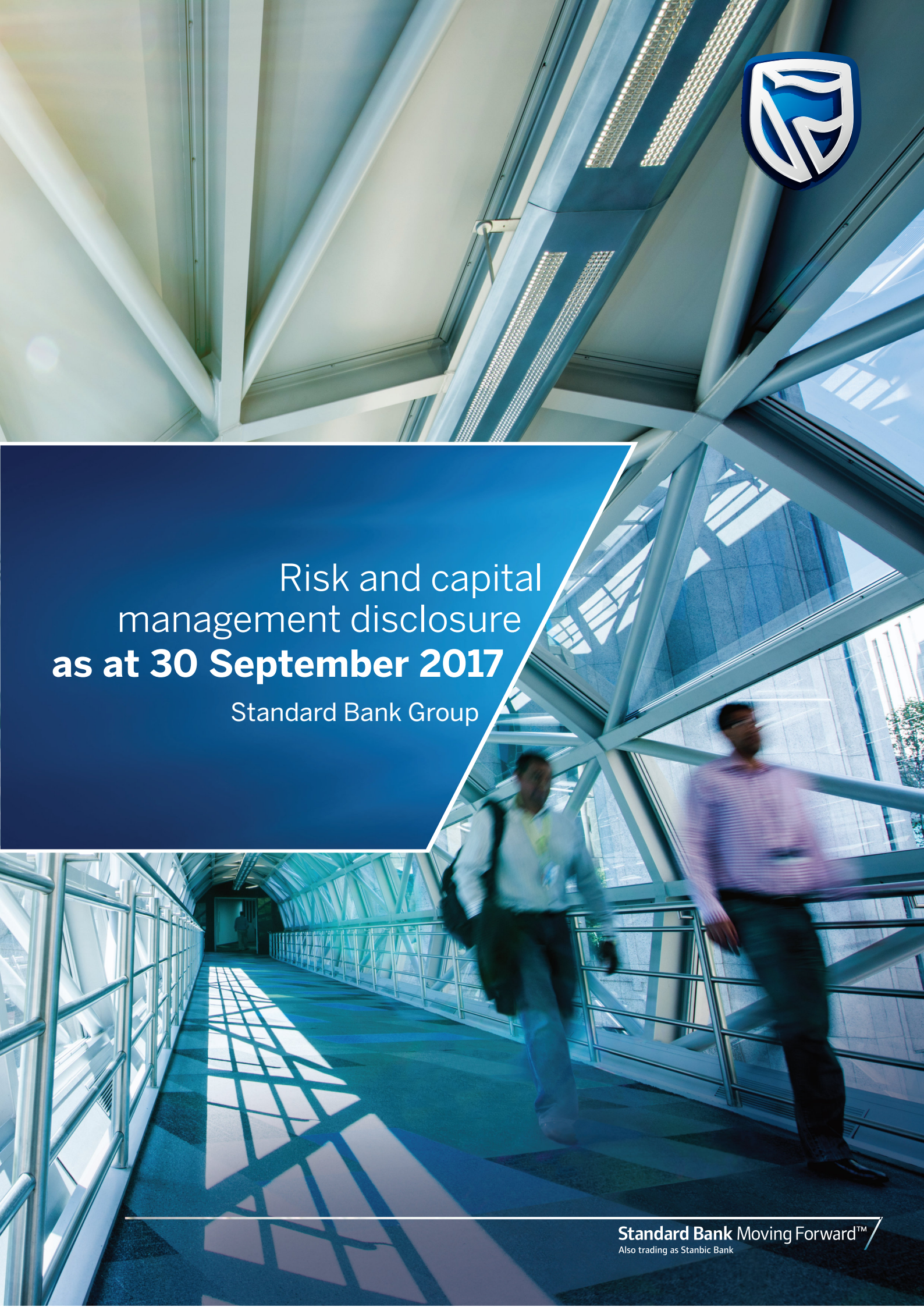
Risk and capital management disclosure **as at 30 September 2017**

Standard Bank Group



Standard Bank Moving Forward™
Also trading as Stanbic Bank

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 nor reported on 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. All amounts are in rand millions unless otherwise stated.

	RWA		Minimum capital requirements
	Sep 17	Jun 17	Sep 17
Credit risk (excluding counterparty credit risk)	**653 178**	628 993	**70 217**
Of which standardised approach	**271 730**	256 181	**29 211**
Of which internal rating-based (IRB) approach	**381 448**	372 812	**41 006**
Counterparty credit risk	**18 705**	20 801	**2 011**
Of which standardised approach for counterparty risk	**2 668**	3 323	**287**
Of which IRB approach	**16 037**	17 478	**1 724**
Equity positions in banking book under market-based approach	**6 909**	7 023	**743**
Securitisation exposures in banking book	**694**	853	**74**
Of which IRB approach	**374**	367	**40**
Of which IRB supervisory formula approach	**320**	486	**34**
Market risk	**63 889**	59 373	**6 868**
Of which standardised approach	**50 508**	44 323	**5 430**
Of which internal model approach (IMA)	**13 381**	15 050	**1 438**
Operational risk	**155 625**	154 379	**16 730**
Of which standardised approach	**95 394**	94 149	**10 255**
Of which advanced measurement approach	**60 231**	60 230	**6 475**
Amounts below the thresholds for deduction (subject to 250% risk weight)	**40 807**	40 098	**4 387**
Total	**939 807**	911 520	**101 030**

[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 0.0002%).

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)

	Sep 17	Jun 17	Mar 17	Dec 16
Tier I capital (excluding unappropriated profit, Rm)	**123 106**	120 084	117 237	118 020
Tier I capital (including unappropriated profit, Rm)	**132 889**	129 467	124 459	126 188
Total exposures (Rm)	**1 721 359**	1 646 016[1]	1 641 405[1]	1 646 881[1]
Leverage ratio (excluding unappropriated profits, %)	**7.2**	7.3[1]	7.1[1]	7.2[1]
Leverage ratio (including unappropriated profits, %)	**7.7**	7.9[1]	7.6[1]	7.7[1]

[1] Restated to give effect to further clarity provided by the Basel Committee on Banking Supervision on the treatment of insurance entities outside the scope of regulatory consolidation.

Leverage ratio (SBSA)

	Sep 17	Jun 17	Mar 17	Dec 16
Tier I capital (excluding unappropriated profit, Rm)	**74 852**	72 923	69 419	68 097
Tier I capital (including unappropriated profit, Rm)	**81 745**	81 093	73 889	76 866
Total exposures (Rm)	**1 410 112**	1 357 990	1 369 622	1 379 147
Leverage ratio (excluding unappropriated profits, %)	**5.3**	5.4	5.1	4.9
Leverage ratio (including unappropriated profits, %)	**5.8**	6.0	5.4	5.6

CREDIT RWA

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.

IRB - RWA flow statements of credit risk exposures

	RWA amounts Rm
RWA Q2 2017	372 812
Asset size	13 900
Asset quality	2 248
Foreign exchange movements	(8 382)
Other	870
RWA Q3 2017	381 448

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.

RWA flow statements of market risk exposures under IMA

	VaR Rm	SVaR Rm	Total Rm
RWA Q2 2017	5 674	9 376	15 050
Movement in risk levels	(1 081)	(588)	(1 669)
RWA Q3 2017	4 593	8 788	13 381

The reduction in RWA over the period was largely driven by a reduction in VaR and SVaR on the local markets Africa desk on the back of reduced Naira foreign exchange spot risk.

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

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