

Capital Management Structure

April, 2012

Name	Capital Management Structure
Effective Date	January 31, 2012
Responsible Committee	Asset, Liability and Capital Management Committee ("ALCO")
Review Date	First ALCO Committee of 2013
Responsible to submit to ALCO review	Finance Department
Board of Directors' approval effective date	April 23, 2012
Version	V.01

1. Introduction

Banco Standard de Investimentos S.A. ("Standard Bank") has a capital management structure which is compatible to its transaction's nature, products complexity and services offered, and to its risk exposure dimension ("Structure"). By managing its capital, Standard Bank adopts a proactive position, anticipating the capital necessity deriving from possible changes within the markets conditions it acts.

2. Capital Management

For purposes of this Structure, capital management shall be understood as the continuous process of: (i) monitoring and controlling the capital maintained by Standard Bank; (ii) evaluating the capital necessity before the risks Standard Bank is subject to; and (iii) planning goals and capital necessity, considering Standard Bank's strategic objectives.

3. Objectives of this Policy

This Structure comprises all Standard Bank's financial conglomerate institutions, as set forth in the Accounting Plan of the Institutions pertaining to the Brazilian National Financial System (*Plano Contábil das Instituições do Sistema Financeiro Nacional – "Cosif"*). Moreover, this Structure considers the possible impacts in the financial conglomerate capital deriving from the risks associated to the other companies which are a part to such financial-economic conglomerate, as defined in Resolution 2,723, as of May 31, 200, as amended, of the Brazilian National Monetary Council (*Conselho Monetário Nacional – "CMN"*).

4. Capital Management Structure

4.1 Identification and Evaluation Mechanisms

Standard Bank has mechanisms which enable the relevant risks' identification and evaluation (including those not covered by Capital Requirements (*Patrimônio de Referência Exigido – "PRE"*) incurred by Standard Bank, such as:

- creation of Committees (i.e., ALCO), policies, reports and specific manuals;

- ALCO monthly meetings aiming at, among other issues, monitoring and controlling the capital and portfolio quality, reviewing limits concentration, evaluating the capital necessity, reporting specific exceptions and corrective actions;
- preparation of periodic policies and reports, such as stress tests and “stop loss”, liquidity indicator alerts and capital prevision and utilization by risk and business units;
- new products approval process (NPP) enhancing, among other issues, a capital consumption evaluation by the competent;
- a capital plan, objectives planning, comprising at least a three-year-horizon, which is still under preparation (Standard Bank’s Capital Plan will predict, at least, the requirements set forth in article 5 of CMN Resolution 3,988, as of June 30, 2011);
- metric *Risk Adjusted Return on Regulatory Capital* – RARORC utilization in order to prioritize capital allocation;
- regulatory capital projections consumption, simulations;
- *Valuation & independent Price Testings* utilization/application; and
- monitoring through internal models which capture other risks not embraced by PRE installments, for example, the risk of loss of the portfolio exposure not distinguished for negotiation.

4.2 Policies, Strategies, Simulations and Processes

This Structure must be read and interpreted together with the policies, strategies, proceedings, simulations and processes established hereunder, which are determined to keep the capital compatible to the risks incurred by Standard Bank:

- capital Management policy, to be implemented until June 30, 2012;
- ALCO Terms of Reference¹;
- extreme market conditions (stress tests) and severe events simulations and the relevant capital impacts performed the credit and market risk department ordinarily or extraordinarily presented in ALCO meetings, as applicable; and
- periodic managerial reports regarding the capital adequacy to Standard Bank’s Management Committee (“ManCo”) and Board of Directors prepared by ALCO, together with the Finance Department.

5. **Transparency**

This Structure shall be evidenced in an annual public assessable report. Standard Bank’s Board of Directors shall include in the aforesaid report its responsibility for the disclosed information. Standard Bank shall also disclose, together with its accounting statements, resume describing this Structure, indicating the public assess address of the report; as well as provide the report.

6. **Governance and Responsible Executive Officer**

- 6.1 The policies and strategies for capital management, as well as the Capital Plan shall be annually revised and approved by ManCo and Standard Bank’s Board of Directors, aiming at determining its compatibility with Standard Banks’ strategic planning and market conditions. ManCo and the Board of Directors shall have a broad and integrated comprehension of the risks that may impact capital.
- 6.2 Standard Bank has appointed its Chief Executive Officer (CEO) to watch over the processes and controls relating to the capital management structure.
- 6.3 Standard Bank Group Internal Audit will periodically evaluate the capital management process.

¹ Available in intranet at <http://sblintranet.sbl.co.uk/saopaulo/CorporateInformation/Committees/ALCO/default.aspx>.

7. Organizational Structure

The responsibility to comply and accomplish with the processes and controls relating to the Structure are defined as follows:

7.1.1 Board of Directors

The Board of Directors is ultimately responsible for Standard Bank's capital management policies and strategies, as well as for Standard Bank's Capital Plan. The Board of Directors approves and reviews policies and procedures in order to determine its compatibility to Standard Bank's strategic planning and market conditions. The Board of Directors shall have a broad and integrated comprehension of the risks that may impact capital.

7.1.2 Board of Officers (ManCo)

To determined institutional guides for monitoring and controlling capital, based on the regulations in full force and effect, as well as on the best market practices.

ManCo is responsible for getting involved in all initiatives relating to risk management and evaluation, including: (i) capital contingency plans; and (ii) evaluation and identification mechanisms of risks incurred by Standard Bank with the aim of determining the adequate capital level to affront such risks. ManCo is also responsible for appointing ALCO members and supervise its performance through policies and procedures. ManCo may internally delegate its functions to committees, Executive Officers/specialized senior employees, as appropriate, provided, however, it will still be fully responsible for the Structure management.

ManCo may also promote the awareness of the capital use optimization by Standard Bank.

7.1.3 ALCO Committee

Standard Bank has committees which develop technical actions aiming at assisting the decisions issued by ManCo and the Board of Directors, when applicable, to minimize the losses and eliminate the impacts over the businesses, prioritizing the prudence of high returns, without compromising Standard Bank's profitability.

ALCO is responsible before ManCo by managing all issues relating to capital, financings, liquidity and market risk. ALCO is also responsible for ensuring an effective capital utilization within the regulatory bounds, as well as within the tax rules concerning balance sheet and/or portfolios. Additionally, ALCO prepares policies, strategies, simulations and processes.

7.1.4 Finance Department

Finance Department is responsible for developing capital evaluation procedures and monitoring in order to provide reliable information to ALCO and ManCo for the correct capital evaluation and management. Among its duties, it is important to highlight: (i) preparation of periodic managerial reports; (ii) simulations; (iii) regulatory requirements verification; and (iv) evaluation of occasional issued appointed by the external or internal audit about the capital management.

7.1.5 Risk Department

Risk Department provides advisory and technical support necessary to Standard Bank as a whole, analyzing sceneries, financial trends to funding allocation among the assets and liabilities of Standard Bank's balance sheet. Risk Department is also responsible for understanding the applicable rules and its application to Standard Bank's reality.

7.1.6 Standard Bank Group Internal Audit

To evaluate the quality, operation and effectiveness of Standard Bank's processes in this Structure.