

31 December, 2022



Risk and Capital Management Report

PILLAR 3 DISCLOSURE

Stanbic Bank Botswana Limited



Stanbic Bank **IT CAN BE™**

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1. Background and scope

1.1 Background

Bank of Botswana (BoB) Basel II guidelines introduced three reinforcing pillars namely, the minimum capital requirement (Pillar 1), Supervisory Review Process (SRP) (Pillar 2) and the Market Discipline (Pillar 3). The Pillar 3, Market Discipline guidelines and requirements are summarised in the section 12 of the directive.

The Sections 12.1 and 12.2 of the Basel II guidelines are as per below:

- The primary purpose of Pillar 3 is to supplement the minimum capital requirements (Pillar 1) and SRP (Pillar 2) by introducing a set of disclosure requirements, which will allow market participants to influence the level of capital, risk assessment processes, capital adequacy and remuneration practices of a bank.
- Improved transparency, underpinned by high quality and timely market disclosures will enhance market discipline, efficiency and confidence. The key objective is, therefore, to provide a market driven incentive for a bank to conduct business in a safe and sound manner. A bank is therefore, responsible, beyond the disclosure requirements set out in this directive, for conveying adequate information regarding its actual risk profile and how risks relate to capital.

1.2 Scope and approach

This document covers disclosure requirements for the capital structure and capital adequacy, risk management processes and remuneration practices adopted by Stanbic Bank Botswana Limited (SBBL).

The capital section elaborates the capital composition of the bank in relation to the Risk Weighted Assets (RWA), the composition of the RWA between Credit, Operational and Market risks. Further the section will cover a summary discussion of the bank's approach to assessing the adequacy of its capital to support the current and future activities.

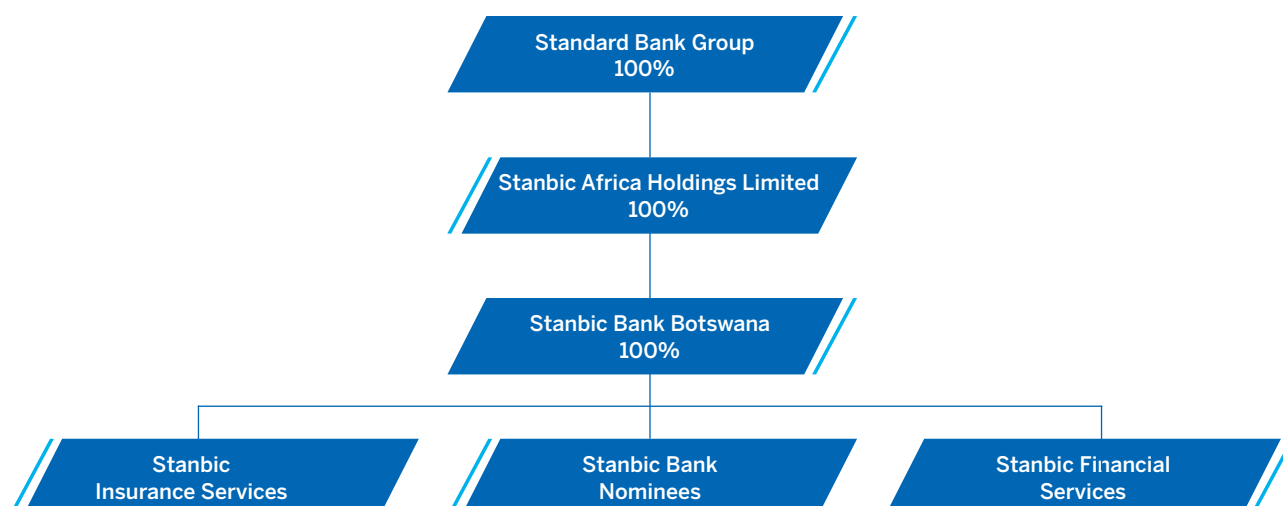
The risk management section, outlines the strategies and processes adopted by the bank in identifying and managing key risks. Furthermore, the composition and structure of the risk management is highlighted.

The last section of this document provides information on the qualitative and quantitative remuneration practices adopted by the bank.

2.2 Corporate structure

SBBL is a public company incorporated under the Companies Act of Botswana under company registration number BW000732198. The bank is one of Botswana's leading commercial banks and is licensed by the Bank of Botswana "(BoB), (Central Bank)" accordingly. SBBL is a wholly owned subsidiary of Stanbic Africa Holdings Limited (SAHL) which in turn is a wholly owned subsidiary of the Standard Bank Group Limited (SBG), a public company listed on the Johannesburg Stock Exchange (JSE). SBG traces its roots back to 1862 and is Africa's largest financial institution by assets and also has the biggest single network of banking services in Africa.

The subsidiaries of SBBL are Stanbic Insurance Services (Proprietary) Limited (SIS), Stanbic Bank Nominees (Proprietary) Limited (SBN) and Stanbic Financial Services (Proprietary) Limited (SFS).



3. Regulatory Capital Requirements

3.1 Capital structure

The Internal Capital Adequacy Assessment Process (ICAAP) ensures that the bank maintains sufficient capital levels for the purposes of regulatory compliance and adherence to the Board's risk appetite. For a bank to be considered well capitalised, it is expected to maintain the minimum capital ratio of 4.5% for Common Equity Tier 1 (CET 1), 7.5% for Tier 1 and Capital Adequacy Ratio (CAR) of 12.5%. The SBBL Board of directors have approved an internal buffer over the regulatory requirements (CET 1, Tier 1, CAR and core capital).

Tier I (primary capital) represents permanent forms of capital such as common shares, share premium and retained earnings, and other accumulated comprehensive income.

Tier II (secondary capital) includes instruments issued by the bank, general debt provisions and current unpublished profits.

The bank's capital structure and position as at 31 December 2022, is as shown below:

Table 1: Basel II Common Equity Tier 1 Disclosure Template

Ref	Description	BWP'000
Common Equity Tier I: Instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus.	390,177
2	Retained earnings	1,318,665
3	Accumulated other comprehensive income (and other reserves)	-
4	Directly issued capital subject to phase out from CET1 CAPITAL (only applicable to non-joint stock companies)	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 CAPITAL)	-
6	Common Equity Tier I capital before regulatory adjustments	1,708,842
Common Equity Tier 1: regulatory adjustments		
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (Net of related tax liability)	-
10	Deferred tax assets that rely on future profit ability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined-benefit pension fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financial	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments	-
27	Regulatory adjustments applied to Common Equity Tier I due to insufficient Additional Tier I and Tier II to cover deductions	-
28	Total regulatory adjustments to Common equity Tier I	-
29	Common Equity Tier I capital (CET1 CAPITAL)	1,708,842

3. Regulatory capital requirements (continued)

Ref	Description	BWP'000
Additional Tier I capital: instruments		
30	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus.	-
31	of which: classified as equity under applicable accounting standards	-
32	of which : classified as liabilities under applicable accounting standards	-
33	Directly issued capital subject to phase out from additional Tier 1	-
34	Additional Tier I instruments (and CET 1 CAPITAL instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group ATI)	-
35	of which: instruments issued by subsidiaries subject phase out	-
36	Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier I instruments	-
38	Reciprocal cross-holding in Additional Tier I instruments	-
39	Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10%)	-
40	Significant investment in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustment	-
42	Regulatory adjustment applied to Additional Tier I due it insufficient Tier II to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1	-
44	Additional Tier 1 Capital (ATI)	-
45	Tier 1 (T1=CET 1 CAPITAL + ATI)	1,708,842
Tier II capital: instruments and provisions		
46	Directly issued qualifying Tier II instruments plus related stock surplus	515,720
47	directly issued capital instruments subject to phase out from Tier II	-
48	Tier II instruments (and CET 1 CAPITAL and AT 1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier II)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	167,742
51	Tier II capital before regulatory adjustments	683,462
Tier II capital: regulatory adjustments		
52	Investments in own Tier II instruments	-
53	Reciprocal cross-holdings in Tier II instruments	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold).	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions).	-
56	National specific regulatory adjustments	-
57	Total regulatory adjustments to Tier II capital	-
58	Tier II capital (T2)	1,127,310
59	Total capital (TC = T1 + T2)	2,836,152
60	Total risk-weighted assets (3.2.2)	14,739,876

3. Regulatory capital requirements (continued)

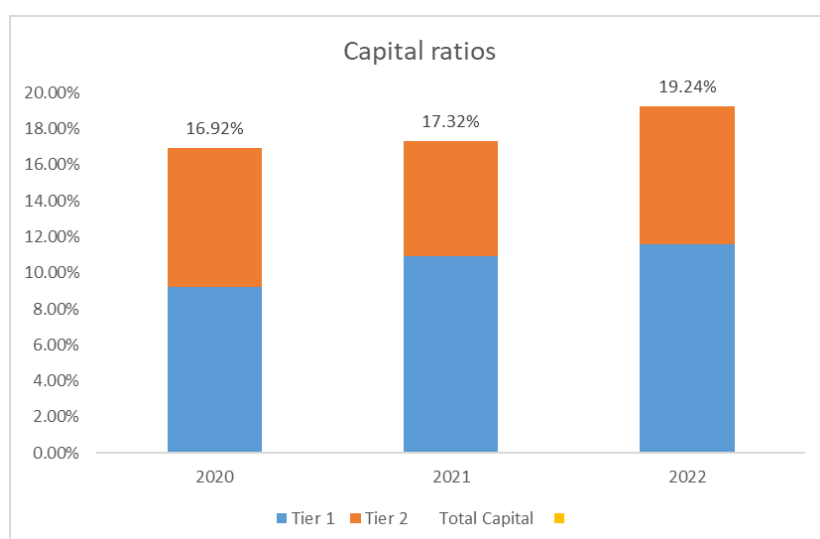
Ref	Description	BWP'000
Capital ratios and buffers		
61	Common Equity Tier I (as a percentage of risk weighted assets)	11.59%
62	Tier I (as a percentage of risk weighted assets)	11.59%
63	Total capital (as a percentage of risk weighted assets)	19.24%
64	Institution specific buffer requirement (minimum CET 1 CAPITAL requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	N/A
65	of which: capital conservation buffer requirement	N/A
66	of which: bank specific countercyclical buffer requirement	N/A
67	of which: G-SIB buffer requirement	N/A
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)		
68	National Common Equity Tier I minimum ratio (if different from Basel II minimum)	4.50%
70	National Tier I minimum ratio (if different from Basel II minimum)	7.50%
71	National total capital minimum ratio (if different from Basel II minimum)	12,5%
Amounts below the threshold for deduction (before risk-weighting)		
72	Non-significant investments in the capital of other financials	N/A
73	Significant investments in the common stock of financial	N/A
74	Mortgage servicing rights (net of related tax liability)	N/A
75	Deferred tax assets arising from temporary differences (net of related tax liability)	N/A
Applicable caps on the inclusion of provisions in Tier II		
76	Provisions eligible for inclusion in Tier II in respect of exposures subject to standardised approach (prior to application of cap)	N/A
77	Cap on inclusion of provisions in Tier II under standardised approach	N/A
78	Provisions eligible for inclusion in Tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)	N/A
79	Cap for inclusion of provisions in Tier II under internal ratings-based approach	N/A
Capital Instruments subject to phase -out arrangements (only applicable between 1 Jan 2015 and 1 Jan 2020)		
80	Current cap on CET 1 CAPITAL instruments subject to phase out arrangements	N/A
81	Amount excluded from CET 1 CAPITAL due to cap (excess over cap after redemption and maturities)	N/A
82	Current cap on AT1 instruments subject to phase out arrangements	N/A
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemption and maturities)	-

3. Regulatory capital requirements (continued)

Capital adequacy

Through robust capital management and monitoring, the bank has remained well capitalised, maintaining the CAR well above the minimum regulatory requirement. The management of capital through the Treasury and Capital Management (TCM) unit forecasts the position regularly so that business is not surprised by the positions at month end. The capital planning, which forms part of the bank's funding plan, looks at the budgeted balance sheet growth and determines feasibility looking at the capital position.

Table 3 : Summary of Capital Ratios



3.2 Risk Weighted Assets (RWA)

The risk weighted assets represent an aggregated measure of different risk factors affecting the evaluation of financial products and transactions in the bank. The aggregation considers credit, operational and market risks. The amount of the risk weighted assets from both the operational and market risks are determined by multiplying the respective capital requirement by a risk weighted factor of 6.7, the result of which is added to the credit risk weighted assets in order to determine the total risk weighted assets of the bank.

According to the Basel II directive, the RWA comprise of Credit, Operational and Market risks. The RWA breakdown is as shown below:

Table 4: Composition of RWA as at 31 December 2022

Portfolio	Approach	BWP'000
Credit risk	Simple approach	13,419,397
Market risk	Standardised approach	184,438
Operational risk	Basic indicator approach	1,136,041
Total		14,739,876

3. Regulatory capital requirements (continued)

3.2.1 Credit RWA

According to the Basel II directive, the risk weights for credit risk is determined by multiplying the credit exposures by the appropriate risk weights, dependent on the counterparty's risk rating as applicable.

Table 5: Summary of Credit RWA as at 31 December 2022

Credit risk	Exposure amounts in BWP'000	Specific provisions	Credit Risk mitigation	RWA in BWP'000
Sovereign or Central bank	3,376,817	-	-	-
Public Sector entities	784,324	-	-	156,865
Exposure to banks	6,709,888	-	-	2,295,444
Corporates	2,683,722	-	-	2,683,722
Retail loans and Mortgages	10,267,902	171,200	10,178	7,181,651
Other assets	493,866	-	-	382,875
Off balance sheet exposures	2,296,033	-	235,653	718,839
Total Credit Risk RWA	26,612,552	171,200	245,831	13,419,397

3.2.2 Operational and Market Risks RWA

The RWA for both operational and market risks are determined by multiplying the respective capital charge requirements by a risk weighted factor of 6.7, the result of which is added to the risk-weighted assets for credit risk to come up with the total RWA for the bank.

Table 6: Operational Risk

Year	Gross Income BWP'000	Aggregate Gross Income	Risk Weight Factor
Total Gross Income For Year 1	1,145,718	-	-
Total Gross Income For Year 2	1,087,768	-	-
Total Gross Income For Year 3	1,087,768	-	-
Aggregate Gross Income ($\Sigma GI_{1...n}$)	-	3,391,168	-
Operational risk factor - denoted alpha (α)	-	15%	-
Aggregate Gross income multiplied by α	-	508,675	-
No. of years with Positive Gross Income (n)	-	3	-
Operational Risk Capital Charge: BIA	-	169,558	6.7
Operational Risk Weighted Weight Assets	-	-	1,136,041

Table 7: Market Risk

Summary Information	Capital Charge	Risk Weight Factor	Total
Interest Rate Risk	18	-	-
Equity Position Risk	-	-	-
Foreign Exchange Risk	27,510	-	-
Commodities Risk	-	-	-
Market Risk-Weighted Assets		6.7	184,317

3.3 Expanded Regulatory Balance Sheet

For the basis of consolidation for accounting purposes, the bank's balance sheet and the regulatory reports need to be reconciled to identify any differences that might arise. The differences that exist between the two reconciliations are due to reclassifications of items under the regulatory reporting. Some of the adjusted items between the two reconciliations are on the trading assets, staff fair value, financial assets designated at fair value and intangible assets.

3. Regulatory capital requirements (continued)

3.3.1 Balance sheet reconciliations

Table 8: Accounting vs regulatory balance sheets as 31 December 2022

	Balance Sheet as in Published Financial Statements	Under Regulatory Scope of Consolidation
	As at Period End 31 December 2022	As at Period End 31 December 2022
	BWPP'000	BWP'000
Assets		
Cash balances at Central Bank	544,879	544,879
Items in the course of collection from banks	-	-
Trading portfolio assets	-	-
Financial assets designated at fair value	3,018,080	3,016,938
Derivatives initial instruments	12,163	12,163
Loans and advances to banks	6,790,157	6,709,888
Loans and advances to customers	13,264,932	13,550,948
Reverse repurchase agreement and other secure lending	-	-
Available for sale financial investments	-	-
Current and deferred tax asset	50,177	78,690
Prepayments, accrued income and other assets	87,540	129,006
Investments in associations and joint ventures	-	-
Goodwill and intangible assets	123,359	123,359
Property, plant and equipment	150,649	150,649
Total assets	24,041,936	24,316,520
Liabilities		
Deposit from banks	1,011,054	1,011,054
Items in the course of collection due to other banks	-	-
Customer accounts	19,461,820	19,447,965
Repurchase agreement and other secure Lending	-	-
Trading portfolio liabilities	27,175	-
Financial liabilities designated at fair value	-	-
Derivatives financial instruments	15,464	15,464
Debt securities in issue	990,440	1,004,775
Accrual, deferred tax liabilities	-	54,544
Subordinated liabilities	-	-
Provisions	383,293	630,029
Retirement benefit liabilities	-	-
Total liabilities	21,889,246	22,163,830
Shareholders' Equity		
Paid-in share capital	390,177	390,177
Retained earnings	1,762,513	1,318,665
Accumulated other comprehensive income and reserves	-	443,848
Total shareholders' equity	2,152,690	2,152,690

3. Regulatory capital requirements (continued)

3.3.2 Expanded Regulatory Balance Sheet

Table 9: Expanded Balance Sheet as at 31 December 2022

	Balance Sheet as in Published Financial Statements	Under Regulatory Scope of Consolidation
	As at Period End 31 December 2022	As at Period End 31 December 2022
	BWP'000	BWP'000
Assets		
Cash balances at central banks	544,879	544,879
Items in the course of collection from banks	-	-
Trading portfolio assets	-	-
Financial assets designated at fair value	3,018,080	3,016,938
Derivative financial instruments	12,163	12,163
Loans and advances to banks	6,790,157	6,709,888
Loans and advances to customers	13,264,932	13,550,948
Reverse repurchase agreement and other secure Lending	-	-
Available for sale financial investments	-	-
Current and differed tax asset	50,177	78,690
Prepayments, accrued income and other assets Investments	87,540	129,006
in associations and Joint venture	-	-
Goodwill and intangibles assets	123,359	123,359
of which goodwill	-	-
of which other intangibles (Excluding MSRs)	-	-
Property, plant and equipment	150,649	150,649
Total assets	24,041,936	24,316,520
Liabilities		
Deposit from banks	1,011,054	1,011,054
Items in the course of collection due to other banks	-	-
Customer accounts	19,461,820	19,483,084
Repurchase agreement and other secure Lending	-	-
Trading portfolio liabilities	27,175	-
Financial liabilities designated at fair value	-	-
Derivative financial instruments	15,464	15,464
Debt securities in issue	990,440	1,004,775
current and deferred tax liabilities	-	-
of which DTIs related to goodwill	-	-
of which DTIs related intangibles (excluding MSRs)	-	-
of Which DTIs related to MSRs	-	-
Subordinated liabilities	-	-
Provisions	383,293	682,723
Retirement benefit liabilities	-	-
Total liabilities	21,889,246	22,163,830
Shareholders' Equity		
Paid -in share capital	390,177	390,177
of which amount eligible for CET1 CAPITAL	-	-
of which amount eligible for AT1	-	-
Retained earnings	1,318,665	1,318,665
Accumulated other comprehensive income	443,848	443,848
Total shareholders' equity	2,152,690	2,152,690

3. Regulatory capital requirements (continued)

Table 10: Extract of Basel II Common disclosure template (with added column)

Common Equity Tier I capital: instruments and reserves

		Component of Regulatory capital reported by bank	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
1	Directly issued qualifying common share	390,177	H
2	Retained earnings	1,164,191	-
3	Accumulated other comprehensive income (and other reserves)	154,474	-
4	Directly issued Capital subject to phase out from CET1 CAPITAL (only applicable to non -joint stock companies)	-	-
5	Common Share capital issued by subsidiaries and held by third parties (amount) allowed in the group CET1 CAPITAL)	-	-
6	Common equity Tier I capital	1,708,842	-
7	Prudential valuation adjustments	-	A-D
8	Goodwill (net of related tax liability)	-	-



3. Regulatory capital requirements (continued)

Table 11: Main Features Template

The bank currently has BWP 516 million in subordinated debt, issued locally and listed on the Botswana Stock Exchange (BSE).

1	Issuer	Stanbic Bank Botswana Limited
2	Unique identifier e.g. CUSIP, ISIN or Bloomberg identifier or private placement)	ZQ 6621812 ZQ 6621895 BW 0000 3300 BW 00003292 BW 0000 3326 BW 00003318
3	Governing law(s) of the instrument	Botswana law
	Regulatory treatment	Basel II
4	Transitional Basel III rules	Tier II
5	Post-transitional Basel III rules	Tier II
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Debt
8	Amount recognised in regulatory capital (Currency in mil as of most recent reporting date)	P212m, P88m P50m, P50m, P105,7m
9	Par value of instrument	P212m, P88m, P50m, P50m, P105,7m
10	Accounting classification	Borrowings (Amortised cost)
11	Original date of issuance	28 -11-2019 04-07-2022 29-07-2022
12	Perpetual or dated	Dated
13	Original maturity	28 -11-2029 07-07-2032 29-07-2027
14	Issuer caller subject to prior supervisory approval	
15	Optional call date ,contingent call dates and redemption amount	After a minimum of 5yrs
16	Subsequent call dates if applicable Coupons/dividends	None
17	Fixed or floating	Floating and Fixed
18	Coupon rate and related index	Bank and prime rate
19	Existence of a dividend stopper	None
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	None
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	No
24	If convertible ,conversion trigger(s)	Not applicable
25	If convertible ,conversion rate	Not applicable
26	If convertible ,fully or Partially	Not applicable
27	If convertible ,mandatory or optional conversion	Not applicable
28	If convertible ,specify instrument type convertible into	Not applicable
29	If convertible ,specify issuer of instrument it converts into	Not applicable
30	If write down feature	Not applicable
31	If write down, write-down trigger(s)	Not applicable
32	If write down, full or partial	Not applicable
33	If write down, permanent or temporary	Not applicable
34	If write down, description of write-up mechanism	Not applicable
35	Positioning subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not applicable
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

4. Risk management processes

Effective risk management is fundamental to the business activities of SBBL. While the bank remains committed to increasing shareholder value by developing and growing the business within the approved risk appetite, the bank is mindful of achieving this objective in line with the interests of all stakeholders.

Further, effective risk management should provide complete, timely, accurate and relevant information to enhance senior management decision making ability to:

- calculate risk adjusted performance measures;
- manage volatility in earnings;
- minimise financial distress; and
- help appraise new business initiatives on a comparable basis.

Governance standards have been established as key components of good governance and business practice in the bank. The standards form an integral part of the control infrastructure and represents a high-level description of the expectations and requirements of the Board in respect to risk appetite, risk reporting and key areas of control activity within the bank.

Identification of material risks is a process overseen by the Head, Risk and Chief Finance and Value Management Officer with involvement from the business segments and corporate functions.

Based on the above-mentioned criteria, the following primary risk types are considered by the bank to be material: -

Credit risk (including counterparty credit risk)

Credit risk regulatory capital is determined by The Standardised Approach (TSA) as per the BoB regulations. For both regulatory and internal credit risk capital measurement, the calculation of the capital requirement is affected by the level of specific provisions for credit losses (relating to non-performing loans) that the bank has taken. Specific provisions are taken in accordance with regulations and consider expected recoveries and the timing of such recoveries.

Market risk

Market risk regulatory capital is determined by Standardised Measurement Approach (SMA) as per the BoB regulations. Additionally, market risk is measured and stress-tested within the bank using a few established risk measurement techniques such as Value at Risk (VaR).

Interest Rate Risk in the Banking Book (IRRBB)

The bank manages its exposure to changes in interest rates on its banking book assets and liabilities (loans and deposits) by ensuring that an interest rate shock for both the local and foreign currency books – as prescribed by the Asset and Liability Committee (ALCO) – does not result in adverse annualised net interest income change.

Liquidity risk

An extensive set of liquidity risk metrics are in place. Due to the robustness of the measurement and monitoring approaches, the level of unencumbered liquid assets, and the necessary requirement for timeous management action, the bank does not hold capital for liquidity risk.

Operational risk

The bank uses the Basic Indicator Approach (BIA) to calculate operational risk regulatory capital as per the BoB regulations. For internal measurement purposes, since operational risk regulatory capital is less risk sensitive, regulatory capital is further adjusted considering historical loss experience, the level of management oversight, the status of implementation/use of the operational risk management framework and operational risk events.

Legal risk

The bank has an in-house Legal function whose main role is to provide legal advisory services to all business/corporate functions within the bank on all transactions/activities that are carried out in the bank and implementing and maintaining a comprehensive legal risk management system. Furthermore, the in-house Legal function ensures that all legal risks pertaining to new products and services developed and/or implemented by the various units within the bank are identified and adequately mitigated and/or managed. Supported by historical data on legal exposures and litigation outcomes, the bank considers its legal risk management framework to be adequate; therefore, the existing capital buffers are enough to accommodate the risk.

4. Risk management processes (continued)

Compliance risk

The bank has adopted the Compliance Risk Management Framework based on compliance risk management plans in which all statutory and regulatory requirements that impact on the bank's business; the control mechanisms that exists to ensure that the bank complies with the requirements. The responsible department and personnel responsible for ensuring that the bank complies with each specific statutory or regulatory requirement and the compliance targets and deadlines are identified and documented. Although the Board has the ultimate responsibility for the management of compliance risks, this approach ensures that officers at each and every level of the bank are aware of their responsibilities in managing compliance risks and take responsibility and accountability of all compliance risks that fall within their functional areas. The bank has adopted zero tolerance for statutory and regulatory breaches and proactively manages compliance, therefore no capital is held for compliance risk.

Business risk

The bank's management have a clear understanding of the value drivers that impact on profitability. The bank does not specifically provide capital for business risk because it is contained within the capital buffer determined by the bank's comprehensive stress testing. It is also minimal as loss history is negligible.

The risk management processes have continued to prove effective throughout 2022. The various management risk committees have remained closely involved in key risk management initiatives, which have focused particularly on preserving appropriate levels of liquidity and capital, and effectively managing the risk portfolios. Responsibility and accountability for risk management resides at all levels within the bank.

4.1 Credit risk

Credit risk is the bank's most material risk and is managed in accordance with the bank's comprehensive risk management control framework. The Credit Standard sets out the principles under which the bank is prepared to assume credit risk. Responsibility for credit risk resides with the bank's business units, supported by the bank's Credit Risk function and with oversight, as with other risks, by the bank's risk committees and ultimately the Board.

The principal executive management committee responsible for overseeing credit risk is the Credit Risk Management Committee (CRMC). The credit committees for the segments Consumer and High Net Worth (CHNW), Business and Commercial Banking (BCB) and Corporate and Investment Banking (CIB) report directly to CRMC and indirectly to the Board Credit Committee.

The purpose of CRMC is to establish and define the principles under which the country is prepared to assume credit risk and the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk. The committee recommends approval of all counterparty large exposures and insider lending transactions to the extent required by BoB regulations. All such approval requests are made to the bank's Board of directors.

The Board Credit Committee is the principal board committee responsible for the oversight of credit risk, with CRMC having oversight and responsibility for reviewing credit impairment adequacy.

Impairment policy

The bank writes off a loan/security balance when the credit risk unit determines that the loans/securities are uncollectable. This is determined after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be enough to pay back the entire exposure. For smaller balance standardised loans, charge-off decisions generally are based on product specific past due status.

Impaired loans and securities

Impaired loans and advances are loans and advances for which the bank has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more.

Past due but not impaired loans

Loans and advances where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is unlikely but could occur if adverse conditions persist.

4. Risk management processes (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category for six months.

Allowances for impairment

The bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance established for banks of homogenous assets in respect to losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Provision for Non - Performing Loans - Specific Debt Provision (SDP)

The model used for calculating the credit impairments for Non-Performing Loans is based on time value of money principles. The impairments raised are in accordance with the requirements of IFRS 9 principles.

The model used for SDP is based on IFRS Principles which define an impairment loss in respect of a loan as:

- the difference between the carrying amount of a loan and the present value of the estimated future cash flows discounted at the contractual rate of interest (original effective interest rate).
 - The carrying value of the loan is the outstanding exposure on the date of the assessment/default.
 - The future cash flows must be estimated, and take the collateral, if any, into account.
 - The contractual rate of interest should exclude any penalty rates but, including the base rate plus the client specific margin on the facility
- Total IFRS provision comprises the specific loss and Time Value of Money loss.

Provision for Performing Loans – General Debt Provision (GDP)

General debt provision is based on International Financial Reporting Standard 9 (IFRS 9). The IFRS 9 establishes principles for the financial reporting of financial instruments and sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

IFRS 9's expected credit loss (ECL) requirements contain the following key requirements:

- An ECL allowance is required to be recognised on financial assets that are measured either on an amortised cost basis or fair value through other comprehensive income (OCI) basis, as well as lease receivables, loan commitments and financial guarantee contracts.
- IFRS 9 requires impairments to be recognised on an expected loss basis.
- In addition, financial assets must be assessed for significant increase in credit risk (SICR) compared to when the loans were first originated, prior to the loan reaching 30 days past due arrear status.
- IFRS 9 requires forward looking information to be considered when calculating ECL.
- For off-balance sheet loan commitments and financial guarantees, ECL is now recognised whereas prior to IFRS 9 adoption no impairments were held for these instruments.

4. Risk management processes (continued)

Table 12 : Total Credit Exposures at fair value as at 31 December 2022

Exposures P'000	Gross Carrying Amount	Stage 1 (0-29 Days)	Stage 2 (30-89 Days)	Stage 2 (30-89 Days)	Security	Provisions for NPL	Provisions for PL	Interest in Suspense (IIS)	Net Carrying Amount	Gross Specific Impairment Coverage	Non Performing Loans %
Mortgage loans	2,437,291	2,052,895	188,082	196,314	-	69,647	56,810	7,505	2,303,329	39.30%	8.05%
Vehicle and asset finance	988,671	859,908	82,416	46,347	16,318	30,029	52,846	-	905,796	64.79%	4.69%
Card debtors	43,924	30,990	10,577	2,357	2,563	(206)	6,643	-	37,487	(8.74%)	5.37%
Other loans and advances	3,469,886	2,943,793	281,075	245,018		99,470	116,299	7,505	3,246,612	43.66%	7.06%
Personal unsecured lending	-	5,889,338	141,005	54,415	(842)	50,561	112,216	4,696	5,921,981	101.55%	0.89%
Business and other lending	864,958	714,639	101,586	48,733	29,628	21,346	16,818	2,241	826,794	39.20%	5.63%
Gross carrying value of loans and advances	10,419,602	9,547,770	523,666	348,166		171,377	245,333	9,960	10,002,892	52.08%	3.34%
Corporate and Investment Banking	4,805,150	4,515,293	289,857	-	177	177	16,418	-	4,788,909	0.00%	0.00%
Corporate Loans	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Gross carrying value of loans and advances	15,224,752		813,523	348,166		171,200	261,751	9,960	14,791,801	52.03%	2.29%

Table 13: Geographical distribution of loans and advances to customers - 31 December 2022

	BWP'000	Percentage Concentration
Central	1,230,514	8.08%
Ngami	502,033	3.30%
North	1,106,100	7.27%
South	12,386,105	81.36%
Total	15,224,752	100%

Table 14: Distribution of exposures to customers by industry – 31 December 2022

Industry Sectors Exposures	BWP'000	Concentration
Agriculture	202,167	1.33%
Construction	97,072	0.64%
Electricity	10,157	0.07%
Finance, real estate and other business services	4,659,076	30.60%
Individuals	8,525,045	55.99%
Manufacturing	14,613	0.10%
Mining	167,488	1.10%
Transport	343,791	2.26%
Wholesale	1,205,343	7.92%
Other services	-	0.00%
Total	15,224,752	100%

4. Risk management processes (continued)

The table below sets out an analysis of credit risk by maturity as at 31 December 2022. Residual maturity of credit exposures is based on contractual dates

Table 15 : Residual Contractual maturity of credit exposures - 31 December 2022.

Loans and advances by maturity	BWP'000
On Demand	2,257,267
>0 to 6 months	2,430,913
>6 months to 12 months	192,059
>1 to 2 years	442,491
>2 to 3 years	538,187
>3 to 5 years	3,135,058
>5 to 7 years	3,631,281
>7 to 10 years	952,292
Over 10 years	1,645,204
Total	15,224,752

Table 16: Aging of loans and advances past due but not specifically impaired - 31 December 2022

Exposures	Performing (Early arrears)			Total
	1-29 days	30-59 days	60-89 days	
Personal & Business Banking	432,370	170,267	27,947	630,584
Mortgage lending & CPL's	191,751	95,011	4,059	290,821
VAF (PBB)	47,660	13,490	3,863	65,013
Card debtors (PB & HNI)	1,868	1,154	709	3,731
Other Loans and Advances	191,091	60,612	19,316	271,019
Personal Unsecured Lending	166,608	20,403	18,879	205,890
Overdrafts (PB & HNI)	-	-	3	3
Term Loans (PB & HNI)	166,608	20,403	18,875	205,887
Business Term Loans and Overdrafts	24,482	40,209	438	106,210
Corporate & Investment Banking	-	-	-	-
Corporate loans Commercial	-	-	-	-
property finance	-	-	-	-
Total	432,370	170,267	27,947	630,584

Table 17: Reconciliation of changes for impaired loans and advances and charge-offs during the period December 2022.

Reconciliation of Charges in allowance for impairments	BWP'000
Opening Balance (Dec 21)	571,349
Impairments losses during the year	117,050
Written off accounts during the year	(255,447)
Closing Balance	432,952

Table 18: Off Balance sheet items - 31 December 2022

Off Balance Sheet items	BWP'000
Performance Related Guarantees	935,388
Unutilised limits	1,293,725
Letters Of Credit	66,919
Total	2,296,033

4. Risk management processes (continued)

4.1.1 Credit Risk Mitigation

Valuation of collateral

The bank uses the following minimum requirements to value collateral:

- All items proposed as collateral are valued using agreed valuation methodologies and/or evaluators with appropriate expertise, prior to accepting items as collateral.
- The assessors/evaluators of collateral must be independent of the business originators and providers of collateral.
- All collateral is marked to market and revalued at a frequency appropriate to that collateral, considering the value and nature of collateral, the ease and cost of valuation and the volatility of the collateral value.
- All commercial and agricultural properties taken and recognised as collateral are appraised and valued by a bank-approved, registered valuer at the time of first application, and no later than every three years thereafter, for commercial properties, and every five years thereafter for agricultural properties, or more frequently at the discretion of the credit decision-making authority.
- Valuations of generic collateral for product classes (e.g. home loans, non-specialised VAF) are updated in accordance with product rules embodied in the bank's Credit Policy document.

Monitoring of collateral

The bank uses the following minimum requirements on monitoring of collateral:

- Controls are put in place to monitor the collateral and ensure appropriate action is taken whenever there are developments that may impact negatively on the value of collateral.
- Annual reviews of the performance of the collateral are carried out to ensure that collateral types are still relevant and terms for acceptance are still appropriate.
- Updates to changes in market and economic conditions are performed at pre-determined intervals.
- Updates to reflect new legislation and updated to existing legislations are performed on a regular basis.
- Collateral is realised as per the delegated authority after all efforts have been made to rehabilitate the customer.
- Collateral management unit maintains a systematically driven, shared diary to ensure that collateral credit events are timeously actioned.

Financial collateral

Where the collateral is not denominated in the same currency as the exposure, an adequate margin for currency fluctuations is set appropriate to the potential currency volatility. The maturity of any collateral is set equal to or greater than the repayment period of the underlying exposure, unless documentation and operational procedures are such that adequate rights and controls are in place to ensure the value of collateral remains in place throughout the tenure of the approved facility.

Physical collateral

The bank ensures that physical collateral possess the following qualities:

- Must be capable of identification and must be documented.
- The location of any such assets must be known or, for movable assets such as vehicles, traceable within a reasonable period.
- Rights of access must be preserved.
- Any third-party used to control assets must be able to identify assets which provide collateral.
- Insurance must always be in place, covering all appropriate risks.

Types of guarantees and indemnities involved in banks credit risk mitigation

The bank ensures that guarantees and indemnities should have the following qualities:

- **Explicit:** - must be a documented obligation, explicitly referenced to specific exposures or a pool of exposures, so that the extent of the cover is clearly defined and in convertible.
- **Direct:** - the obligation must represent a direct claim on the protection provider.
- **Irrevocable:** - there are no determinants that the protection provider can amend.
- **Unconditional:** - obligation of the protection provider to pay immediately when conditions as set in the commitment regarding the third-party obligation are met.
- **Complete:** - such commitments must cover the full principal of the guaranteed credit facility plus interest, fees and all other costs and must include all types of payments the underlying obligor is expected to make under the documentation governing the transaction.

4. Risk management processes (continued)

Counterparty credit risk

Counterparty risk is the risk of loss to the bank as a result of failure by the counterparty to meet its financial and/or contractual obligations to the bank. It has three components:

- Primary credit risk which is the Exposure at Default (EAD) arising from lending and related banking product activities, including the underwriting of such products;
- Pre-settlement credit risk, which is the EAD arising from unsettled derivative transactions, arising from the default of the counterparty to the transaction and measured as the cost of replacing the transaction at the current market rates; and
- Issuer risk which is the EAD arising from traded credit and equity products and including the underwriting of such products.

4.4 Market Risk

The bank defines market risk as the risk of a change in market value, actual or effective earnings or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse moves in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

The market risk management framework applied in the bank is according to the Market Risk Standard and Policy approved by the Board.

The market risk management unit is independent of trading operations and accountable to ALCO to monitor market risk exposures due to trading and banking activities.

The bank employs a suite of tools for the measurement of market risks such as VaR (Normal and Stress), Risk Factor Sensitivities (PV01s) and Issuer Risk exposures.

Market Risks are managed within the set limits and triggers.

Capital Requirements for Market Risk

The bank computes the market risk capital using the Standardised Measurement Method. A capital charge is computed for both the Foreign Exchange and Interest Rate Risk in the trading book and the sum is calibrated by a risk weighted factor of 6.7 to give the Market Risk RWAs. The bank does not hold Commodity and Equity Positions that could pose additional market risk exposure.

- Foreign Exchange Risk- This part sets out the minimum capital requirement to cover the risk of holding or taking positions in foreign currencies.
- Interest Rate Risk-Interest rate sensitive instruments are affected by general interest rate movement (General Risk) and changes in factors related to a specific issuer (Specific Risk)

The market risk RWA as at 31st December 2022 is illustrated below

Table 19: Market Risk RWA

Market Risk	Amount in BWP'000	Risk Weighted Factor	RWA in BWP'000
Foreign Exchange Risk			
General	18	6.7	121
Interest Rate Risk			
General Risk	27,510	6.7	184,317
Market Risk RWAs	27,528		184,438

Specific Risk is excluded as there were no corporate-issued debt instruments in the trading book as at the 31 December 2022.

4. Risk management processes (continued)

4.3 Non-Financial Risk

Non-Financial risks (NFR) are considered inherent in the operations of a business. They generally do not have a financial upside; they cannot always be measured in financial terms and can lead to severe reputational damage. NFR is defined as part of a broad term which is usually classified by way of exclusion, that is, any risks other than the traditional financial risks of market, credit, and liquidity. NFR includes operational risks.

The bank defines operational risk as the risk of loss incurred as a result of the inadequacy of, or a failure in, internal processes, people and/or systems or from external events.

The function ensures that financial accounting treatments for operational risk losses are aligned with International Financial Reporting Standards (IFRS) as well as the legal and regulatory requirements.

Non-Financial risk unit provides the minimum requirements to identify, assess, manage, monitor and report the material operational risks relevant to the bank. This includes identifying, monitoring and analysing the external business environment, the internal business environment and the internal control factors as linked to material operational risk events. It also ensures that the right principles, governance and validation controls are used when dealing with all operational risk data and confidentiality and integrity of information is achieved. Operational risk management in the bank is overseen by an independent **Non-Financial risk unit**. The bank employs a suite of tools for the measurement of operational risks and key among them being Incident Management, Risk Control Self- Assessments (RCSA) and Key Risk Indicators (KRIs).

a. Capital Requirements for Operational Risk

The Bank uses the Basic Indicator Approach (BIA) in the computation of the Operational Risk Capital. This approach uses the rolling Gross Income (interest and non-interest based excluding provisions) over the previous 36 months of the date of calculation. The regulatory charge for operational risk is equal to 15% of the average of the previous three years bank's positive annual income. The calculated regulatory charge is then multiplied by Risk Weighted Factor of 6.7 to give the Risk Weighted Assets. The **Non-Financial risk unit** ensures that the mapping of gross income and operational risk losses into the eight business lines is done consistently throughout the bank, in accordance with the relevant regulatory and other requirements

Table 20: Operational Risk RWA as at 31 December 2022

Operational Risk	BWP'000
Aggregate Gross Income	3,391,168
Operational Risk Factor-denoted alpha	15%
Aggregate Gross Income multiplied by alpha	508,675
No. of years with Positive Gross Income (n)	3
Operational Risk Capital Charge: BIA	169,558
Risk Weighted Factor	6.7
Operational RWA	1,136,041

4. Risk management processes (continued)

4.4 Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is the exposure of the bank's financial condition to adverse movements in interest rates. This arises mainly due to a maturity mismatch/different repricing characteristic between the bank's assets and liabilities. Changes in interest rates affect a bank's earnings by altering the level of NII generated from interest rate sensitive assets, liabilities and off-balance sheet items. The economic value of a bank is also affected when interest rates change, as the present value and timing of future cash flows change, impacting the underlying value of a bank's assets, liabilities and off-balance sheet items.

The most important sources of interest rate risk are:

- **Repricing risk:** timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- **Yield Curve Risk:** shifts in the yield curve that have an adverse impact on the bank's income.
- **Basis risk:** imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics.
- **Optionality risk:** options embedded in bank asset and liability portfolios, providing the holder with the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument or financial contract.
- **Endowment risk:** exposure arising from the net differential between interest rate insensitive assets such as non-earning assets and interest rate insensitive liabilities such as non-interest paying liabilities and equity. This is generally the largest contributor to IRRBB.

The Treasury and Capital Management (TCM) unit is responsible for measuring interest rate risk impacts in the banking book and for monitoring and reporting against risk appetite on a monthly basis to the Assets and Liabilities Committee (ALCO). IRRBB is managed in accordance with the SBBL IRRBB policy, which is governed by the market risk standard.

The benchmark for the banking book interest rate sensitivity is the cumulative 12-month NII impact of a rate shock as prescribed by ALCO. The parallel rate shocks are calibrated in local and foreign currency, considering both the current and historic interest rates in Botswana.

Table 21: Impact of parallel interest rate shock as at 31 December 2022

	BPS change	NII Change
FCY NII	(100)	(6.27%)
	100	(3.55%)
LCY NII	(200)	(13.46%)
	200	21.46%

A static (constant) balance sheet is assumed for IRRBB NII sensitivity analysis whereby all maturing volume is replaced by new volume with similar characteristics. Behavioural liquidity profiling is used for both the profiling of existing volume for non-maturity deposits and the prepayment rates on relevant customer loans, which are predominantly variable rate in nature. Due to the static nature of the balance sheet analysis and the variable rate structure of the loans, the run-off profiles for these line items do not materially impact the NII sensitivity.

5 Remuneration Process

Standard Bank Group recognises that people are at the heart of our business. As a result, we recognise the need for highly skilled and experienced people to drive the growth of our business across Africa and strive to reward them commensurate to their performance and the returns they generate for our shareholders.

Standard Bank Group remuneration is governed by the Remuneration Committee (Remco) who are firmly committed to disclosing our reward policy, principles and structures to all relevant stakeholders, including our people, unions, regulators and shareholders, for them to assess our pay practices.

5.1 Remuneration Composition

Remco members have no business or other relationships that could materially interfere with their independent judgements. All Remco members are also members of key oversight committees to ensure the monitoring of risk trends across the group. The Group Chief Executive attends meetings by invitation. Other members of executive management are invited to attend from time-to-time to assist the committee in fulfilling its mandate. As a matter of principle, no one is present when his or her remuneration is discussed.

The Board approves Remco's proposals and, where necessary, submits proposals to shareholders for approval. In addition to input from other external advisers, certain specialist business units such as Group Benefits, Employee Relations, Talent Specialists, Resourcing and Acquisition specialists in the group provide supporting information and documentation relating to matters considered to inform the Group's remuneration philosophy and policy.

As an oversight committee, Remco is mandated to, among others:

- review and approve the remuneration policy and strategy in the Standard Bank Group's long-term interests
- review and approve general terms and mandates of subsidiary remuneration committees
- review and consider reports from subsidiary remuneration committees on changes in remuneration practices or philosophy.
- review and approve all proposals for incentive scheme design and modifications
- review incentive schemes to ensure continued alignment with shareholder interests and linkage of reward to performance over the long-term
- monitor compulsory employee benefits applicable at all levels and categories of employees in the Group

5.2 Objectives guiding remuneration policy

Although the Group aims to remain competitive in remuneration in the global marketplace for skills, it is deliberate in ensuring the process upholds our values; thus fairness and the rewarding of teamwork whilst guarding against promoting a bonus-centric culture that distorts motivation and may encourage excessive and irresponsible risk taking. We, therefore, measure and reward based on total reward, for value delivered and adjusts for risk assumed.

Key principles underpinning reward policy, structures and individual reward:

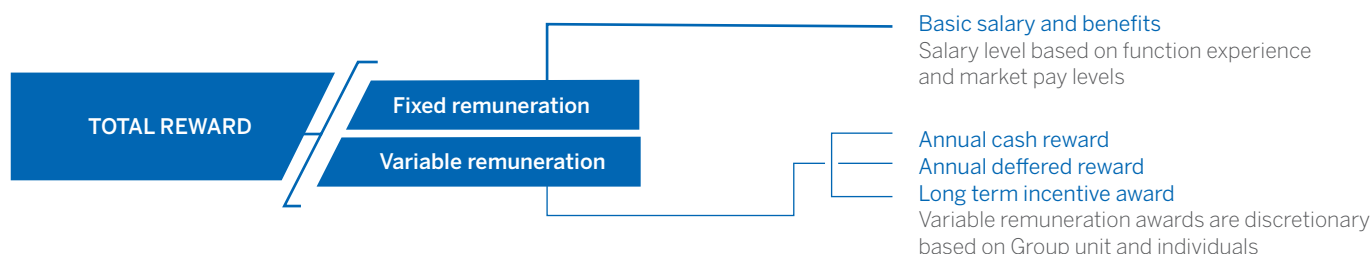
- we reward sustainable, long-term business results
- we do not unfairly discriminate against our people based on diversity or physical difference
- the reward focus is on total reward, being fixed and variable remuneration. We want to be competitive in both elements, but annual incentives are not a function of a guaranteed package
- we create a balance between the fixed and variable elements of total reward. A deferral policy affects annual incentives above certain levels. Deferred amounts are indexed to the group's share price and vesting is subject to specific conditions
- all elements of pay are influenced by market and internal pay comparisons
- individual performance appraisals identify talent at all levels in the business, enabling fair and competitive pay. Consequence management, including reward impact, forms part of the review of performance
- individual rewards are determined according to Group, business unit and individual performance
- we reward experience, performance relative to others doing similar work and performance against the market
- we differentiate individual reward in a transparent way and based on quantitative, qualitative and behavioural performance, as well as retention
- we ensure that key senior executives are significantly invested in the Group's share price and performance over time, to align to shareholder interests
- pay designs comply with all tax and regulatory requirements
- on-going oversight prevents irresponsible risk taking by individuals and we ensure that risk adjustment forms part of pay design.

5 Remuneration Process (continued)

5.3 Reward Philosophy

We at Standard Bank consider the total reward and strive for the appropriate mix between fixed and variable pay for all our people, depending on their roles. The diagram below shows the composition of our total reward.

Figure 2 : Remuneration Structure



5.4 Fixed remuneration

The Group operates across many different countries. Standard Bank Group takes local statutory and regulatory requirements into account in how we structure our fixed remuneration.

5.5 Variable Remuneration

We provide annual incentives to reward performance. This variable remuneration comprises of annual incentive awards, annual deferred awards and long-term incentive awards. All variable remuneration awards are discretionary. Incentive pools are made available for major business units and enabling functions.

5.6 Risk Management and Remuneration

- The Group actively manages its current and future risks in pursuit of its strategy. Remco ensures that employees, whose actions may have a material impact on the Group's current and future risk profile, are not rewarded for exposing the Group beyond its stated risk appetite.
- The Group Chief Risk Officer (CRO) formally reports twice a year to Remco on the application of the Group's risk, compliance and capital management (RCCM) framework across major business lines and on any significant breaches of RCCM policies or limits by individuals. These reports cover the Group's risk appetite and the current and future risk profile in relation to risk appetite and provide a qualitative and quantitative measure that informs Remco's determination of the overall incentive pools for business units. The individual incentive awards of senior managers and executives are reviewed against these breaches and adjusted where required.
- The Group CRO is consulted when changes are made to the design of remuneration plans. The Group Financial Director also formally reports twice a year to Remco on risk-adjusted performance and remuneration. The report includes an analysis of Group and business unit risk-adjusted metrics across a range of risk types and their relationships to incentive pools.

6 Conclusion

This disclosure document has been prepared in accordance with the requirements prescribed in the guidelines on market disclosures under the Basel II Framework and is intended to provide background information on the bank's approach to risk management as related to maintaining and preserving the capital position of the bank. It also provides detailed information about asset and capital calculations under Pillar 1.

In the event that a user of this disclosure document requires further explanation regarding the disclosures, application should be made in writing to the Acting Heads of Risk at ntsholej@stanbic.com and molefhel@stanbic.com or the Chief Finance and Value Management Officer at phoir@stanbic.com

7 List of abbreviations

ALCO	Asset and Liability Committee
BCB	Business and Commercial Banking
BFSA	Banking and Financial Services Act
BIA	Basic Indicator Approach
BoB	Bank of Botswana
CAR	Capital Adequacy Ratio
CHNW	Consumer and High Net Worth
CIB	Corporate and Investment Banking
CRMC	Credit Risk Management Committee
CRO	Chief Risk Officer
EAD	Exposure at Default
IFRS	International Financial Reporting Standards
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IRRBB	Interest Rate Risk in the Banking Book
MTM	Mark-To-Market
NII	Net Interest Income
PBB	Personal and Business Banking
SBG	Standard Bank Group Limited
TSA	The Standardised Approach
USD	United States Dollar
VaR	Value-at-Risk



