



Johannesburg Branch

PILLAR 3

Basel III Public Disclosure Report

Executive Summary

Standard Chartered Bank, Johannesburg Branch (the “Branch” or the “Bank”) is a Branch of Standard Chartered Bank PLC (incorporated in the United Kingdom). The Bank is primarily involved in the provision of wholesale banking services.

The pillar 3 capital disclosure report on the Bank’s Pillar III Capital adequacy is in terms of Regulation 43 and Section 6(6) of the South African Banks Act 94 of 1990 (as amended) (“the Act”).

Statement of Financial position

The balance sheet reflects what the branch owns, owes and the equity that is attributable to shareholders at 30 June 2019.

	30.06.19	30.06.18
	R'm	R'm
Assets		
Cash and balances at central banks	1,385	1,447
Short term, negotiable securities	11,954	9,161
Derivative financial instruments	1,961	2,254
Loans and advances to banks	-	-
Loans and advances to customers	14,206	20,659
Reverse repurchase agreements and other similar secured lending	987	38
Investment Securities	826	1,242
Other assets	1,345	1,661
Current tax assets	50	0
Prepayments and accrued income	-	-
Investments in associates and joint ventures	-	-
Goodwill and intangible assets	-	-
<i>Of which: goodwill</i>	158	158
<i>Of which: other intangibles (excluding MSRs)</i>	206	162
<i>Of which: MSRs</i>	-	-
Property and equipment	99	7
Deferred tax assets	129	222
Assets classified as held for sale	68	27
Total assets	33,374	37,039
Liabilities		
Deposits from banks	2,328	6,595
Customer accounts	23,059	22,628
Repurchase agreements and other similar secured borrowing	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Derivative financial instruments	1,967	2,480
Debt securities in issue	-	-
Other liabilities	1,369	797
Current tax liabilities	-	8
Accruals and deferred income	-	-
Subordinated liabilities	-	-
of which: considered as Additional Tier 1 capital	-	-
of which: considered as Tier 2 capital	-	-
Deferred tax liabilities	28	36
Of which: DTLs related to goodwill	-	-
Of which: DTLs related to intangible assets (excluding MSRs)	-	-
Of which: DTLs related to MSRs	-	-
Provisions for liabilities and charges	120	140
Retirement benefit obligation	0	0
Liabilities included in disposal groups held for sale	0	0
Total liabilities	28,871	32,685
Shareholders' Equity		
Share capital and share premium account	4,054	4,054
<i>Of which: amount eligible for CET1</i>	-	-
<i>Of which: amount eligible for AT1</i>	-	-
Other reserves	61	23
Retained earnings	389	278
Other equity instruments	0	0
Non-controlling interest	0	0
Total equity	4,504	4,355
Total equity and liabilities	33,374	37,039

The below table shows the key metrics for the Bank as at 30 June 2019

Key metrics	Half year ended June 2019 ZAR'm	Half year ended June 2018 ZAR'm
Available capital amounts		
1 Common Equity Tier 1 (CET1)	4,177	4,355
1a Fully loaded ECL accounting model		
2 Tier 1	3,813	4,035
2a Fully loaded ECL accounting model Tier 1		
3 Total capital	3,813	4,035
3a Total capital as IFRS 9 or analogous ECLs transitional		
Risk-weighted assets amounts		
4 Total risk-weighted assets (RWA)	25,631	27,585
4a Total risk-weighted assets (pre-floor)		
Risk-based capital ratios as a percentage of RWA		
5 Common Equity Tier 1 ratio (%)	16.3%	15.8%
5a Fully loaded ECL accounting model CET1 (%)		
5b CET1 ratio (%) (pre-floor ratio)		
6 Tier 1 ratio (%)	14.9%	14.6%
6a Fully loaded ECL accounting model Tier 1 ratio (%)		
6b Tier 1 ratio (%) (pre-floor ratio)		
7 Total capital ratio (%)	14.9%	14.6%
7a Fully loaded ECL accounting model total capital ratio (%)		
7b Total capital ratio (%) (pre-floor ratio)		
Additional CET1 buffer requirements as a percentage of RWA		
8 Capital conservation buffer requirement (%)	2.5%	1.9%
9 Countercyclical buffer requirement (%)	-	-
10 Bank G-SIB and/or D-SIB additional requirements (%)	-	-
11 Total of bank CET1 specific buffer requirements (%) (rows 8,9 and 10)	2.5%	1.9%
12 CET1 available after meeting the bank's minimum capital requirements (%)		
Basel III leverage ratio		
13 Total Basel III leverage ratio exposure measure	40,809	43,780
14 Basel III leverage ratio (%) (row2/row13)	9.34%	9.22%
14a Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)		
14b Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)		
Liquidity Coverage Ratio		
Total HQLA	9,597	8,478
Total net cash outflow	8,347	6,943
LCR ratio (%)	115%	122%
Net Stable Funding Ratio		
18 Total available stable funding	21,801	25,270
19 Total required stable funding	20,863	23,136
20 NFSR ratio	104%	109%

The below table indicates the credit quality of exposures by industry types as at 30 June 2019.

Credit quality of exposures by industry types					
	30.06.19				
	EAD before the effect of CCF & C ^M M1		Specific credit risk adjustment	Credit risk adjustment changes in the period	Net values
	Defaulted exposures	Non-defaulted exposures			
	Rmillion	Rmillion	Rmillion	Rmillion	Rmillion
Loans to individuals mortgage	0	0	0	0	0
Loans to individuals other	0	0	0	0	0
SME	0	0	0	0	0
Commerce	247	3,268	(69)	0	3,584
Manufacturing	807	3,944	(49)	0	4,800
Commercial real estate	0	320	0	0	320
Government	0	9,525	0	0	9,525
Financing Insurance and business services	0	19,134	0	0	19,134
Transport, storage and communication	0	635	0	0	635
Other	163	3,728	(164)	0	4,055
Total	1,217	40,553	(283)	0	42,053

Changes in the stock of defaulted and impaired loans and debt securities			
		30.06.19	31.12.18
		Gross carrying value of defaulted exposures	Gross carrying value of defaulted exposures
		R'000	R'000
1	Opening balance	483,419	899,232
2	Loans and debt securities that have defaulted or impaired since the last reporting period	-	-
3	Returned to non-defaulted status	-	-
4	Amounts written off	-	(436,436)
5	Other changes	1,745	20,623
6	Closing balance	481,674	483,419

Summary of risk weighted assets and regulatory capital requirements

	Risk-weighted assets June 2019 ZAR'm	Risk-weighted assets June 2018 ZAR'm	Minimum Capital Requirements June 2019 ¹ ZAR'm
1 Credit risk (excluding counterparty credit risk)	18,273	19,639	2,170
2 Of which standardised approach	-	-	-
3 Of which advanced IRB approach	18,273	19,639	2,170
4 Counterparty credit risk	2,833	3,370	336
5 Of which: standardised approach for counterparty credit risk	2,833	3,370	336
6 Of which: Internal Model Method (IMM)	-	-	-
7 Of which: other CCR	-	-	-
8 Credit valuation adjustment (CVA)	-	-	-
9 Equity positions under the simple risk weight approach	-	-	-
10 Equity investments in funds – look-through approach	-	-	-
11 Equity investments in funds – mandate-based approach	-	-	-
12 Equity investments in funds – fall-back approach	-	-	-
13 Settlement risk	-	-	-
14 Securitisation exposures in the banking book	-	-	-
15 Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-
16 Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	-	-	-
17 Of which: securitisation standardised approach (SEC-SA)	-	-	-
18 Market risk	56	20	7
19 Of which standardised approach	56	20	7
20 Of which internal model approaches	-	-	-
21 Operational risk	2,897	2,755	344
22 Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
23 Floor Adjustment	-	-	-
24 Other asset risk	1,572	1,800	187
25 Total	25,631	27,585	3,044

¹ Minimum capital requirements - This value is 12.25% for 2019, consisting of a Pillar 1 requirement of 8.00%, Pillar 2A of 1%, an add-on: idiosyncratic requirement of 0.75% and a phased in Capital Conservation Buffer of 2.5% in 2019

Illustrated below is the branch's leverage position as measured by the Basel III Leverage ratio.

Leverage ratio common disclosure	Line item	Half year-end June 2019 ZAR'm	Half year-end June 2018 ZAR'm
On-balance sheet exposures			
On-balance sheet exposures (excluding derivatives and SFT's but including collateral	1	31,049	34,465
Asset amounts deducted in determining tier 1 capital	2	364	320
Total on-balance sheet exposures (excluding derivatives and SFT's (total of items 1 and 2)	3	30,686	34,145
Derivative Exposures			
Replacement costs associated with all derivative transactions, net of eligible cash variation margin	4	1,961	2,254
Add-on amounts for PFE associated with all derivative transactions	5	1,784	2,313
Gross-up derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	6	-	-
Deductions from receivables assets for cash variation margin provided in derivatives transactions	7	-	-
Exempted CCP leg of client-cleared trade exposure	8	-	-
Adjusted effective notional amount of written credit derivatives	9	-	-
Adjusted effective notional offsets and add-on deductions for written credit derivatives	10	-	-
Total derivatives exposure (sum rows 4 to 10)	11	3,745	4,567
Securities financing transaction exposures			
Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	12	-	-
Netted amounts of cash payables and cash receivables of gross SFT assets	13	-	-
CRR exposure for SFT assets	14	-	-
Agent transaction exposures	15	-	-
Total securities financing transaction exposures (sum of rows 12 to 15)	16	-	-
Other off-balance sheet exposures			
Off-balance sheet exposure at gross notional amount	17	12,757	10,135
Adjustment for conversion to credit equivalent amounts	18	(6,379)	(5,068)
Off-balance sheet items (sum of rows 17 and 18)	19	6,379	5,068
Capital and total exposures			
Tier 1 capital ⁽¹⁾	20	3,813	4,035
Total exposures (sum of rows 3,11,16 and 19)	21	40,809	43,780
Leverage ratio			
Leverage ratio (expressed as a percentage)	22	9.34%	9.22%

1) Excluding unappropriated profits

Standard Chartered Bank, Johannesburg Branch

The table below shows the composition of Bank's regulatory capital as at June 2019

	30.06.19	30.06.18
	Rmillion	Rmillion
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	4,054	4,054
Of which: Share premium accounts		
Retained earnings 1	389	278
Accumulated other comprehensive income (and other reserves)	90	23
Non-controlling interests (amount allowed in consolidated CET1)		
Independently reviewed interim and year-end profits/(loss)2	356	0
Foreseeable dividends net of scrip3		
Common Equity Tier 1 capital before regulatory adjustments	4,177	4,355
Common Equity Tier 1 capital: regulatory adjustments		
Additional value adjustments		
Intangible assets	364	320
Deferred tax assets that rely on future profitability		
Fair value reserves related to gains or losses on cash flow hedges		
Negative amounts resulting from the calculation of expected loss amounts		
Gains or losses on liabilities at fair value resulting from changes in own credit		
Defined-benefit pension fund assets		
Fair value gains and losses from own credit risk related to derivative liabilities		
Exposure amounts which could qualify for risk weight of 1250%		
Of which: securitisation positions		
Of which: free deliveries		
Total regulatory adjustments to Common Equity Tier 1 capital	364	320
Common Equity Tier 1 capital	3,813	4,035
Additional Tier 1 (AT1) capital: instruments		
Capital Instruments and the related share premium accounts	0	0
Of which: classified as equity under applicable accounting standards	0	0
Of which: classified as liabilities under applicable accounting standards	0	0
Additional Tier 1 (AT1) capital before regulatory adjustments	0	0
Additional Tier 1 capital: regulatory adjustments		
Direct and indirect holdings by an institution of own Additional Tier 1 (AT1) instruments and subordinated deposits	0	0
Total regulatory adjustments to Additional Tier 1 capital	0	0
Additional Tier 1 capital	0	0
Tier 1 capital (T1 = CET1 + AT1)	3,813	4,035