Johannesburg Branch

PILLAR 3

Basel III Public Disclosure Report

For the year ended 31 December 2018

CONTENTS

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”).

The Branch is well capitalised and the Financial Statements reflects the comprehensive income, changes in equity and cash flows for the year and the notes to the financial statements includes a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Endowment capital received from Standard Chartered Bank at 31 December 2018 amounts to R4,053,902,000 (2017: R3,342,602,000). There was a capital injection of R711,300,000 in the current year.

Branch management’s responsibility statement

Branch management is responsible for the preparation and fair presentation of the annual financial statements of Standard Chartered Bank, Johannesburg Branch (“the Branch”), comprising the statement of financial position at 31 December 2018, and Disclosure requirements in respect of Regulation 43 of the Regulations relating to Banks.

Financial Performance

The following is a statement of the financial position on 31 December 2018

Statement of financial position		
	2018	2017
	ZAR'000	ZAR'000
Assets		
Cash and cash equivalents	669,092	1,070,819
Derivative financial instruments held for risk management	1,870,485	2,332,727
Loans and advances to banks	5,374,459	5,300,994
Loans and advances to customers	11,752,966	13,956,485
Investment securities	11,156,165	8,764,432
Non-current assets held for sale	70,838	30,683
Other assets	1,682,730	1,592,723
Property, plant and equipment	29,009	9,237
Goodwill and intangible assets	298,826	342,012
Deferred taxation asset	159,493	28,345
Total assets	33,064,063	33,428,457
Liabilities		
Derivative financial instruments held for risk management	1,914,331	2,222,830
Deposits by banks	3,885,517	4,048,659
Customer accounts	21,635,505	21,778,788
Accruals and other liabilities	1,328,464	1,137,198
Debt securities in issue	-	-
Total liabilities	28,763,817	29,187,475
Equity		
Endowment capital	4,053,902	3,342,602
Retained earnings	231,147	860,329
Fair value reserve	(18,412)	4,442
Non-distributable regulatory reserve	33,609	33,609
Total equity	4,300,246	4,240,982
Total liabilities and equity	**33,064,063**	33,428,457

Risk Management

The Enterprise Risk Management Framework ("ERMF") sets out the Bank's approach to risk management and the control framework within which risks are managed with the objective of maximising risk-adjusted returns while remaining within our risk appetite statement.

The ERMF:

- sets out the principles and standards for risk management across branches and subsidiaries of Standard Chartered PLC (the Group);
- provides a shared framework and language to improve awareness of risk management processes and provides clear accountability and responsibility for risk management; and
- defines a healthy risk culture at an enterprise level, and ability to identify and assess current and future risks, openly discuss and take prompt actions.

The core components of the ERMF include our risk principles and standards, principal risk types, definitions of roles and responsibilities, and governance structure. In 2018, we developed consistent and integrated Risk Type Frameworks for our ten Principal Risk Types

Roles and responsibilities for risk management are defined under a Three Lines of Defence model. Each line of defence describes a specific set of responsibilities for risk management and control.

ERMF three lines of defence

Lines of Defence	Definition	Key responsibilities include
First	The businesses and functions engaged in or supporting revenue generating activities that own and manage risks.	• Identify, monitor, and escalate risks and issues to Second Line and Senior Management and promote a healthy risk culture and good conduct. • Manage risks within Risk Appetite, ensure laws and regulations are being complied with.
Second	The control functions independent of the First Line that provides oversight and challenge of risk management to provide confidence to the Chief Risk Officer, the Management Team and the Board.	• Identify, monitor, and escalate risks and issues to the Chief Risk Officer, the Senior Management and the CMT and promote a healthy risk culture and good conduct. • Oversee and challenge First Line risk taking activities and review First Line risk proposals and make decisions.
Third	The independent assurance provided by the Internal Audit Function, of the effectiveness of controls that support First Line's risk management of business activities, and the processes maintained by the Second Line.	• Independently assess whether management has identified the key risks in the business and whether these are reported and governed in line with the established risk management processes. • Independently assess the adequacy of the design of controls and their operating effectiveness.

Risk Appetite

The Group Risk Appetite Statement (RAS) is the approved boundary for the risk that the Group is willing to undertake. It is set within the Risk Capacity which is defined as maximum level of risk the Group can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements, internal operational environment, or otherwise failing to meet the expectations of regulators and law enforcement agencies.

The Bank adheres to the Group's RAS subject to complying with local laws and regulations. It is in the process of establishing its own Risk Appetite during 2018 in compliance with the Bank's Act 1990 (Act 94 of 1990) dated 12 December 2012, Regulation 39 s16a, which shall be monitored by the CRC on a periodic basis.

The Bank's Local Risk Appetite statement (LRAS) was approved by CMT in 2018. The LRAS represents the Country's statement of the maximum amount and type of risk that the bank is willing to assume in the pursuit of its strategic goals. The Group and Country will not compromise adherence to its Risk Appetite to pursue revenue growth or higher returns

The Bank will not compromise adherence to its Risk Appetite to pursue revenue growth or higher returns.

Credit risk

Credit risk is the potential for loss due to failure of a borrower or counterparty to meet its obligations to pay the Bank in accordance with agreed terms. Credit exposures arise from both the banking and trading books. Country Chief Risk Officer (CCRO) is the country Risk Framework Owner (RFO) for credit risk.

Credit risk management and monitoring

Credit risk is managed through the Credit Risk Type Framework which set out policies and procedures covering the measurement and management of credit risk, in compliance with the Group's Credit Risk Appetite Statement.

There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. The Bank manages its credit exposures following the principle of diversification across products, client and customer segments.

Credit concentration risk

Credit concentration risk is the risk of material losses arising from imperfectly diversified exposures. This may be due to the portfolio's sizeable single name exposure or high correlation across geographies and sectors. The risk arises that, due to a change in circumstances, having a concentration may give rise to potential losses that have a greater impact on the Bank's overall balance sheet than the gross risk held.

To ensure that the Bank maintains a manageable level of concentration risk on its balance sheet, it has established internal limits in respect of single name and industry segment concentration. These limits are affected and managed through controls and policies such as Portfolio Standards and Industry Limits.

Single name concentration

Risk Appetite for single name concentration is designed to manage, monitor and control concentration for single names at greater granularity. The Bank's credit approval process is aligned to the Risk Appetite for credit limit approvals and a remediation plan must be in place where exposure to a single name is above the Risk Appetite threshold.

Sector concentration

Portfolio Standards Guideline thresholds are set for internal industry classifications to prevent undue concentration. The Bank actively manages risks by reducing targeted exposures, increasing diversification and analysing portfolios for vulnerable accounts.

The industry concentration is managed and controlled through the Bank's Portfolio Standard Guidelines complemented by mitigating factors such as sub-sector diversification and short-term tenor profile. The Corporate Portfolio Standards Guidelines are reviewed annually and establish internal limits for aggregate nominal exposures to the different industry sectors and are monitored monthly. Breaches of the approved levels are escalated and approved by the Chief Credit Officer and reported to the CRC. All of the excesses were approved by the Chief Credit Officer and regularized within three months. There is continuous monitoring of exposure to highly cyclical industries which gets reported to CRC.

Total on balance sheet economic sector credit risk concentrations are presented in the table below:	2018	2017
	ZAR'000	ZAR'000
Global Banking:		
Automobiles & Components	12,114	20,193
Building Products, Construction & Engineering	192,881	172,787
Commercial & Professional Services	303,822	388,250
Consumer Durables & Apparel	277,712	1,266,248
Consumer Services	6,690	19
Energy	-	516,242
Financial and Holding Companies	569,940	680,942
Financial Institutions	131,497	186,370
Food, Beverage & Tobacco	2,420,581	2,548,268
Household & Personal Products	117,061	61,743
Media	195,049	280,969
Metals & Mining	4,586,873	4,317,650
Other Capital Goods	311,312	300,962
Other Materials	394,409	716,763
Pharmaceuticals, Biotechnology & Life Sciences	164,440	28,000
Technology Hardware & Equipment	826,449	920,804
Telecommunication Services	107,223	218,750
Trading Companies & Distributors	123,066	130,547
Transportation	1,038,361	950,421
Utilities	306,979	335,487
Gross Loans	12,086,459	14,041,415

Credit risk quality

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Branch.

Credit grading for loans and advances as at reporting date are as follows:

31 December	2018		2017	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
	ZAR'000	ZAR'000	ZAR'000	ZAR'000
Neither past due nor impaired				
Grade 1	-	-	-	1,340
Grade 2	-	4,401,008	-	2,613,823
Grade 3	24,120	-	59,632	435
Grade 4	1,753,470	3,440	113,400	-
Grade 5	3,084,400	970,138	3,458,625	1,459,736
Grade 6	3,910,970	-	3,659,720	1,225,386
Grade 7	505,761	-	595,507	158
Grade 8	603,101	-	3,029,067	116
Grade 9	501,094	-	844,957	-
Grade 10	86,111	-	-	-
Grade 11	39,262	-	714,664	-
Grade 12	1,118,720	-	1,387,332	-
Total	11,627,009	5,374,586	13,862,904	5,300,994

Credit grades 1A to 12C are assigned to performing customers, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

31 December	2018		2017	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
	ZAR'000	ZAR'000	ZAR'000	ZAR'000
Impaired loans				
Grade 13	–	–	16,965	–
Grade 14	369,415	–	161,546	–
Total	369,415	–	178,511	–

Past due comprises:

31 December	2018		2017	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
	ZAR'000	ZAR'000	ZAR'000	ZAR'000
Up to 30 days past due	19,983	–	11,446	–
31 – 60 days past due	13,881	–	28,743	–
61 – 90 days past due	56,171	–	–	–
91 – 120 days past due	–	–	–	–
121 – 150 days past due	–	–	–	–
More than 150 days past due	–	–	–	–
Total	90,035	–	40,189	–

Standard Chartered Bank's internal rating system aligned to Standard & Poor ratings.

Credit Grade	S & P Ratings, Banks	S & P Ratings, Corporates
1A	AAA,AA+	AAA
1B	AA,AA-	AA+
2A	A+	AA
2B	A	AA-
3A	A-	A+
3B	BBB+	A
4A	BBB+,BBB	A-
4B	BBB	BBB+
5A	BBB-	BBB
5B	BB+	BBB-
6A	BB+,BB	BB+
6B	BB	BB+
7A	BB,BB-	BB
7B	BB-	BB
8A	B+	BB-
8B	B+,B	BB-
9A	B	B+
9B	B,B-	B+
10A	B-	B
10B	B-,CCC	B
11A	CCC	B
11B	CCC	B-
11C	CCC	B-
12A	CCC	CCC
12B	CCC	CCC
12C	CCC	CCC

Credit mitigation

The Branch holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks.

The Branch's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Collateral for loans, guarantees, and letters of credit is usually in the form of cash, inventory or property.

Collateral is reported in accordance with our risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Where appropriate, collateral values are adjusted to reflect current market conditions, its probability of recovery and the period to realise the collateral in the event of possession. The collateral values reported are also adjusted for the effects of over-collateralisation.

	Total	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired
	ZAR'000	ZAR'000	ZAR'000	ZAR'000
As at December 2018				
Global Banking				
Amount outstanding				
- Stage 1	7,075,629	7,057,702	17,927	-
- Stage 2	4,641,415	4,569,307	72,108	-
- Stage 3	369,415	-	-	369,415
Total amount outstanding	12,086,459	11,627,009	90,035	369,415
Collateral	6,602,958	650,172	5,890,453	62,333

	Total	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired
	ZAR'000	ZAR'000	ZAR'000	ZAR'000
As at December 2017				
Global Banking				
Amount outstanding	14,041,415	13,822,715	40,189	178,511
Collateral	5,624,778	5,585,349	39,429	–

Counterparty credit risk

For its counterparty credit risk (CCR), the branch applies the current exposure method for its portfolio.

Capital adequacy

The Branch's regulatory capital is analysed into two tiers:

Tier 1 capital, which includes paid up capital, retained earnings, other reserves and comprehensive income after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying tier 2 capital instruments issued, collective impairment allowances and other regulatory adjustments.

Overview of RWA

		Risk-weighted assets December 2018 ZAR'm	Risk-weighted assets December 2017 ZAR'm	Minimum Capital Requirements December 2018 [1] ZAR'm
1	**Credit risk (excluding counterparty credit risk)**	16,757	19,743	1,990
2	Of which standardised approach			
3	Of which advanced IRB approach	16,757	19,743	1,990
4	**Counterparty credit risk**	2,872	2,895	341
5	Of which: standardised approach for counterparty credit risk	2,872	2,895	341
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**	133	40	16
19	Of which standardised approach	133	40	16
20	Of which internal model approaches			
21	**Operational risk**	2,910	2,769	346
22	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
23	Floor Adjustment	-	-	-
24	Other asset risk	1,511	816	179
25	Total	24,183	26,263	2,872

1 *Minimum capital requirements - This value is 11.875% for 2018, consisting of a Pillar 1 requirement of 8.00%, Pillar 2A of 1.25%, an add-on: idiosyncratic requirement of 0.75% and a phased in Capital Conservation Buffer of 1.875% in 2018*

	Standard Chartered Bank, Johannesburg Branch		
	Key metrics for the branch	**December 2018 ZAR'm**	**December 2017 ZAR'm**
	Available capital amounts		
1	Common Equity Tier 1 (CET1)	4,140	3,795
2	Tier 1	3,843	3,175
3	**Total capital**	3,843	3,175
	Risk-weighted assets amounts		
4	Total risk-weighted assets (RWA)	24,183	26,263
	Risk-based capital ratios as a percentage of RWA		
5	Common Equity Tier 1 ratio (%)	17.1%	14.4%
6	Tier 1 ratio (%)	15.9%	12.1%
7	Total capital ratio (%)	15.9%	12.1%
	Additional CET1 buffer requirements as a percentage of RWA		
8	Capital conservation buffer requirement (%)	1.9%	1.3%
9	Countercyclical buffer requirement (%)	-	-
10	Bank G-SIB and/or D-SIB additional requirements (%)	-	-
11	8,9 and 10)	1.9%	1.3%
12	CET1 available after meeting the bank's minimum capital requirements (%)		
	Basel III leverage ratio		
13	Total Basel III leverage ratio exposure measure	39,973	39,290
14	Basel III leverage ratio (%) (row2/row13)	9.61%	8.08%
	Liquidity Coverage Ratio		
	Total HQLA	9,437	7,701
	Total net cash outflow	5,988	5,218
	LCR ratio (%)	158%	148%
	Net Stable Funding Ratio		
18	Total available stable funding	23,012	23,331
19	Total required stable funding	21,245	21,552
20	NFSR ratio	108%	108%

Liquidity Risk

Liquidity risk is the potential for loss because the Bank, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can access these financial resources only at excessive cost.

Funding risk is the potential for actual or opportunity loss because the Bank does not have stable or diversified sources of funding in the medium and long term to enable it to meet its financial obligations in pursuit of its desired business strategy or growth objectives.

The CFO, for local Prudential Liquidity, is the country RFO is responsible for meeting this framework and ensuring that risks are monitored and remain within risk. A local liquidity buffer is held to meet local regulatory and operational requirements.

The ALCO is responsible for ensuring that the capital, liquidity and funding risks remain within the overall risk appetite and are supported by the regional Treasury-Markets desk to ensure they operate within the predefined liquidity limits and remain within compliance with liquidity policies and practices.

The Bank is of the view that capital is not a mitigant for any of its liquidity and funding risks; liquidity reserves (High Quality Liquid Assets (HQLA)) are the appropriate mitigant. Accordingly, the Bank does not hold capital in respect of liquidity risk.

Management of liquidity risk

The Branch manages liquidity risk both on a short-term and medium-term basis. In the short-term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the statement of financial position remains structurally sound.

ALCO is responsible for ensuring that the Branch is self-sufficient and is able to meet all its obligations to make payments as they fall due by operating within the set liquidity limits. It also has primary responsibility for compliance with regulations and Group policy and maintaining a liquidity crisis contingency plan.

The Branch liquidity risk management framework requires limits to be set for prudent liquidity management. These limits are on:

- the mismatch in local and foreign currency behavioural cash flows;
- the level of wholesale borrowing to ensure that the size of this funding is proportional to the local market and the Branch's operations;
- commitments, both on and off the statement of financial position, to ensure there are sufficient funds available in the event of drawdown on these commitments;
- the advances to deposits ratio to ensure that commercial advances are funded by stable sources;
- the amount of medium-term funding to support the asset portfolio; and
- the amount of local currency funding sourced from foreign currency sources.

In addition, the Branch prescribes a liquidity stress scenario that assumes accelerated withdrawal of deposits over a period of time. The Branch has to ensure that cash inflows exceed outflows under such a scenario.

All limits are reviewed at least annually, and more frequently if required, to ensure that they are relevant given market conditions and business strategy. Compliance with limits is monitored independently by Group Treasury. Limit excesses are escalated and approved under a delegated authority structure and reviewed by ALCO.

Banks must comply with the LCR disclosure requirements as set out in Directive 6/2014 and 11/2014. The LCR was phased in at 60% on 1 January 2015 and increase by 10% per year to 100% in 2019.

	Liquidity Coverage Ratio (LCR) (LIQ1)	Total Unweighted Value (average) [a] ZAR'm	Total Weighted (average) [b] ZAR'm
	High-Quality Liquid Assets		
1	Total HQLA		9,437
	Cash outflows		
2	**Retail deposits and deposits from small business customers, of which:**		0
3	Stable deposits		0
4	Less stable deposits		0
5	**Unsecured wholesale funding, of which:**	**21,556**	**11,115**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,703	2,176
7	Non-operational deposits (all counterparties)	12,854	8,940
8	Unsecured debt	0	
9	**Secured wholesale funding**		
10	**Additional requirements**	**24,181**	**3,090**
11	Outflows related to derivative exposures and other collateral requirements	1,914	1,914
12	Outflows related to loss of funding on debt products		
14	**Other contractual funding obligations**	0	0
15	**Other contingent funding obligations**	**22,266**	**1,176**
16	**Total cash outflows**		**14,205**
	Cash inflows		
17	**Secured lending (e.g. reverse repos)**	1,870	1,870
18	**Inflows from fully performing exposures**		
19	Other cash inflows	8,182	6,346
20	**Total cash inflows**		**8,217**
			Total adjusted value [c]
21	**Total HQLA**		9,437
22	**Total net cash outflows**		5,988
23	**Liquidity coverage ratio (%)**		158%

a *Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)*

b *Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)*

c *Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and Level 2 assets for HQLA and cap on inflows)*

Operational risk management

Operational risk (OR) is the potential for loss from inadequate or failed internal processes, and systems, human error, or from the impact of external events (including legal risks). The Bank's objective is to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Bank's franchise. The Head of Operational Risk is the country RFO for operational risk.

OR management and monitoring

The Group allocates responsibilities for the management of operational risk consistent with the Three Lines of Defence as prescribed in the ERMF. The ERMF defines ten Principal Risk Types (PRTs) that are inherent risks in SCB's strategy and business model. Risk types not covered under ERMF's PRTs are designated as non-Principle Risk Types (non-PRT) which are collectively grouped under the OR Principle Risk Type (OR-PRT).

OR exposures are managed in accordance with the standards set by Group Operational Risk in the Operational Risk Type Framework (ORTF). The ORTF defines the risk classification of non-PRTs and assigns Subject Matter Experts as the owners for the non-PRTs. It is required to be installed for prioritised risks in all businesses and functions.

The responsibility for daily management of OR exposures rests with the business. Operational Risk Officers have been appointed to ensure that the ORTF is implemented and they work with RFOs and SMEs to manage the Operational Risk profile.

The ORTF reinforces clear accountability for managing risk through the three lines of defence. The First Line of Defence (“1LoD”) is the business segments and functions accountable for the management of the activities of the Group. The CEO, Business, Product and Functional Heads form the 1LoD for the non-PRT.

Market risk

The Bank's ERMF defines market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices.

Management and monitoring

Market risk limits are reviewed and approved by Traded Risk Forum, following which they are tabled for support by the local Risk Committee (CRC). These limits are consistent with financial budgets, any changes in the business operations, and with Group market risk appetite metrics set by the Board of SC PLC. Limit excesses are escalated according to the Market Risk Limit and Excess Procedure. Exposure to market risk is measured, monitored and controlled by Market and Traded Credit Risk (MTCR) which is the independent control function for market risk. The CCRO is the country RFO for market risk. The CRC monitors the Bank's performance relative to its internal limits on market risk.

Value at risk (VAR)

The Branch measures the risk of losses arising as a result of potential adverse movements in interest and exchange rates.

VaR is a statistical measure of the potential loss on a portfolio for a given holding period at a determined confidence level. It captures the effects of correlation & diversification across a range of instruments.

It expresses the 'maximum' amount the Branch might lose, but only to a certain level of confidence. The Branch measures VaR at 97.5% confidence level, 1 day holding period.

The Branch calculates VaR using Historic Simulation methodology using a rolling 260 days of market data. The data is used to simulate possible future P/Ls and depending on the model's confidence interval, the nth worst loss is taken as VaR. Since the Branch measures VaR at 97.5% confidence level, 1 day holding period, the Branch's VaR is therefore the 7th worst loss.

In addition to the close supervision of trading activities by senior management, there are limits on the size of positions and concentrations of instruments as well as stress testing for all currencies. The Branch regularly runs stress tests to identify any exposure to plausible events that may not be highlighted by other measures.

Value at risk summary for 2018 and 2017

	12 Months to 31 December 2018			12 Months to 31 December 2017		
	Average ZAR'000	High ZAR'000	Low ZAR'000	Average ZAR'000	High ZAR'000	Low ZAR'000
Interest rate risk (ALM Book)	9,050	10,911	1,617	3,593	8,006	1,416
Currency risk	409	1,844	1	845	1,878	337
Total	9,459	12,755	1,618	4,438	9,884	1,753

Interest rate risk

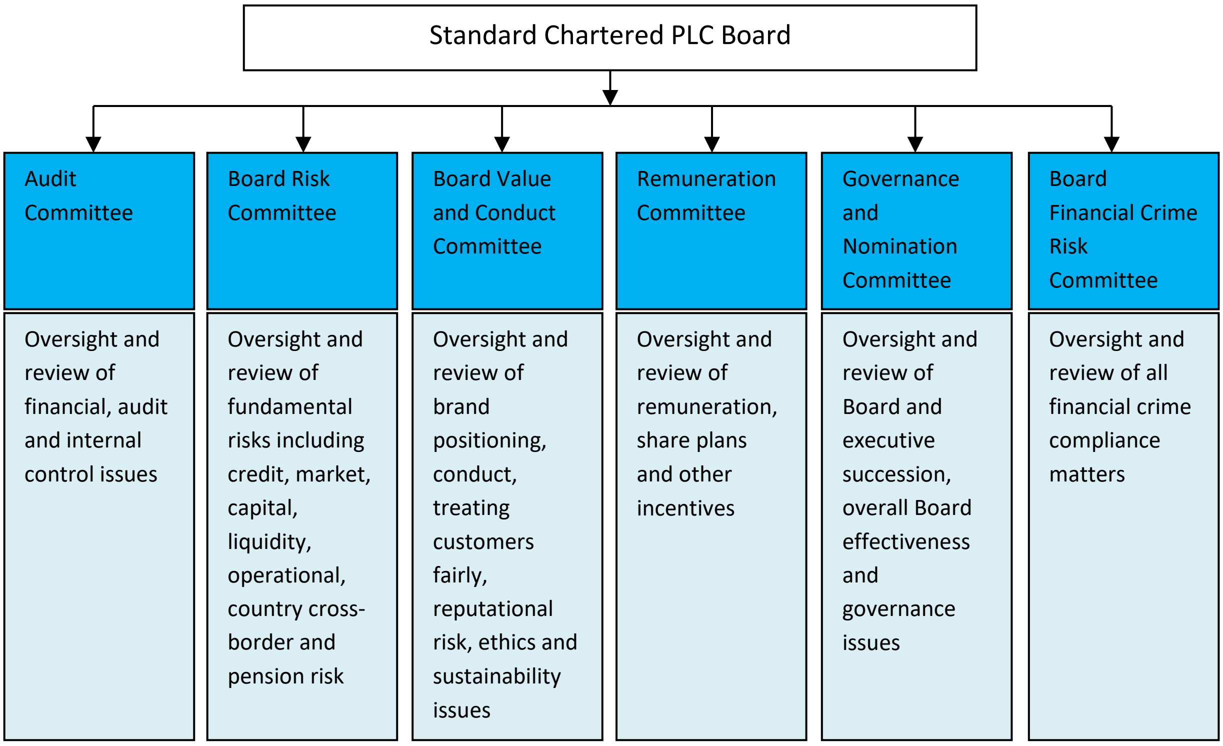
The Branch's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times and/or in differing amounts. In the case of floating rate assets and liabilities the Branch is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices. Asset-liability risk management activities are conducted in the context of the Branch's sensitivity to interest rate changes. The tables below indicate the effective average interest rates at the reporting date and the periods in which financial assets and liabilities reprice respectively.

The impact of a 2% parallel interest rate shock on net interest income as at 31 December 2018 was:

	R'000
Interest rate increase	**-2669**
Interest rate decrease	**2669**

Remuneration

Standard Chartered Johannesburg is governed by the Standard Chartered PLC Governance Structure as follows:



The Remuneration Committee has oversight of all reward policies for Standard Chartered employees. It is responsible for setting the principles and governance framework for all compensation decisions.

Design of remuneration structure:

The Bank's remuneration is directly linked to the Standard Chartered PLC design and operation structure and frequency of review.

Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The following table sets out the detail of remuneration paid to key management:

	2018 ZAR'000	2017 ZAR'000
Key management personnel remuneration		
Salary	41,498	39,253
Cash bonus	11,020	10,924
Total	52,518	50,177

The total charge for share based awards in respect of key management personnel amounted to R3,804,371 (2017: R3,040,336)

Retirement benefits:

The Branch facilitates payment of employees' provident fund contributions to a privately administered provident fund. The Branch has no further payment obligations once the contributions have been paid.

Obligations for contributions to defined contribution plans are recognised as an expense in the profit or loss when they are due in respect of service rendered before the end of the reporting period.

2011 Standard Chartered Share Plan (the 2011 Plan)

The group operates a number of share-based arrangements for its directors and employees. Details of the share-based payment are charge are set out below:

2011 Standard Chartered Share Plan (the '2011 Plan')
The 2011 Plan was approved by shareholders in May 2011 and is the Group's main share plan. Since approval, it has been used to deliver various types of share awards:

- Long Term Incentive Plan (LTIP) awards: granted with vesting subject to performance measures. Performance measures attached to awards granted previously include: total shareholder return (TSR); return on equity (RoE) with a common equity tier 1 (CET1) underpin; strategic measures; earnings per share (EPS) growth; and return on risk-weighted assets (RoRWA). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway that results in the award lapsing if not met

- Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Group to meet regulatory requirements relating to deferral levels, and is in line with market practice

- Restricted share awards, made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Group to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance measures

- Underpin shares are subject to a combination of two performance measures: EPS growth and return on Return on Risk Weighted Assets. The weighting between the two elements is split equally, one-half of the award depending on each measure, assessed independently. These awards vest after three or five years. Underpin shares formed part of the variable remuneration awarded to executive directors and senior management in respect of 2014 performance

Under the 2011 Plan, no grant price is payable to receive an award. The remaining life of the 2011 Plan during which new awards can be made is four years.

Valuation – LTIP awards

The vesting of awards granted in both 2017 and 2018 is subject to the satisfaction of Return on Equity (subject to a capital underpin) and relative TSR performance measures and achievement of a strategic scorecard. The fair value of the TSR component is calculated using the probability of meeting the measures over a three-year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the Return on Equity and strategic measures in the scorecard, to determine the accounting charge.

Annexure A – Main Features Disclosure

Year ended: 2018-12-31 Disclosure template for main features of regulatory capital instruments		
1	Issuer	NA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement	NA
3	Governing law(s) of the instrument	
Regulatory Treatment		
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	NA
6	Eligible at solo/group/group & solo	NA
7	Instrument type (types to be specified by each jurisdiction)	NA
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	NA
9	Par value of instrument	NA
10	Accounting classification (Shareholders Equity, Liability – Amortised cost, Liability – fair value option, Non-controlling interest in consolidated subsidiary)	Shareholders Equity
11	Original date of issuance	NA
12	Perpetual or dated	Perpetual
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
Coupons / dividends		
17	Fixed or floating dividend / coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA

30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA