⁵ Rm		Total adjusted value ⁵ Rm
Total HQLA		330 552		199 470
Total net cash outflows		226 741		174 512
LCR (%)		145.8		114.3

1 Simple average of 92 days of daily observations over the quarter ended 30 September 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 for the respective quarters for the other Africa Regions banking entities.

2 Simple average of 92 days of daily observations over the quarter ended 30 September 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) (for inflow 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 a and level 2 assets for HQLA and cap on inflows).

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 EXPOSURES UNDER IMA

	3Q21			1H21		
	VaR Rm	SVaR Rm	Total RWA Rm	VaR Rm	SVaR Rm	Total RWA Rm
RWA at beginning of reporting period	7 670	11 748	19 418	8 063	7 789	15 852
Movement in risk levels	(1 598)	(868)	(2 466)	(395)	3 956	3 561
Model updates/changes	(10)	(47)	(57)	2	3	5
RWA at end of reporting period	6 062	10 833	16 895	7 670	11 748	19 418
			OV1			OV1



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