Standard Bank Group

RISK AND CAPITAL MANAGEMENT REPORT 2020

Standard Bank IT CAN BE™

Also trading as Stanbic Bank

Our reporting suite

Our integrated report

Our primary report to stakeholders, providing a holistic view of our ability to create sustainable shared value in the short, medium and long term.

We produce a full suite of reports to cater for the diverse needs of our stakeholders. Our integrated report contextualises and connects to information in the following reports, which provide additional disclosure and satisfy compliance reporting requirements:

Governance and remuneration report

Discusses the group's governance approach and priorities, as well as the remuneration policy and implementation report.

Risk and capital management report

Sets out the group's approach to risk management.

Annual financial statements (AFS)

Sets out the group's full audited annual financial statements, including the report of the group audit committee.

Environmental, social and governance (ESG) report

An overview of the group's processes and governance structures, including task-force on climate-related financial disclosures (TCFD).

Intended readers

Our shareholders, debt providers and regulators

Report to society (RTS)

Assesses the group's social, economic and environmental (SEE) impacts.

Intended readers

Our clients, employees and broader society

Subsidiary annual reports

Our subsidiaries provide an account to their stakeholders through their own annual reports, available on their respective websites.

- The Standard Bank of South Africa (SBSA)
- Liberty
- Other subsidiary reports, including legal entities in Africa Regions.

We urge our stakeholders to make use of our reporting site at **https://reporting.standardbank.com/**. All our reports and latest financial results presentations, booklets and SENS announcements are available online, along with a glossary of financial and other definitions, acronyms and abbreviations used in our reports.

The invitation to the annual general meeting (AGM) and notice of resolutions to be tabled is sent separately to shareholders and is also available online.

Key frameworks applied	AIR	GOV/REM	RCM	AFS	ESG	RTS
The International Integrated Reporting <IR> Framework	✓					
Companies Act, 71 of 2008, as amended (Companies Act)		✓		✓		
Johannesburg Stock Exchange (JSE) Listings Requirements	✓	✓	✓	✓		
King IV Report on Corporate Governance for South Africa 2016™*	✓	✓	✓	✓	✓	
International Financial Reporting Standards (IFRS)			✓	✓		
South African Banks Act, 94 of 1990 (Banks Act)		✓	✓	✓		
Basel Committee on Banking Supervision's (BCBS) public disclosure framework		✓	✓			
CDP (previously Carbon Disclosure Project)					✓	
The Financial Stability Board's TCFD					✓	
United Nations (UN) Sustainable Development Goals (SDGs)						✓

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Contents

How to navigate our reports

The following icons refer readers to information across our reports:

Refers readers to information elsewhere in this report.

Refers readers to information in other reports online.

For information on forward-looking statements, refer to the inside back cover.

About this report

This risk and capital management report covers the Standard Bank Group's (the group or SBG) financial services activities and other interests. Certain information pertains to the group's results, which includes our interest in Liberty and our other banking interests, and has been denoted as such.

The SBG pillar 3 tables are in annexures A to F of this report and the 2020 governance and remuneration report. SBSA pillar 3 tables and other financial risk disclosures are in annexure G of this report. Pillar 3 table references (OV1, CR1 etc.) have been included in the table headings for ease of use.

BCBS pillar 3 requirements only apply to banking operations.

REMA: Remuneration policy

GOV/REM page 57 to 69.

REM1: Remuneration awarded during the financial year

GOV/REM page 115.

REM2: Special payments

GOV/REM page 115.

REM3: Deferred remuneration

GOV/REM page 116.

CRB(e): Breakdown of exposures by geographical areas, industry and residual maturity

AFS page 158.

CRB(f): Amounts of impaired exposures and related allowances by geographical areas and industry

AFS page 158.

All amounts are in rand millions unless otherwise stated.

- 2020 refers to the 12 months ended 31 December 2020
- 3Q20 refers to the nine months ended 30 September 2020
- 1H20 refers to the six months ended 30 June 2020
- 1Q20 refers to the three months ended 31 March 2020
- 2019 refers to the 12 months ended 31 December 2019.

Risk-related IFRS disclosure are in annexure C of the group and SBSA audited annual financial statements.

The main features of regulatory capital instruments (CCA) are on our website: **reporting.standardbank.com**

All disclosures in this report are unaudited.

Board responsibility

Our board of directors (the board) has the oversight responsibility for risk management.

FOR THE PERIOD UNDER REVIEW, THE BOARD IS SATISFIED THAT:

Our risk, compliance, treasury and capital management, and group internal audit (GIA) processes **operated effectively**.

Our business activities have been **managed within the board-approved risk appetite**.

We are **adequately funded and capitalised** to support the execution of our strategy.

In the instances where we have incurred losses, breached risk limits or were fined by our regulators, the board is satisfied that management has taken appropriate remedial action.

BASEL PILLAR 3 DISCLOSURE

We abide by a disclosure policy which incorporates the pillar 3 disclosure requirements as set out by the BCBS.

Key elements of this policy include:

- GUIDING PRINCIPLES FOR PILLAR 3 DISCLOSURE
- FREQUENCY OF REPORTING
- GOVERNANCE PROCESSES
- INTERNAL CONTROLS AND PROCEDURES.

The board is satisfied that this report has been prepared in accordance with the requirements of our disclosure policy and that an appropriate risk and control framework has been applied.

Risk reflections

At the beginning of 2020, we saw the spread of Covid-19 followed by unprecedented worldwide disruption. This one-in-100-year event fundamentally changed the way we work and do business. It tested the risk management and resilience of institutions around the world.

Our robust risk management system helped us withstand the multiple shocks experienced as a result of the Covid-19 pandemic. Despite high levels of uncertainty and several challenges, we maintained the trust of our stakeholders and remained committed to our purpose of driving growth, financial inclusion and economic activity across Africa.

Our environment

Economic

The pandemic negatively impacted the global economy by disrupting global supply chains and financial markets, lowering equity market valuations, and increasing unemployment levels. The prospects of a modest GDP growth in sub-Saharan Africa in 2020 were replaced by a steep decline, as countries began to feel the effects of the pandemic and economies were put under increased pressure. While most developed and emerging countries experienced a substantial GDP contraction in 2020, China saw an estimated 2.3% increase.

GDP GROWTH

	2020* %	2021 projections* %	2022 projections* %
World	(3.5)	5.5	4.2
Sub-Saharan Africa	(2.6)	3.2	3.9
Nigeria	(3.2)	1.5	2.5
South Africa	(7.5)	2.8	1.4

* Source: International Monetary Fund (Jan 2021)

The speed of economic recovery is dependent on the speed of recovery from the second wave of Covid-19 infections and rollout of vaccines. Initial lockdowns and the second wave of infections resulted in the contraction of South Africa's real GDP by an estimated 7.5% while East Africa, Ghana, Côte d'Ivoire, Tanzania, Malawi and Ethiopia achieved positive growth. Poor economic outlook and inflation decline also led to cumulative interest rate cuts of up to 300 bps in 2020 and a significant endowment impact on financial services providers.

Politically stable and diversified economies that are not dependent on oil exports like Kenya, Tanzania, Kenya, Uganda and Ghana are expected to recover faster than Nigeria and sub-Saharan countries. The depressed economic environment that we face in the short to medium term poses many risks, and presents us with an opportunity to contribute meaningfully towards the recovery of the countries in which we operate.

Politics and geopolitics

The events that followed the US presidential elections highlight the need for nations to expend more effort to maintain their democracies.

US-Chinese tensions continued to play out in 2020, exacerbated by the debate about the origin of the pandemic. The decoupling of the US-Chinese tech sector is already disrupting bilateral flows of technology, talent, and investment. This uncertainty affects our technology investment decisions as the possibility of incompatibility grows between Eastern- and Western-owned technology. We look forward to the new US administration that may ease the current trade tensions and restore strong household consumption in Asia to support recovery.

Nationalist sentiments have increased globally and in Africa in recent years, and these have come with an increased desire for control over domestic affairs. Combined with the global supply chains disrupted by the pandemic, this creates an opportunity to increase intra-Africa trade that is pivotal to the revival of African economies. Delayed or ineffective implementation of the African

DAVID HODNETT – CHIEF RISK AND CORPORATE AFFAIRS OFFICER

Continental Free Trade Agreement will have a negative impact on our continent's ability to recover from the pandemic. We have a role to play as a financial services organisation in helping participating countries to address non-tariff trade barriers, like funding to build and maintain infrastructure required to move goods.

The growing youth population in Africa means that less of the population is of voting age, leading to a decline in election participation. The sizable age gap between Africa's young majority and our political leaders raises concerns of whether decision makers truly understand the needs and aspirations of the majority. Access to education, jobs and technology is critical for the success of our youth. Failure to deliver these could lead to widespread political and civil conflicts across the continent. We already witnessed post-election political instability in Tanzania, Uganda and Côte d'Ivoire and will continue to monitor this risk for upcoming elections in South Africa, Angola, Mauritius and Ethiopia.

Technology

2020 saw a massive increase in technology use and dependency on telecommunications to enable work from anywhere practices, many of which are permanent transitions. The cyber threat landscape also matured, resulting in a record high number of global ransomware attacks and data breaches. Cyber-attacks are expected to increase and become more complex as the size of the digital economy increases. We remain on high alert, and continue to invest in security measures to protect our stakeholders' assets.

5G is considered the key enabler for the fourth industrial revolution, which is aligned to our aspirations to be Africa's leading digital financial services business. The slow uptake of 5G technology in Africa, due to high internet charges, poor network coverage and low smartphone usage could mean missed growth opportunities.

Competition

In the US, ongoing congressional and legal action against bigtech companies seeks to hold these monopolies accountable for their business practices through decentralisation and regulation. The risk associated with bigtechs' aspirations to play a more dominant role in financial services is one of the key risks for the group.

We continue to lobby for appropriate regulation to ensure that entry to, and competition in, the truly digital services market is fair to both suppliers and consumers and promotes market growth.

Environment and social

The private sector worldwide is taking more strides towards the United Nation's 2030 Sustainable Development Goals. While hampered by the economic regression of Covid-19, calls for carbon-neutral recovery were heard. Blackrock, one of the world's largest asset managers, has indicated that companies seeking investment will need to show plans for a carbon-neutral transition.

African governments are also making a strong push towards sustainable development. The Sustainable Development Report 2020 indicates that 43 African countries have met their targets for carbon emission reduction and investment in climate resilience. The Nkhotakota Solar Power Plant in Malawi and Nigeria's new 2.5 megawatts solar plant are examples of how African countries are taking action against climate change. As the unit cost of renewables reduces and oil prices remain depressed, oil and gas projects may fall out of favour, affecting those who have banked on the opportunity. We are working to support a just transition to a low-carbon economy in our countries of operation, but we recognise that this will take time, and will need careful consideration of the social impacts.

Unfortunately, the years of progress made to reduce poverty in sub-Saharan Africa has been impacted by the pandemic. The African Development Bank estimates that the pandemic will push between 28 million and 49 million more Africans into extreme poverty. The impact is grave for women and girls who will be forced out of work and school into home environments. The youth also face education immobility, fewer job opportunities and an increased digital divide.

As vaccines are being approved for use and rolled out globally, the rise of new variants bring into question the efficacy of these vaccines. Africa's participation in the $18 billion Covax vaccine initiative seeks to give lower-income countries the same access to vaccines as wealthier nations. Africa needs a coordinated strategy to develop, finance, manufacture and deliver vaccines across the continent. The vaccine rollout remains the direct route to economic resurgence.

Ultimately, the long-term physical effects of the pandemic are unknown. The psychological effects of prolonged lockdowns, death of family members, and drastic changes in how we operate in society may only show in the future and could have material impacts across our customer base and on our employees.

How we managed risk in 2020

The Covid-19 crisis dominated our risk landscape while also accelerating our digital transformation. Our focus in 2020 was to continue serving our clients in a digital way, while supporting our employees and clients to navigate the risks brought about by the pandemic.

OUR OPERATIONAL RESPONSE TO COVID-19 WAS MADE UP OF THREE PHASES.

Respond

We responded swiftly and purposefully which is a testament to our operational resilience. We began monitoring the Covid-19 outbreak in China in January 2020 and immediately began mobilising teams to activate our business continuity plans. In dealing with this public health emergency and unprecedented scale of disruption across the group, we put our people, our customers and our communities first and centre in all our response efforts.

- To ensure physical safety of our people and customers, we enabled the majority of our employees to work remotely.
- We implemented strict health and safety protocols at our branches and business premises for remaining employees.
- We launched a digital tool to enable speedy communication with our employees and to track their working locations, infections and quarantines.

Like most families in our communities, we regrettably lost beloved and esteemed colleagues through this pandemic.

We supported our customers and their health by updating certain controls and systems to increase the use of contactless payments and digital transactions. During 2020, we provided payment relief to personal and small and medium enterprises (SME) clients and assisted corporate clients with Covid-19-related risk exposure restructuring. We place a strong focus on balancing customer support with managing our own risk appetite, specifically capital, liquidity and impairment charges. We also engaged with our regulators early in the pandemic to ensure compliance with pandemic regulations and directives.

Recover

The lessons learnt from the pandemic have been used to continually improve our business resilience. We have accelerated digital adoption and transition to the cloud to enable business transformation to a truly digital financial services provider. Regular communication, training and other change management interventions continue to be executed to assist our employees with the adjustments required to thrive in the new operating environment.

Reimagine

Despite the uncertainty surrounding the future, we remain focused on adapting to the new operating environment. We have designed a framework to support and enable a sustained work from anywhere environment. We are revising our real estate strategy to include flexible space utilisation. This redesign of the workforce and office utilisation may lead to a carbon footprint reduction as a result of reduced daily commutes. We are also reviewing the number of third-party suppliers to reduce the risk of disruption to the supply of critical and essential goods and services.

Credit risk

Although the group's gross loans and advances to customers grew by 4% from the prior year, the weaker economic and trading conditions in 2020 across all presence countries increased the group's credit loss ratio (CLR) to 1.51% (2019: 0.68%).

The 2020 total impairment charge of R20.6 billion is 1.5 times that reported for 2019. The elevated provisions across all portfolios are underpinned largely by expected credit loss adjustments from regulatory and accounting updates to forward-looking information on the weak macroeconomic outlook induced by the pandemic. A deterioration in customer risk profiles, additional legal and collection charges, additional management provisions to account for forecast uncertainty, Covid-19 customer relief programmes and corporate and sovereign downgrades, all contributed to the weaker profile for the group's credit portfolio.

Personal & Business Banking's (PBB) credit portfolio of gross loans and advances increased by 7% to R734 billion (2019: R686 billion) with growth in mortgage lending (up 6%) and vehicle and asset finance (up 4%) the major contributors. This book growth was tempered by the 150% increase in total impairment charges in PBB (2020: R15.9 billion against 2019: R6.3 billion) which yielded a CLR of 2.13% (2019: 0.89%). PBB in South Africa recorded a CLR of 2.35% (2019: 0.88%), though its portfolio grew by 5.9% to R630 billion. Africa Regions PBB businesses recorded loans and advances growth of 8% to R84 billion, supported by ongoing focus on client ecosystem origination, digital client onboarding and digital disbursements.

Corporate & Investment Banking's (CIB) gross loans and advances to customers grew by 1.00% (from R425 billion to R432 billion). Portfolio growth was driven largely by increased activity in the essential services sectors such as telecommunications and consumer goods. This growth was offset somewhat by performance in the automotive, hospitality and mining sectors, which were relatively more severely impacted by lockdown measures. CIB's total exposure to stage 3 loans increased by 63% to R13.5 billion at end 2020, with the power and infrastructure sectors, oil and gas and consumer sectors being the primary contributors. Sectors in the discretionary consumer supply chain, making up around 15% of CIB's book, as well as those in the hospitality and real estate sectors, were some of the most adversely impacted by the pandemic-induced economic slowdowns. Sector and counterparty concentrations continue to be closely managed. The CLR for CIB increased from 0.32% in 2019 to 0.59% in 2020.

Capital and liquidity

The speed, depth and breadth of the impact of Covid-19 is unprecedented. The pandemic significantly affected the global economy and placed severe pressure on financial markets. International standard setting bodies and central banks introduced regulatory support measures to mitigate the impact, promoted the retention of earnings through the introduction of dividend and bonus payment restrictions, and introduced forbearance measures to enable financial relief to affected households and companies.

Our capital and liquidity positions remained sound and within or above board-approved ranges throughout the year. We remain adequately capitalised and have sufficient liquidity to comply with minimum regulatory requirements and internal risk appetite.

SBG's and SBSA's risk weighted assets (RWA) have increased largely as a result of Covid-19-related asset growth, credit ratings migration and ZAR depreciation. This, combined with lower earnings growth, has resulted in lower capital adequacy ratios compared to 2019.

Our capital position remained robust, with a common equity tier I capital adequacy (CET I) ratio of 13.3%, well in excess of the regulatory minimum of 7%.

We maintained the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) in excess of minimum regulatory requirements throughout 2020. We also maintained appropriate liquidity buffers in line with regulatory requirements and the ongoing internal assessment of liquidity risk across all the geographies in which we operate.

During 2020, the group successfully raised Basel III compliant additional tier I (AT I) and tier II capital bonds of R1.5 billion and R7 billion respectively, the proceeds of which were invested as AT I and tier II capital in SBSA.

CET I ratio[1]
a measure of solvency that assesses capital strength against our RWA.

↓13.3%

2019: 14.0%

1 Phased-in, including unappropriated profits.

LCR
measures our ability to manage a sustained outflow of client funds in an acute stress event over a 30-day period.

↓134.8%

2019: 138.4%

NSFR
the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF) in accordance with Basel III.

↑124.8%

2019: 119.5%

LOOKING AHEAD

Uncertainty underpins the outlook for 2021 and beyond. Future waves, possible lockdowns, virus mutations, vaccine efficacy and vaccine rollouts, along with credit and liquidity constraints will impact economic recovery across most countries in which we operate.

As we continue to manage the risks that form part of our risk landscape, we have identified the enterprise risks that will receive additional management focus during 2021.

The top enterprise risks for 2021 are discussed on page 10.

Non-financial risks inherent in our operations along with those heightened during the pandemic will be closely managed. We will continue to enhance our third-party risk management capability in order to be better equipped to manage relationships that we intend to form as we progress towards offering a wider range of related services to our clients. Our business continuity management exercises will be enhanced to include scenarios similar to the pandemic and other rare but severe scenarios such as climate change. They will also include cyber risk events and other risks that are bound to increase as we build relationships with more third-parties. We will also make appropriate investments to remain secure against the escalating threats of ransomware and compromise of data privacy.

In an effort to better align to our strategy, we are reorganising the risk architecture, ensuring that we remain future-proofed to continue to manage risk effectively.

For the safety of our employees, clients and third-parties, our work from anywhere operating model will continue into the foreseeable future. We will review the operating environment that has expanded into homes and adapt controls to the new risk environment.

How we manage risk

Our risk management approach ensures consistent and effective management of risk and provides for appropriate accountability and oversight. Risk management is enterprisewide, applying to all entity levels and is a crucial element in the execution of our strategy.

Our risk universe represents the risks that are core to our business. We organise these into strategic, financial and non-financial risk categories and annually identify key enterprise risks. These enterprise risks require focused management because they pose material impacts to the strategy. We regularly scan the environment for changes to ensure that our risk universe remains relevant.

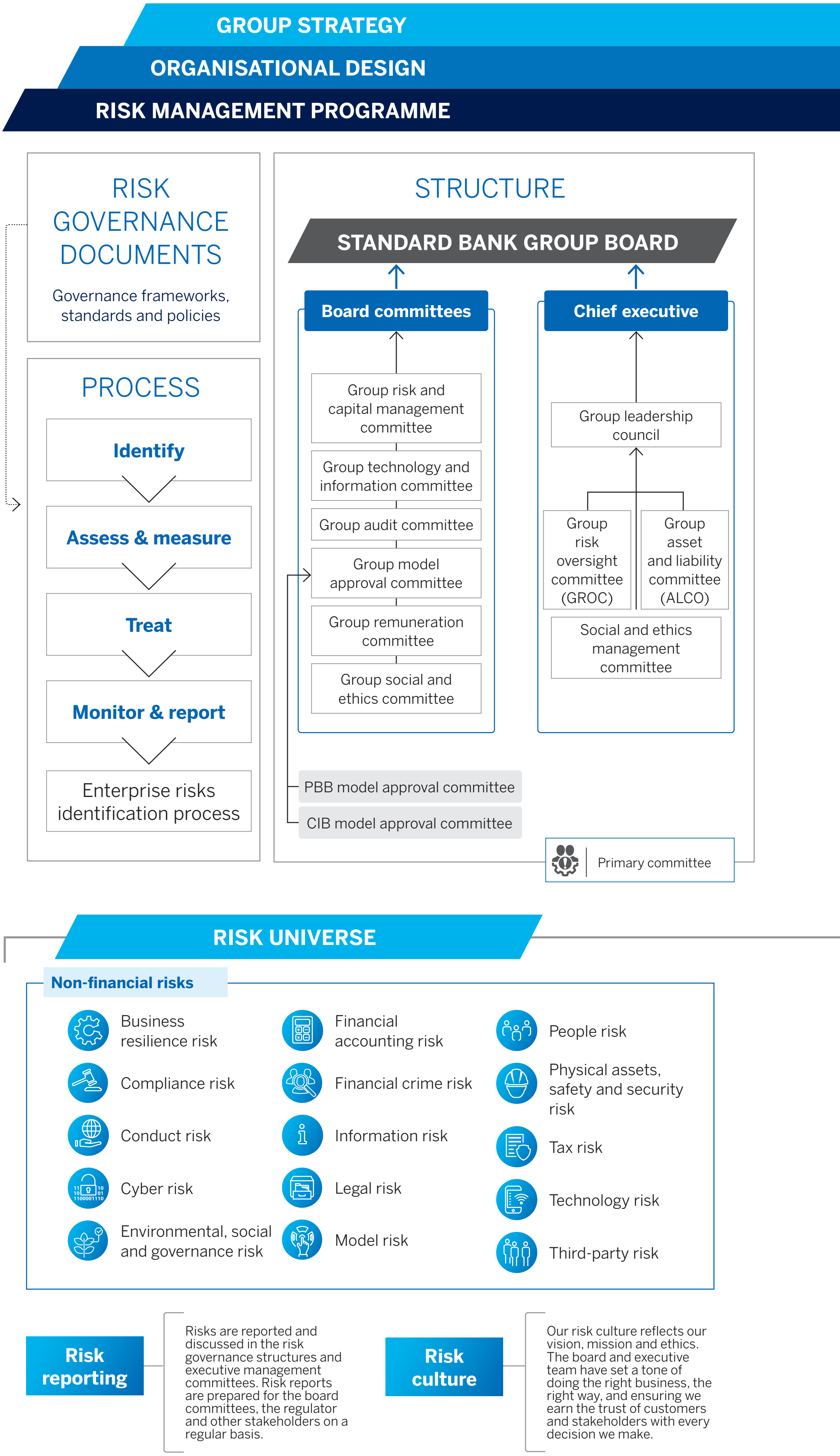
The risk universe is managed through the lifecycle from identification to reporting. Our assessment process includes rigorous quantification of risks under normal and stressed conditions up to, and including, recovery and resolution.

The annual recovery planning process facilitates proactive consideration by senior management and the board of appropriate actions that could be taken in the event of severe stress. The recovery plan process enhances our ability to make timely, well-informed decisions to mitigate the risk and impact should a severely adverse scenario arise.

Risk exposures are managed through different techniques and are monitored against a risk appetite that supports our strategy. We manage and allocate capital efficiently to grow shareholder value while ensuring that regulatory capital requirements are met.

Risk information is subject to strong data and reporting controls. It is integrated into all business reporting and governance structures. Our governance structure enables oversight and accountability through appropriately mandated board and management committees. The three lines of defence model is leveraged to maintain a strong risk culture with an emphasis on doing the right business, the right way.

This is all underpinned by a control environment defined in our risk governance and management standards and policies. Through the embedding of our values and ethics policies, compliance training and whistleblowing programmes, our employees are empowered to act with confidence, drive meaningful behavioural changes and place the client at the centre of everything they do.



GOVERNANCE: THREE LINES OF DEFENCE

RISK OWNERSHIP: BUSINESS UNIT AND LEGAL ENTITY MANAGEMENT

1 Design and implement an effective risk management programme across the enterprise

The first line of defence proactively identifies, assesses and measures applicable risk scenarios in order to arrive at risk appetite decisions. They manage day-to-day transaction- and portfolio-level risk decisions within the risk appetite and implement mitigation controls to reduce the adverse impact of taking risks in pursuit of strategic objectives.

DIRECT, CONTROL AND OVERSIGHT: RISK, COMPLIANCE MANAGEMENT FUNCTIONS AND THE BOARD

2 Facilitate risk and capital management activities at an enterprise level and within different business units and entities

The second line of defence directs the definition of the enterprisewide risk management programme. They facilitate execution of risk lifecycle activities and provide expert advice, guidance and support to the first line of defence management team. Together with the board they have oversight of the implementation and effective execution of risk and returns decisions within the set risk appetite and target strategy.

RISK ADVISORY AND ASSURANCE: GROUP INTERNAL AUDIT

3 Provide assurance on the adequacy and effectiveness of the risk management programme

The third line of defence provides independent and objective assurance to the board and senior management on the adequacy and effectiveness of the control environment and the risk management programme. They have an independent reporting line to the board to assist in discharging their risk oversight responsibilities.

COMBINED ASSURANCE

RISK UNIVERSE

Financial risks
- Credit risk
- Country risk
- Market risk
- Insurance risk
- Funding and liquidity risk

Strategic risks
- Strategy position risk*
- Strategy execution risk*
- Reputation risk

Top enterprise risks
- Bigtech domination of financial services
- Ransomware attack
- Extreme weather events
- Third-party non-performance
- Slow pace of implementation

* Previously managed as business risk.

Risk data aggregation and risk reporting page 15.

Capital management page 50.

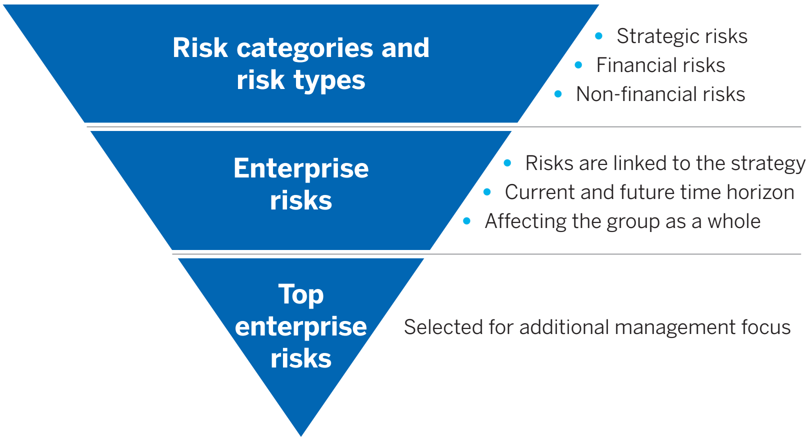
Risk appetite page 14.

Stress testing page 14.

Recovery and resolution planning page 15.

Enterprise risks

Our enterprise risks process takes place annually and involves a deep analysis into the internal and external factors that influence our operating context. From this analysis, we compile an inventory of key prevalent and emerging risks that apply to the group from all risk categories, over our tactical and strategic time horizons. These risks have a material impact, based on their estimated severity and likelihood. These are referred to as our enterprise risks. Through a prioritisation exercise, we identify those risks that require additional management focus, which are referred to as our top enterprise risks.



TOP ENTERPRISE RISKS FOR 2021

- Client centricity
- Integrated financial services organisation
- Digitisation

BIGTECH DOMINATION OF FINANCIAL SERVICES

The threat of bigtech monopoly swallowing financial services and becoming too big to fail and to regulate

Strategic risk | emerging risk

Traditional banks and financial services providers have historically been slow to innovate and respond to evolving client expectations. Access to resources, the capability for rapid product development and access to information give bigtechs a strategic advantage. Currently deterring bigtech, is the stringent regulatory demands with owning a banking licence.

Key mitigating actions for this risk include:

- groupwide education on the external force of data and technology
- business transformation initiatives to grow the business model that can fend off competition and prevent extinction
- strategic partnerships with key bigtech firms.

RANSOMWARE ATTACK

A successful ransomware attack on IT systems that impact our critical payments process value chain

Non-financial risk | prevalent risk

Cyber-attacks are inevitable for most organisations. Large banks are vulnerable to ransomware attacks due to their global systemic importance. Standard Bank has a large and increasing digital footprint, and a wide attack network surface across geographies which now includes work from anywhere.

Key mitigating actions for this risk include:

- digital landscape simplification and security practices
- maturing the security culture
- strengthening network and application access controls.

EXTREME WEATHER EVENTS

Increasing frequency of extreme weather events causing food insecurity, water scarcity and creating climate refugees

Non-financial risk | prevalent risk

Climate change is a slow moving catastrophe with extinction level capability that can destroy economies and nations. Rising greenhouse gas emissions coupled with delayed climate action from governments, corporations and societies is accelerating climate change. Weather events like droughts, floods and hurricanes are becoming more frequent and more severe. Extended droughts could result in water shortages, and land could become arid and non-productive. Food and water could become scarce. Refugees will migrate en masse in search of access to food and water and shelter from hyperinflation, increasing the impact on more productive land and oceans.

Actions to mitigate this risk include:

- progressively managing and shaping our portfolio in a manner that is consistent with achieving a low-carbon and climate-resilient economy needed to limit global warming to below 2 degrees centigrade, by supporting a just transition away from non-renewable energy sources
- enhanced disclosure, such as TCFD
- ESG risk management framework
- providing financial products and services that support positive social and environmental outcomes, including green and social bonds, ESG-linked loans, sustainable trade solutions and impact investing.

THIRD-PARTY NON-PERFORMANCE

Third-party failure or non-performance may result in failure of strategic initiatives or poor client service

Non-financial risk | prevalent risk

Experienced and specialised third-parties are relied upon to operate critical processes that deliver essential banking services to our clients. We also employ the skills and experience of strategic partners to develop and implement our strategic ambitions in collaboration with our resources. Third-party non-performance risk could be a product of a business failure of a supplier or material interruption to their operations, poor relationship management or poor contract management.

Non-performance from our third-parties would result in disruption of our business operations, non-delivery of critical services, failure of strategic initiatives and poor client service. Client attrition, revenue loss and regulatory fines are also potential impacts of third-party non-performance.

Actions to mitigate this risk include:

- implementing a third-party risk management framework and digital solution to facilitate third-party performance and risk monitoring.

SLOW PACE OF IMPLEMENTATION

Opportunity cost of under-formulated concepts, inefficient and protracted implementation of innovation

Strategic risk | prevalent risk

Successful businesses act quickly to take advantage of opportunities in a highly competitive market. A delay in strategic initiatives or in getting a product to the market could result in missing these opportunities. Competitors could already have the majority of the market share, making it more difficult to enter the market successfully. Legacy IT systems, late and inaccurate translation of concepts into clear and measurable deliverables and a complex regulatory environment could result in slow initiative implementation.

Actions to mitigate this risk include:

- continue to simplify the IT landscape
- increase the capability for innovation within the organisation
- proactive policy advocacy to positively influence regulation changes.

Risk governance

Our risk management system is governed by governance committees and governance documents.

Governance committees

Governance committees are in place at both a board and management level. These committees have mandates and delegated authorities that are reviewed regularly. Members have the requisite skills and expertise to manage risk.

The board subcommittees that are responsible for the oversight of the risk management system comprise the group risk and capital management committee (GRCMC), the group audit committee (GAC), the group technology and information committee (GTIC), the group model approval committee (GMAC), the group remuneration committee (REMCO) and the group social and ethics committee (GSEC).

GRCMC comprises the chairman of the board and chairs of six other board subcommittees. This common membership provides an enterprisewide and integrated view of strategic, financial, non-financial, social, economic and environmental issues that impact the risk and control environment. Their responsibilities include:

- setting the direction for how our risk and capital management should be approached and addressed
- reviewing and approving the risk appetite statement for our banking activities
- reviewing risk management reports and monitoring our risk profile
- evaluating and agreeing the opportunities and associated risks that we should be willing to take.

GAC comprises six independent non-executive directors, including the GTIC and REMCO chairmen. Their responsibilities include:

- monitoring and reviewing the adequacy and effectiveness of accounting policies, financial and other internal control systems and financial reporting processes
- providing independent oversight of our assurance functions, with particular focus on combined assurance arrangements, including external audit, internal audit, compliance, risk and internal financial control functions
- reviewing the independence and effectiveness of the group's external audit, internal audit and compliance functions
- assessing our compliance with applicable legal, regulatory and accounting standards and policies in the preparation of fairly presented financial statements and external reports.

The chairman of the GAC meets regularly with the group chief compliance officer, the chief finance and value management officer and the group chief audit officer to ensure the independence of the second and third lines of defence functions.

GTIC comprises five independent non-executive directors, one non-executive director, and two executive directors. Their responsibilities include:

- reviewing and providing guidance on matters related to IT strategy, budget, operations and policies
- reviewing assessment of IT risks and controls, including disaster recovery, business continuity and security
- overseeing significant IT investments and expenditure
- overseeing the governance of technology and information in a manner that supports our strategic objectives.

GMAC comprises two independent non-executive directors, both executive directors, the chief executive officer (CEO) of business and commercial clients, the CEO of wholesale clients the CEO of high-net worth clients, and the group chief risk and corporate affairs officer. Their responsibilities include:

- reviewing models designed to quantify and manage our risk exposure
- evaluating and approving risk models used to calculate regulatory capital demand
- approving models based on an assessment of their materiality.

REMCO comprises only non-executive directors with seven being classified as independent. It assists the board in ensuring fair and responsible remuneration. Their responsibilities include:

- developing a remuneration philosophy and policy statement for disclosure to enable a reasonable assessment by stakeholders of reward practices and governance processes
- reviewing and approving the risk-adjusted remuneration governance standards
- considering and recommending the approval of the remuneration report
- considering shareholders' feedback and recommendations in respect of our remuneration policy and implementation.

GSEC comprises four independent non-executive directors, one non-executive directors, and two executive directors. Their responsibilities include:

- ensuring the development of appropriate policies and being the social conscience, recognising that stakeholder perceptions affect our reputation
- guiding and monitoring social, ethical, economic, environmental, transformation and consumer relationship initiatives in line with relevant legislation, codes and regulation
- monitoring our approach to conduct through a culture-led strategy, to embed culture and conduct, and manage conduct risk
- considering our sustainability programmes and strategy, specifically the direct and indirect environmental impact of these programmes
- reviewing annual corporate social investment spend and activities across our operations, specifically giving consideration to aligning the focus of programmes across the group.

Management committees

GROC and group ALCO are subcommittees of the group leadership council.

GROC provides group-level oversight of all risk types and assists the GRCMC in fulfilling its mandate. As is the case with the GRCMC, GROC calls for and evaluates in-depth investigations and reports based on its assessment of our risk profile and impact of external factors. GROC is chaired by the group chief risk and corporate affairs officer. GROC subcommittees are constituted to support it in discharging its responsibilities as set out in its mandate. These committees are:

- group operational risk committee
- group compliance committee
- group sanctions and client risk review committee
- group internal financial control governance committee
- group country risk committee
- group equity risk committee (ERC)
- group portfolio risk management committee
- PBB and wealth credit committees
- CIB credit committees.

Together with its subcommittees, group ALCO is responsible for all matters relating to capital, funding, liquidity, interest rate risk in the banking book (IRRBB) and market risk in the group. Group ALCO sub-committees are:

- SBSA ALCO
- Standard Bank offshore ALCO
- Africa Regions ALCO
- group capital management committee
- intra-group exposure committee
- recovery and resolution planning committee
- SBK price risk committee
- group foreign currency management committee.

The social and ethics management committee is a subcommittee of the group leadership council, and reports into GSEC. It provides oversight over conduct and culture, and considers and recommends the annual materiality assessments, the group's annual report to society and the ESG reports to GSEC.

Governance documents

The enterprise risk management governance framework is approved by the GRCMC. It informs the specific risk type standards, frameworks and policies which are approved by executive committees and the relevant board subcommittee. The critical steps for risk management are defined to ensure common practices across the group. Business line and legal entity policies are aligned to the governance documents and are applied within their governance structures.

THREE LINES OF DEFENCE

1

Effective **first line** risk management responsibilities include:

- defining the risk and control culture, and risk appetite
- identifying and assessing risks and emerging threats
- designing and implementing appropriate controls
- balancing risk and return with every business decision
- allocating capital optimally for maximum returns
- performing self-assessments on the control environment
- escalating material events that breach risk appetite through the governance structure
- ensuring appropriate risk disclosure to shareholders and regulators.

2

Effective **second line** risk management responsibilities include:

- defining the risk and capital management framework and policies
- facilitating risk management activities through the process lifecycle
- facilitating the capital requirements calculations for all applicable risk types
- challenging management's day-to-day risk decisions
- monitoring and providing expert advice on emerging threats
- monitoring that risk decisions are being taken in line with the risk culture and appetite, and reporting breaches
- managing the interface with regulators regarding industry policy advocacy and risk and compliance matters
- compiling risk disclosures as per regulatory requirements
- reviewing compliance with risk standards
- performing independent reviews on specific risk and control areas.

3

Effective **third line** risk management responsibilities include:

- providing assurance through a risk-based audit plan that assesses and reports on the quality of controls and risk management practices
- periodically reviewing the design adequacy of the risk management framework, the level of compliance to policies and standards, and the completeness and reliability of the risk assessment and reporting process.

The board discharges its oversight responsibilities for risk management through independent assurance activities performed by second line and third line. The board has the following mandate:

- ensuring that the appropriate tone for risk is set by executive management
- ensuring that the risk and capital management is effective, including our:
  - risk, compliance, treasury and capital management, and GIA processes
  - risk appetite
  - capital adequacy to support strategy execution.

Risk appetite

The key to our long-term sustainable growth and profitability lies in the strong link between our risk appetite and our strategy, and the desired balance between risk and return.

Risk appetite is an expression of the amount or type of risk we are willing to take in pursuit of our financial and strategic objectives, reflecting our capacity to sustain losses and continue to meet our obligations as they fall due, under both normal and a range of stress conditions.

Group portfolio risk management committee

Portfolio management is performed at a group level across and within business units, risk types and legal entities to ensure that existing and emerging exposure concentrations in countries, sectors, obligors and other risk areas are effectively managed.

Risk appetite guides strategic and operational decisions and is reviewed annually. Our level one risk appetite statements are:

- **Capital position:** We aim to have a strong capital adequacy position measured by regulatory and economic capital adequacy ratios. We manage our capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance. Each banking subsidiary must further comply with regulatory requirements in the countries in which we operate.
- **Funding and liquidity management:** We maintain a prudent approach to liquidity management in accordance with the applicable laws and regulations. The competitive environment in which each banking subsidiary operates is also taken into account. Each banking subsidiary must manage liquidity on a self-sufficient basis.
- **Earnings volatility:** We aim to have sustainable and well-diversified earning streams in order to minimise earnings volatility through business cycles.
- **Reputation:** We have no appetite for compromising our legitimacy or for knowingly engaging in any business, activity or relationship which could result in foreseeable damage to our reputation or our sustainability.
- **Conduct:** We have no appetite for unfair client outcomes arising from inappropriate judgement and conduct in the execution of business activities, or wilful breaches of regulatory requirements. We strive to meet clients' expectations for efficient and fair engagements by doing the right business, the right way, thereby upholding the trust of our stakeholders.

Level two risk appetite is cascaded into risk types. Level three risk appetite consists of risk type based limits.

To support banking entities in managing the impact of the Covid-19 pandemic, the Prudential Authority (PA) provided regulatory relief through removal of certain capital buffers and reduced minimum liquidity requirements. Our internal risk appetite metrics were adjusted accordingly. The group remained within risk appetite during the year across all capital and liquidity measures; however, pressure on income and impairments did result in the breach of our stressed earnings measure by the end of the year.

Stress testing

Stress testing is a key management tool within the group and is used to evaluate the sensitivity of the current and forward risk profile relative to different levels of risk appetite. Stress testing supports several business processes, including:

- strategic and financial planning
- informing the setting of risk appetite and portfolio management at a group, business unit and legal entity level
- the internal capital adequacy assessment process (ICAAP), including capital planning and management, and the setting of capital buffers
- liquidity planning and management
- identifying and proactively mitigating risks through actions such as reviewing and changing limits, limiting exposures, and hedging
- facilitating the development of risk mitigation or contingency plans, including recovery and resolution planning, across a range of stressed conditions
- supporting communication with internal and external stakeholders, including industry-wide stress tests performed by the regulator.

Group ALCO

Stress testing programme of work

The group may be exposed to a diverse array of risks as a result of the environment in which it operates. The programme covers various levels of stress testing from business as usual type scenarios to moderate, severe and extreme scenarios.

Our stress testing programme uses one or a combination of stress testing techniques, including scenario analysis, sensitivity analysis and reverse stress testing to address stress testing for different purposes. The programme of work includes various forms of stress testing.

Groupwide macroeconomic stress testing

Macroeconomic stress testing is conducted across all major risk types on an integrated basis for a range of economic scenarios varying in severity from mild to very severe but plausible macroeconomic shocks. The impact, after consideration of mitigating actions, on the income statement, balance sheet and capital demand and supply is measured against our risk appetite.

A specifically designed macroeconomic stress test is performed for the group and SBSA at least once a year and targets our risk profile, geographical presence and strategy. Group and SBSA macroeconomic stress testing results are presented at a board level to consider whether our risk profile is consistent with our risk appetite buffer. Groupwide macroeconomic stress testing results are submitted as part of the annual ICAAP.

Business model stress testing

Business model stress testing utilises the reverse stress testing technique to explore vulnerabilities in a particular strategy or business model. The outcome does not necessarily target business or bank failure, but rather seeks to inform what could have a severe impact given a plausible, but in most cases highly improbable, event within a given set of circumstances and assumptions.

Risk type stress testing

Risk type stress tests are performed for individual risk types and take the form of a scenario or sensitivity analysis.

Ad hoc and deep-drill stress testing

Additional ad hoc stress testing at the group, legal entity, business line, sector or risk type level may be required from time-to-time for risk management or planning purposes. It informs management of risks that may not yet be part of routine stress testing or where the focus is on a specific portfolio or business unit.

Supervisory stress tests

From time-to-time, a regulator may call for the group or a legal entity to run a supervisory stress test or common scenario with prescribed assumptions and methodologies. The regulator may use these to assess the financial stability of the entire financial sector, or for targeted stress tests where they may have a specific concern on an asset class or other potential stress event.

Recovery plan stress testing

Recovery plan stress testing is performed annually on plausible but highly unlikely events to verify the effectiveness of the recovery options. Systemic, group-specific, combination events, as well as velocity scenarios are considered.

Stress testing activities

A fit-for-purpose stress testing program ensures the appropriate coverage of different risks. During 2020 the Covid-19 pandemic had a material impact on our operating environment and formed the basis for a considerable part of our stress testing activities.

Pre-existing underlying global and local vulnerabilities were in most cases exacerbated by the effects of the pandemic. These included:

- rising geopolitical tensions leading to an increased risk of broadening trade wars globally
- economic pressure in the form of slowing global trade, rising public debt in Africa, insufficient job creation and widespread poverty coupled with corporate failures leading to a global asset price collapse and capital outflows from emerging market economies
- increased sovereign debt stress in some African and European countries
- sovereign risk arising from elections in certain countries including policy changes specific to individual African countries
- the unsettled social and political environment
- threats to the stability of the financial sector in both South Africa and across the African continent
- the ongoing threat of cybercrime
- vastly changing competitive landscape in the financial sector resulting in business and digital disruption.

Due to the velocity and magnitude of the crisis, an assessment of the entire portfolio and potential groupwide impact was executed at the onset of the pandemic and at regular intervals thereafter and included the following:

- specific sector and product portfolio analyses to understand potential client risks, behaviour and funding requirements
- development of specific Covid-19 stress scenarios to understand the impact of the pandemic on the financial performance and resources of the group (in addition to the bank's routine stress testing activities)
- assessment of the adequacy and availability of risk management actions to mitigate the impact on financial performance and resources
- introduction of proactive portfolio management actions to limit specific risks identified.

The specific Covid-19 stress scenarios developed during 2020 included less-severe (extended recovery), severe (protracted recovery) and extreme (uncontrolled) outcomes.

As a result of the uncertainty of the time needed to fully eradicate Covid-19, the risks associated with the pandemic will likely remain a focus area for stress testing activities into the foreseeable future.

Recovery and resolution planning

Recovery and resolution planning is a global regulatory reform introduced by the Financial Services Board (FSB) to enhance resilience of the financial system, improve international financial stability and reduce the likelihood of the failure of systemically important financial institutions. The recovery plan identifies management actions which can be adopted during periods of severe stress to ensure the survival of our business and the sustainability of the economy within which we operate. Should these actions prove to be inadequate, the resolution plan sets out the approach for unwinding in an orderly manner and minimising the impact on depositors and taxpayers.

The group has developed integrated recovery plans which combines both operational and financial frameworks. Since 2012, and in line with international developments, 12 out of 20 host country regulators have issued requirements to develop recovery plans. In order to strengthen our defences, we continue to rollout recovery planning to all group subsidiaries irrespective of whether it is a regulatory requirement in country.

During the past year, subsidiaries have developed playbooks in line with international best practice. The playbook is a concise guide for the recovery plan that promotes swift and effective decision-making by management and enables timely implementation of appropriate recovery actions.

A stress simulation toolkit was developed during 2020 to enable subsidiaries to collectively test various frameworks utilised in the organisation. In addition to the simulation toolkit, an independently facilitated group stress simulation exercise will be conducted in 2021 to assess the appropriateness and feasibility of our potential response strategy, escalation procedures and early warning indicators.

Risk reporting

Risk exposures are reported on a regular basis to the board and senior management through our governance committees. Risk reports are compiled at business unit level and are aggregated to the enterprise level for escalation through the governance structures based on materiality.

Risk management reports comply with standards set out by BCBS239.

Group insurance programme

The group insurance programme is designed to protect against loss resulting from our business activities. It is used as a strategic risk transfer mechanism, serving as an operational risk mitigant by transferring residual insurable risks to conventional insurance markets. This cover is reviewed annually.

Group insurance committee

The principal insurance policies in place are the group crime and professional indemnity, cyber, and group directors' and officers' liability policies. In addition, we have fixed assets and liabilities coverage for our office premises and business contents, third-party liability for visitors to our premises, and employer's liability. Our business travel policy provides cover for staff while travelling on behalf of the group. For 2020, R824 million of net claims were recovered across various policies.

STRATEGIC RISKS

The potential downside impact of an operating income shortfall due to lower than expected performance in business volumes and margins not compensated for by a reduction in costs.

Strategic risk may arise from changes to the competitive landscape or regulatory framework or ineffective positioning in the macroeconomic environment. Strategic risk could also arise due to a failure to execute strategy and/or failure to effectively take actions to address underperformance and unintended strategic consequences.

In 2020, we revised the risk types managed under the strategic risk category in the revised enterprise risk management (ERM) framework which are strategy position risk and strategy execution risk.

In executing our strategy, we will always remember that the purpose of digitisation is to enable us to meet human needs, to further human aspirations, and become more profitable and sustainable by doing so.

STRATEGY POSITION RISK

These risks refer to strategic choices like value proposition, product, consumer segment and channel that result in unexpected variability of earnings and other business value drivers:

- Unexpected changes in the intensity or nature of competition within the financial services industry like aggressive action from competitors in the form of new entrants, price wars, technology innovation and substitute products.
- Adverse and unexpected changes in the external stakeholder sentiments. This includes changes in the company's reputation in the public opinion of consumers, media, analysts, politicians, rating agencies, regulator and investors.
- Unexpected changes in partnerships, joint ventures or subsidiaries and failed strategic relationships.

STRATEGY EXECUTION RISK

These risks refer to strategy implementation failures where management execution capability and operational decisions do not meet the strategic objectives, and this includes:

- Failed execution of strategic direction or strategic initiatives.
- Changes in the business environment of foreign countries, government attitude towards foreign companies, change of tariffs and the rules that make doing business for foreign companies difficult.
- Unexpected changes in the third-party's environment, including change of production or service capacity and quality, business failure, change of costs and reputation.
- Corporate governance practices not functioning as designed and expected.
- Unanticipated changes in laws and regulations that may cause the business value to change from expectations.

REPUTATION RISK

The risk of potential or actual damage to our image which may impair the profitability and sustainability of our business.

Reputation is defined as what stakeholders, including our staff, clients, investors, counterparties, regulators, policymakers, and society at large, believe about us. Analysts, journalists, academics and opinion leaders also determine our reputation. Our reputation can be harmed by an actual or perceived failure to fulfil the expectations of stakeholders due to a specific incident or from repeated breaches of trust.

Damage to our reputation can adversely affect our ability to maintain existing business, generate new business relationships, access capital, enter new markets, and secure regulatory licences.

Approach to managing strategic risks

The transition from business risk management to a more holistic strategic risk management began in 2020. The risk type and ownership has been defined. The top strategic risks identified in the enterprise risk identification process are bigtech domination of financial services and the slow pace of implementation.

Measurement of these strategic risks among others will be a focus area for 2021, uniting our forecasting and stress testing with strategic risk management activities. New and existing threats to our strategy are monitored on an ongoing basis. On a reactive basis, our crisis management processes are designed to minimise the impact of disruptive events or developments that could endanger our strategy or damage our reputation. Crisis management teams are in place both at executive and business line level. This includes ensuring that our perspective is fairly represented in the media.

Attention is given to leveraging opportunities to proactively improve our reputation among influential stakeholders through external stakeholder engagements, advocacy, sponsorships and corporate social initiatives.

NON-FINANCIAL RISKS

The risk of inadequate or failed processes, people and systems as a result of changes in internal or external factors. This excludes strategic and financial risks. Non-financial risks are complex, difficult to anticipate and quantify. They evolve rapidly with significant overlaps among risk types and could have financial or non-financial implications.

2020 AND BEYOND

Despite the pressures of the unprecedented one-in-a-100 year pandemic event, our overall non-financial risk profile remained well within risk appetite.

The significance of managing non-financial risks were heightened during 2020 as we geared towards safeguarding our people, customers and assets in response to Covid-19. Technologies were rapidly shifted and deployed with extensive automation in our mobile offerings, banking capabilities and employee digital enablement. Our pandemic plans, which form part of business continuity management, were activated early in 2020 and fine-tuned throughout the year as we monitored the global reach of the virus. They drove our swift response to this extreme event. We engaged with industry bodies, market infrastructure players and health experts to ensure an aligned, systematic and informed pandemic response.

We continued on a risk simplification journey to further entrench risk management into our culture. This entailed the development of a risk market place with risk as a service available on a central platform. Key risk management modules are enabled on the risk marketplace, including incident management and insights and analytics. Our virtual risk manager chatbot is fully integrated on this platform and provides risk assistance and insights. The capabilities on this platform are being enhanced during 2021.

Approach to managing non-financial risks

We manage non-financial risks under the umbrella of operational risk. Our approach adopts fit-for-purpose risk practices, well-established governance processes which are supported by comprehensive escalation and reporting processes that assist line management to understand and manage their risk profile within risk appetite. Our non-financial risk management function forms part of the second line of defence and is an independent area, reporting to the group chief risk and corporate affairs officer.

Reporting

Robust risk management reporting and escalation procedures require business line and compliance heads to report on the status of risk management to the group head of non-financial risk management and/or the group chief compliance officer, who escalates significant matters to group management, executive and independent board committees. These matters include key and emerging risk exposures, risk management activities, regulatory interaction and legislative developments.

Group operational risk committee | group compliance committee

As not all non-financial risks are elevated at the same time, only material risk types are unpacked further in this section. These risks are considered material based on the extent of their impact.

BUSINESS RESILIENCE RISK

The risk of losses arising from critical system failures and/or business process failures impacting services to and/or provided by the group to its stakeholders.

Business resilience risk within the group is heightened as a result of the pandemic. Rapid deployment of new and advanced technologies and operational processes continue to take priority to enable work from anywhere, respond to the pandemic and to realise the group's strategy. The changing work arrangement highlighted focus areas such as potential cyber-attacks, information breaches, third-party interruptions and system failures; all of which can all lead to service disruptions.

Crisis management simulations conducted in preceding years were crucial to invoking business continuity management for the pandemic. The group's leadership council members act as the crisis management team and meet regularly to take key decisions and provide guidance and oversight of crisis resolutions. Several key actions were taken including cross border travel limitations and ceasing of non-essential activities. Areas that were office bound and not customer-facing adopted work from anywhere as a default position.

A Covid-19 steering committee was constituted to support the crisis management team to monitor and manage decisions taken.

Critical services are monitored through our combined assurance approach, including digital assurance where applicable. In addition to the pandemic continuity initiatives, we focused on achieving our client-centric strategic objectives, with robust value-chain operational resilience that is managed under the always-on programme.

In 2021, we will continue our focus on operational resilience, including the ability to anticipate, prevent, respond, recover and adapt from business disruptions as soon as possible. This will further enable our client-centric strategic promise.

COMPLIANCE RISK

The potential legal or regulatory sanctions, financial loss or damage to reputation that the group may suffer as a result of its failure to comply with laws, regulations, codes of conduct, internal policies and standards of good practice applicable to its financial services activities.

The group may be exposed to reputation damage or financial loss if regulatory developments are not implemented effectively and timeously. Covid-19 related guidance notes and directives, with compressed conformance dates, elevated this risk in 2020. We provided feedback, as required, to both the PA and the Financial Sector Conduct Authority on our conformance with these regulatory requirements.

We conducted continual risk assessment exercises and control efficacy tests to manage the compliance risks posed by the pandemic. Our continued rollout of compliance training contributed to compliance risks remaining stable. Our compliance management processes are continually benchmarked for best practice to further mature our approach. We also developed several digital innovations internally to further enhance the management of compliance risks.

In 2021, we will continue to integrate compliance risk with non-financial risk management practices, as well as to support compliance with local and global regulatory requirements.

CONDUCT RISK

The risk where detriment is caused to our clients, markets or the group itself as a result of inappropriate execution of business activities.

The uncertainty and market volatility of the pandemic brought conduct risks to the forefront as it exposed the potential for poor decision-making. A dispersed workforce may pose risks of misconduct and internal fraud. The tough economic environment may lead to excessively risky business practices resulting in poor customer outcomes.

We enhanced our conduct training and proactively monitored training completion rates to ensure that staff are aware of the risks and repercussions. We implemented a know your employee tool to improve the understanding of risk factors facing employees and to improve the turnaround time and accuracy of employee conduct reports.

Our governance arrangements, policies and processes aim to serve our employees, clients and the markets in which we operate by promoting a culture of accountability and ethical conduct.

We strive to ensure that our people behave ethically and with integrity across our business activities and through the treatment of our customers. Managing conduct risk remains a groupwide priority. The integrated conduct training programmes established in 2020 will further deepen employee understanding of our values and the meaning of good conduct in practice.

CYBER RISK

The potential of a digital attack on our systems for financial gain – either direct (through cash out attacks) or indirect (through stolen data or extortion).

Cyber risks within the group remained heightened as our workforce dispersed and opportunists used the pandemic to push related phishing e-mails. The threat landscape saw a global increase in denial of service and malware attacks. We prioritised digital security capabilities given its significance to customers and employees during the lockdown.

We expanded the zero trust security model, which articulates the use of internet-aware security capabilities, secure remote access and secure application publishing, underpinned by strong authentication. The improvements in security culture and capability allowed for 70% of staff to work from anywhere without increased cyber risk. No material client-impacting incidents were recorded in 2020. Our security matured with improvements across predict, prevent, detect and response capabilities, including securing the digital presence across the group to improve cyber resilience. We continue to ensure that we are response-ready with cyber incident simulations conducted across all geographies.

In 2021, we will continue to improve cyber resilience and build new security capabilities in support of the strategy and to stay abreast of the evolving cyber threat environment. These security capabilities are foundational to providing a wider range of business services. We will also focus on the security on public cloud, improving client security awareness and authentication. Cyber resilience improvements continue to align to the increased risk of ransomware, data privacy and risks related to third-parties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK

The direct and indirect impact on the environment and society caused by the group, that might prevent the group from achieving its strategic objectives.

ESG risks surrounding our lending products are the focus of shareholders, activists and civil society groups whose concerns relate to the governance structures that oversee lending and responsible financing.

Developments from the year included adopting a revised ESG risk governance framework, which incorporated the accountability for and embedment of climate-related risk management in our enterprisewide risk management system. It also defines structures and accountability for the oversight, governance and execution of ESG risk management, including other environmental issues; social issues including human rights, financial inclusion and impacts on communities; and governance issues like ethics and conduct and stakeholder relations.

We have prioritised our role in driving economic recovery, expanding our sustainable finance offering and managing our climate risk exposures. As a founding signatory of the UNEP-FI Principles for Responsible Banking, launched in September 2019, we are continuing our participation in the TCFD pilot projects aimed at strengthening our processes for the management of our climate-related risks.

Focus for 2021 will be on balancing the need for critical infrastructural development across Africa and managing the risks associated with these. We will continue to focus on our initiatives for financial inclusion by providing solutions for SMEs, and entrepreneurs in the informal sector, implementing employment practices that drive equity and providing support for education and skills development initiatives.

FINANCIAL CRIME RISK

The risk of economic loss, reputation damage and regulatory sanction arising from involvement in any type of financial crime. This would include instances where the crime has been perpetrated against the group, and also instances where the group may have facilitated the commission of a crime through misuse of its products and services. Financial crime includes fraud, theft, money laundering, bribery, corruption, tax evasion, terrorist financing and providing financial services to sanctioned individuals.

The onset of Covid-19 and increased adoption of digital platforms is evolving fraud risk at a rapid rate. The work from anywhere construct has led to constant evaluation of the effectiveness of normal controls. Phishing, vishing and smishing attacks have also reached elevated levels. Employee collusion with syndicates remains an industry-wide problem. 'Card not present' fraud, which is driven by one-time password vishing is the biggest contributor to fraud losses in the credit card business. The increased use of e-commerce exacerbates this problem.

Criminals have attempted to bypass customer due diligence measures in order to conceal and launder funds. Remote working has not detracted from the use of client onboarding systems to complete the client identification and verification processes. Enhanced measures continue to be applied to clients considered as high risk money laundering and/or terrorist financing. We have strengthened digital onboarding measures leading to measures such as verification of identity with the South African Department of Home Affairs.

We have implemented the 3D secure application to merchant transactions, and developed a key fraud risk indicator library, which will ensure effective monitoring of fraud risks.

It is envisaged that the increase in regulatory activity in the anti-money laundering (AML)/combatting financing of terrorism (CFT) space witnessed in 2020 will gather momentum in 2021. This will be characterised by an increase in regulatory inspections, as well as changes to regulatory frameworks, as countries seek to comply with the requirements of the Financial Action Task Force.

We continue to invest in new skills, systems, tools and capabilities to effectively respond to financial crime risk, as well as enhance investigation and intelligence capabilities.

INFORMATION RISK

The risk of accidental or intentional unauthorised use, access, modification, disclosure, dissemination or destruction of information resources, which may compromise the confidentiality, integrity and availability of information. This may result in service disruption, reputation damage and financial loss.

Some notable information exposures were observed in third-party breaches, increasing sophistication of ransomware, regulatory changes, internal eavesdropping risk and the use of personal devices. Human error was also noted when collecting, sharing and disposing of sensitive information. Unlawful processing of personal information used for Covid-19 related business insights is a new risk that has emerged from the pandemic. Our information risk profile however remained stable.

We enhanced our data driven risk identification and control oversight, and are protecting our information according to value, sensitivity and purpose. Collaboration with stakeholders and industry leaders was strengthened to further collaborate on information risk and data privacy initiatives.

In 2021, our priority is on minimising information exposures and reputation impacts from third-parties. We will continue to explore practical ways to roll out technical information protection controls in a remote working environment. The ability to predict attacks and their effects while enabling prompt and effective responses is a key focus.

As sections of the South African PoPIA legislation are being enacted, our focus is to comply by 1 July 2021 and ensure that the right to privacy is a fundamental component of our client-centric strategy.

We will continue with enhancements on our digital platforms to manage information risks. We will mature the use of data for monitoring and assurance.

LEGAL RISK

The risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to your business, its relationships, processes, products and services.

As we transitioned to a business continuity service model during the pandemic, some legal risks emerged, including the risk of contractual parties relying on force majeure or material adverse effect clauses in agreements and the risk of possible negative judgments against the bank for mishandling of a legal process due to Covid-19. These risks can result in significant reputation impacts and financial losses for the group.

We launched a legal matter management solution across all jurisdictions to effectively and efficiently manage legal risk. The group monitored reliance closely and assessed each case on its own merit, noting that no material force majeure or adverse effects clauses were invoked. Continuation plans were initiated across all jurisdictions to address legal processes during lockdown and were reviewed and updated appropriately as circumstances and working status changed.

The focus for 2021 will be on proactively managing capacity constraints with strategic initiatives, and preparing and developing future-ready skills to meet the group's needs.

MODEL RISK

The incorrect or inappropriate use of a model and fundamental errors in models that may produce inaccurate outputs that are not aligned to design objective and intended business uses.

The economic impact of Covid-19 and its impact on the accuracy of model outputs was a key challenge for 2020.

Recognising that model assumptions may no longer hold under stressed economic conditions and result in unintended performance, we proactively monitored and managed our models. The introduction of payment holidays required adjustments to our existing models as well as development of new models.

Model risk was well managed in 2020 with adherence to our governance processes. We enhanced the assessment of model risk through developing a tool for model health which underpins our enhanced model risk appetite and enables improved reporting.

The increasing use of machine learning models is anticipated both internally and by third-parties. Our teams were upskilled in 2020 to create the necessary validation frameworks to manage the associated risks. In 2021 we intend to define and embed clear standards for these machine learning models, as well as to embed the enhanced model risk appetite.

PEOPLE RISK

The challenge or failure to attract and retain skilled, committed people and inability to enable people to grow and remain relevant in a rapidly evolving workplace.

We have always placed a premium focus on the importance of our people in delivering to our clients. We understood from the outset that our response to the impact of the pandemic on our people would be crucial.

Concerns centred on health, in-home infrastructure, familial responsibilities, digital fatigue and job security fears. In addition, the spate of gender-based violence particularly within South Africa is of high concern.

We implemented a host of critical protocols, providing our people with ongoing support, including special leave for self-quarantine and special transport during the hard lockdown for essential services employees. A limited number of our people operated from our branches and offices. We provided extensive personal protective equipment and split across multiple locations to enable physical distancing, following the World Health Organisation guidelines to the greatest extent possible.

The focus for 2021 is to ensure ongoing application of protocols and support mechanisms for the health and safety of our people. The attraction, development and retention of top talent remains a priority, given the scarcity of specific future-fit skills in the marketplace.

TECHNOLOGY RISK

The inability to manage, develop and maintain secure, agile technology capability that enables the group to operate efficiently and achieve strategic objectives.

The collective scale of the global technology changes made in 2020 was rapid and vast. It amplified our concerns on client service interruption and system instability where our ambition is to be always-on and always-secure. We also identified short-term risks of third-party service failures interrupting our core services to customers, and restricted access to business premises resulting in delayed execution.

Our investment in technology resilience in recent years as part of our always-on programme has resulted in a substantial reduction in service disruption. These improvements are favoured by customers who have ranked our digital capabilities highly on several recent surveys. The always-on and always-secure programme has made significant progress with the implementation of key controls like the backup of systems and data, privileged and logical access management and web security upgrades. We anticipate that our continuing cloud journey will yield substantial risk mitigation opportunities.

As we advance our digital capabilities and migrate systems to the cloud, existing technology assets may become redundant. This, coupled with rapidly changing technology, means that legacy technology will not be utilised for as long as initially anticipated. We assess this risk twice a year.

For 2021, enabling our digital financial services strategy, the substantially changed business context and the economic aftermath of the pandemic will lead to a more expansive view of the risks we face. In anticipation, we have implemented changes to our approach to technology risk management and are continuing to innovate in service of these objectives.

THIRD-PARTY RISK

The ineffective management of third-party relationships and the operational, compliance, reputation, strategic and credit risks inherent in the services and products they provide to the group.

Our relationships with suppliers and partners make third-party risk a top management concern. The key concerns are the dissemination of confidential and private information by third-parties, cyber-attacks, inability to provide critical services and the possibility of corrupt activities taking place.

We developed an oversight solution in 2020 to enable due diligence checks at the outset of a new business relationship and before entering a relationship with a third-party. We distributed our third-party code of conduct, having derived it from our own code of ethics.

We assess our third-parties with robust and automated processes and proactively identify their risk exposures. Growing regulatory pressure on information breaches and cyber-attacks places third-party relationships under greater scrutiny. As such our third-party risk management programme extensively considers information, data privacy and cyber-security requirements.

Looking ahead, our third-party risk management framework will be further integrated with a management system enabling risk management of critical third-parties. We have begun the rollout of required business resilience within our third-party network. Fourth-party risk is an increasing concern due to the lack of transparency of the third-party's supply chain. Similar to our third-parties, they will be risk-assessed particularly for our business-critical and material third-parties.

FINANCIAL RISKS

Credit risk

The risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk and represents the largest source of risk to which our banking entities are exposed.

2020 AND BEYOND

Our customers have felt the severe economic pressures and many have reached out for temporary relief. Our strong capital position allowed for the provision of payment holidays which helped customers brave the extended loss of income. However, credit-related impairments have increased significantly. Notwithstanding, our capital position continues to be strong and has not affected our ability to lend to new customers. Relative to the performance of the South African operations, the Africa Regions businesses have reported reasonable book growth, in part due to increased attention to client ecosystem origination, digital client onboarding and digital disbursements.

The forward-looking view of our customers had to be adjusted to reflect the impact of the pandemic on our economic environment. Informed by this, changes were made to portfolio risk appetites and early warning triggers were reassessed to respond to the higher risk and impending distress levels. The case-by-case assessment for debt relief has led to a prudent approach to managing distressed accounts, and this method continues in 2021. The pandemic experience has required the recalibration of previous assumptions underlying our impairment and regulatory capital models.

The economic impact of the pandemic is expected to persist into 2021, with most presence countries experiencing reduced consumer demand leading to contracting exports and declining growth expectations. Certain sectors such as tourism, retail and some service sectors have been more severely impacted than others. While a modest economic recovery is expected, dependent on vaccine rollout, the unevenness of the recovery and sectoral performance disparity will weigh heavily. Impaired advances can be expected to continue for those exposures where recovery does not materialise.

We will continue to provide tailored support to our customers, while carefully monitoring and managing capital, liquidity and impairment metrics.

BANKING OPERATIONS

Approach to managing and measuring credit risk

Our credit risk is a function of our business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk (CCR) arising from derivative and securities financing contracts entered into with clients and trading counterparties. To the extent that equity risk is held on the banking book, it is also managed according to the credit risk governance framework's requirements and standards, except in so far as ultimate approval authority rests with the ERC.

Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the group, from an individual facility level through to an aggregate portfolio level
- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions
- monitoring our credit risk exposure relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

Credit and concentration limits are embedded in operations and monitored against approved appetite thresholds. All primary lending credit limits are set and exposures measured on the basis of risk-weighting in order to best estimate exposure at default (EAD).

Pre-settlement CCR inherent in trading book exposures is measured on a potential future exposure (PFE) basis, modelled at a defined level of confidence using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Governance

The credit governance process relies on both individual responsibility and collective oversight, supported by comprehensive and independent reporting. This approach balances strong corporate oversight at a group level, with participation by the senior executives of the group and our business units in all significant risk matters.

CIB credit committees | PBB and wealth and credit committees | ERC | intragroup exposure committee | GMAC | PBB model approval committee | CIB model approval committee

These governance committees have explicit delegated authority, which is reviewed regularly. Their mandates include responsibility for credit and concentration risk decision-making, and delegation thereof to credit officers and subcommittees within defined parameters.

Credit risk models and key aspects of rating systems are validated by an independent central validation function.

Approved regulatory capital approaches

We have approval from the SARB to adopt the advanced internal ratings-based (AIRB) approach for most credit portfolios in SBSA. We have adopted the standardised approach for our Africa Regions portfolios and for some of our less material subsidiaries and portfolios.

We have approval from the SARB to adopt either the market-based or the probability of default (PD)/loss given default (LGD) approaches for material equity portfolios, with the latter applied to equity held on the banking book.

Standardised approach

The calculation of regulatory capital is based on a risk-weighting and the net counterparty exposures after recognising a limited set of qualifying collateral. The risk-weighting is based on the exposure characteristics and, in the case of corporate, bank and sovereign exposures, the external agency credit rating of the counterparty is also referenced if a rating is available. External agency ratings used by the bank to calculate risk-weightings for wholesale exposures, including sovereign, banks and corporate exposures on the standardised portfolio, are those generated by Moody's and Fitch. In the case of references to Fitch ratings, these are retained only for those exposures that reference them from, at and before 2015, when the FSB withdrew their registration for their South African subsidiary.

With respect to mainly sovereign credit exposures subject to the standardised approach (particularly in the Africa Regions) reference is also made to the export credit ratings issued by the Organisation for Economic Co-operation and Development. We apply issuer ratings to calculate risk-weights and will only apply an issuer-specific rating in the event that it invests in a particular issue that has an issue-specific assessment. Issuer ratings are typically only applied to senior debt of an issuer. We do not infer issuer ratings from issue-specific ratings.

The credit rating scale on page 29 is aligned to our master rating scale. In the case of obligors for which there are no credit ratings available, exposures are classified as unrated for determining regulatory capital requirements.

Internal ratings-based approach

Under the internal ratings-based (IRB) approach, the calculation of regulatory capital is based on an estimate of EAD and a risk-weighting. The risk-weighting is based on asset class, and estimates of PD, LGD, and maturity. Under the AIRB approach all the parameters need to be estimated internally, while only PD is estimated internally under the foundation IRB (FIRB) approach, with EAD, LGD and maturity being prescribed by the regulator.

Credit risk model development is conducted independently within the second-line risk function. All IRB models are managed under model development and validation policies that set out the requirements for model governance structures and processes, and the technical framework within which model performance and appropriateness is maintained. The models are developed using internal historical default and recovery data. In low-default portfolios, internal data is supplemented with external benchmarks and studies. Models are subjected to validation to demonstrate the reliability of the model's output.

Model validation takes place when a model is first designed and annually thereafter, when there are material changes to the model or when rating systems are replaced or enhanced. Models are thus assessed frequently to ensure ongoing appropriateness as business environments and strategic objectives change and are recalibrated annually using the most recent internal data. Any changes to models or to model outputs are controlled through access rights and are subject to approval at the relevant business unit or group governance committee.

Ongoing overall South African supervisory approval of the approach taken to model our exposure to credit risk on the IRB approach, as well as for all credit risk models used for regulatory capital purposes, is obtained primarily by way of an annual self-assessment. The assessment addresses all aspects of model design, the rating structure and criteria for ratings, the assessment horizon, integrity of the rating process, governance around rating overrides, maintenance of data, stress tests for capital adequacy, integrity of estimates used and validation of the models.

The technical aspects of model usage, development, monitoring and validation are reviewed by a technical committee. The outcomes of model technical discussions are reported to the relevant model approval committee.

GIA is responsible, within its regular audits, for expressing an opinion on the extent of compliance with the model risk governance framework and for reviewing model inputs.

IRB risk components

Probability of default

PD is calculated using actual historical default rates, and in the case of retail exposures calibrated to a specific behaviour scorecard using a monotonic calibration technique that ensures a clear ranking of risk by mapping higher scores to lower PDs and vice versa. The estimates are adjusted to the long-run average default rate (through-the-cycle) to cater for potential downturn economic conditions.

We use a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes).

Group master rating scale	GRADING	CREDIT QUALITY	MOODY'S INVESTORS SERVICES	STANDARD & POOR'S	FITCH[1]
1 – 4	Investment grade	Normal monitoring	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-	AAA, AA+, AA, AA-
5 – 7			A1, A2, A3	A+, A, A-	A+, A, A-
8 – 12			Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-
13 – 20	Sub-investment grade		Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-,B+, B, B-	BB+, BB, BB-,B+, B, B-
21 – 25		Close monitoring	Caa1, Caa2, Caa3	CCC+, CCC, CCC-	CCC+, CCC, CCC-
Default	Default	Default	C	D	D

1 During 2015, Fitch withdrew the FSB registration of their SA subsidiary. Their grades are retained in this table to cater for exposures that still reference Fitch.

Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolio.

We distinguish between through-the-cycle PDs and point-in-time PDs, and utilise both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures.

Loss given default

LGD is the amount of a counterparty's obligation to the group that is not expected to be recovered after default and is expressed as a percentage of the EAD. LGD measures are a function of client type, product type, seniority of loan, country of risk and level of collateralisation.

LGD is calculated using the workout method (discounted cash flows). Forecasting is performed for accounts that are still in default. LGDs are estimated based on historical recovery data per category of LGD. A downturn LGD is used in the estimation of the capital charge and reflects the anticipated recovery rates in a downturn period.

Exposure at default

EAD captures the potential impact of changes in exposure values, for example:

- potential drawdowns against unutilised facilities
- missed payments
- repayments of capital
- potential changes in CCR positions due to changes in market prices.

By using historical data, it is possible to estimate an account's average utilisation of limits, recognising that the exposure value at point of default may differ to that at the balance sheet date given the aforementioned reasons.

Expected loss

The IRB expected loss (EL) provides a measure of the value of the through-the-cycle credit losses that may reasonably be expected to occur over a 12-month period in the portfolio.

To the extent that IFRS provisions may be insufficient to cover the EL in the credit portfolio, the difference is deducted from qualifying capital (referred to as 'shortfall of credit provisions to EL' in our qualifying capital reconciliation). In its most basic form the EL can be calculated as the product of PD, EAD and LGD.

Credit conversion factors

We apply regulatory-approved credit conversion factors (CCF) to convert undrawn limits and other non-derivative off-balance sheet exposures to an equivalent EAD. The CCF is used to estimate the EAD for non-defaulted accounts. A downturn adjustment is made to cater for potential downturn economic conditions.

Use of internal estimates

Our credit risk rating systems and processes differentiate and quantify credit risk across counterparties and asset classes. Internal risk parameters are used extensively in risk management and business processes, including:

- setting risk appetite
- setting concentration and counterparty limits
- credit approval and monitoring
- pricing transactions
- determining portfolio impairment provisions
- calculating economic capital.

Key credit models

We make use of the following key models for our credit risk regulatory capital purposes:

- credit rating models for corporate exposures, with distinctions made between South Africa, Africa Regions, small and medium enterprises (SMEs) and Standard Bank International
- for the CIB portfolio, distinct credit rating models are used for exposures to banks, sovereigns, local government, brokers, hedge funds, pension funds, asset managers, long- and short-term insurers, property finance (both developer and investor cash flow) and project finance respectively
- in the retail and personal lending segments, behavioural scorecard models are used for retail cheque portfolio, retail SMEs, card, personal loans, home loans, retail and corporate SMEs, vehicle and asset finance, Blue Banner securitisation vehicle RC1 Proprietary Limited, pension-backed lending, Diners Club S.A. card and access loans.

PD, EAD and LGD modelling is integral to all of the models and portfolios detailed above.

Credit portfolios

Corporate, sovereign and bank credit portfolios

Corporate entities include large companies, as well as SMEs that are managed on a relationship basis or have a combined exposure to the group of more than R12 million. Corporate exposures also include specialised lending (project, object and commodity finance, as well as income-producing real estate (IPRE)), public sector entities and derivative trading counterparties.

Sovereign and bank borrowers include sovereign government entities, central banks, local and provincial government entities, bank and non-bank financial institutions.

The creditworthiness of corporate (excluding specialised lending), sovereign and bank exposures is assessed based on a detailed individual assessment of the financial strength of the borrower. This quantitative analysis, together with expert judgement and external rating agency ratings, leads to an assignment of an internal rating to the entity.

Specialised lending's creditworthiness is assessed on a transactional level, rather than on the financial strength of the borrower, in so far as the group relies only on repayment from the cash flows generated by the underlying assets financed.

Retail credit portfolio

Retail mortgage exposures relate to mortgage loans to individuals and are a combination of both drawn and undrawn EADs.

Qualifying retail revolving exposure (QRRE) relates to current accounts, credit cards and revolving personal loans and products, and includes both drawn and undrawn exposures.

Retail other covers other branch lending and vehicle finance for retail, personal, and SME portfolios. Bank lending includes both drawn and undrawn exposures, while vehicle and asset finance only has drawn exposures.

Internally developed behavioural scorecards are used to measure the anticipated performance for each account.

Mapping of the behaviour score to a PD is performed for each portfolio using a statistical calibration of portfolio-specific historical default experience.

The behavioural scorecard PDs are used to determine the portfolio distribution on the master rating scale. Separate LGD models are used for each product portfolio and are based on historical recovery data. EAD is measured as a percentage of the credit facility limit and is based on historical averages. EAD is estimated per portfolio and per portfolio-specific segment, using internal historical data on limit utilisation.

CONCENTRATION RISK

The risk of loss arising from an excessive concentration of exposure to, among others, a single obligor or obligor segment, an industry, a product, a financial instrument or type of security, a country, or a maturity.

This risk typically arises when a number of obligors are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Our strategy continues to favour a credit risk portfolio that is diversified across a range of counterparties, geographies, sectors and products. The risk management approach relies on the regular calculation of groupwide metrics such as large single client exposures calculated using economic grouping principles and sector concentrations, and the setting of portfolio limits set along dynamically adjustable risk appetite thresholds. Targeted stress testing at group and business unit level, is used to measure current and expected levels of concentration under a variety of scenarios.

AFS Annexure C of the group's audited AFS includes an industry, segmental and geographical analysis of gross loans and advances and specific credit impairments. Note 26 of the group's audited AFS includes a maturity assessment of our financial asset and financial liabilities on a contractual discounted basis.

RESTRUCTURED EXPOSURES SPLIT BETWEEN IMPAIRED AND NOT IMPAIRED[1]

	2020		2019	
	Not impaired Rm	**Impaired Rm**	Not impaired Rm	Impaired Rm
Advances	**20 902**	**8 446**	7 137	941
Total	**20 902**	**8 446**	7 137	941

1 This represents quarterly activity.

Credit risk mitigation

Wherever warranted, we attempt to mitigate credit risk, including CCR, to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third-parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation (CRM) procedures ensure that techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

In the case of collateral where we have an unassailable legal title, our policy requires collateral to meet certain criteria for recognition in LGD modelling, including:

- being readily marketable and liquid
- being legally perfected and enforceable
- having a low valuation volatility
- being readily realisable at minimum expense
- having no material correlation to the obligor credit quality
- having an active secondary market for resale.

The main types of collateral obtained for our banking book exposures include:

- mortgage bonds over residential, commercial and industrial properties
- cession of book debts
- pledge and cession of financial assets
- bonds over plant and equipment
- the underlying movable assets financed under leases and instalment sales.

Reverse repurchase agreements and commodity leases to clients are collateralised by the underlying assets.

Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

For trading and derivatives transactions where collateral support is considered necessary, we typically use recognised and enforceable international swaps and derivatives association agreements (ISDA), with a credit support annexure.

Netting agreements, such as collateral under the credit support annexure of an ISDA agreement, are obtained only where we firstly have a legally enforceable right to offset credit risk by way of such an agreement, and secondly where we have the intention of utilising such agreement to settle on a net basis.

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises in transactions where the likelihood of default (the PD) by a counterparty and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels. We have no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (specific wrong-way risk). General wrong-way risk, which arises when the EAD and PD for the counterparty is correlated due to macro factors, is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, we implement hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

AFS Annexure C of our AFS contains information in respect of collateral obtained by the group to mitigate credit risk.

COUNTERPARTY CREDIT RISK

We are exposed to CCR through movements in the fair value of securities financing and derivatives contracts. The risk amounts reflect the aggregate replacement costs that would be incurred in the event of counterparties defaulting on their obligations.

Our exposure to CCR is affected by the nature of the trades, the creditworthiness of the counterparty, and underlying netting and collateral arrangements. CCR is measured in PFE terms and recognised on a net basis where netting agreements are in place and are legally enforceable, or otherwise on a gross basis. Exposures are generally marked-to-market daily. Cash or near cash collateral is posted where contractually provided for.

Demand for economic capital, as a risk appetite dimension, is allocated to risk types (including CCR) and serves as the basis for the setting of internal CCR appetite limits against which aggregate risk type exposure can be measured.

CCR, reflecting both pre-settlement and settlement risk, is subjected to explicit credit limits which are formulated and approved for each counterparty and economic group, with specific reference to its credit rating and other credit exposures to that counterparty.

In the event of a rating downgrade, the collateral that we would have to provide is dependent on a number of variables, including the netting of existing positions and a reduction in the threshold above which collateral would have to be posted with counterparties to cover our negative mark-to-market. With respect to additional collateral that we may be required to lodge with trading counterparties in the event of a rating downgrade, refer to page 39.

For trades that are not subject to margining requirements, the replacement cost is the loss that would occur if a counterparty were to default and its transactions closed immediately. For margined trades, it is the loss that would occur if a counterparty were to default at the current or future date, assuming that the closeout and replacement of transactions occur instantaneously. However, the close-out of a trade upon a counterparty default may not be instantaneous. The replacement cost under the current exposure method is determined by marking contracts to market.

PFE is any potential increase in exposure between the present and up to the end of the margin period of risk. The PFE for the current exposure method is determined by applying a prescribed add-on factor to the underlying notional amount to determine the PFE over the life of the contract. The PFE for the advanced method is derived via a Monte Carlo simulation approach using validated models.

Effective expected positive exposure is the weighted average over time of the effective expected exposure over the first year, or, if all the contracts in the netting set mature before one year, over the time period of the longest-maturity contract in the netting set where the weights are the proportion that an individual expected exposure represents of the entire time interval.

EAD post-CRM refers to the amount that is relevant for the capital requirements calculation having applied CRM techniques, credit valuation adjustments (CVA) and specific wrong-way adjustments.

CLIMATE-RELATED CREDIT RISK

Credit risk also includes the risks associated with climate change. The impacts of both physical and transition risk may increase losses for exposures to those sectors in both the group's retail and wholesale credit portfolios, that are more vulnerable to climate change.

The group is exposed to the risk that if it does not adequately address climate-related risks and opportunities into its groupwide risk management framework, it may fail to identify, measure, manage and disclose such risks. This could lead to a failure to adapt strategy to new regulatory requirements and stakeholder expectations, associated increases in reputational risk and potentially adverse impacts on the group's profitability and financial position.

Physical risk is the potential of higher frequency and intensity physical hazards such as droughts, floods, heat and water stress, and others, to impair the business assets and operations of the group's borrowers, leading to lower asset values, poorer credit quality and higher defaults, provisions and write-offs.

Transition risk arises for the group and our borrowing customers due to the possibility of policy, legal, technology, and market changes that accompany the transition to a lower carbon economy. To address this risk, the mitigation and adaptation strategies required to be implemented may carry extensive costs. In the case of transition risk for our customers, these costs may negatively affect the value of the group's financial assets , particularly our exposures to customers in sectors with high transition risks, through lower credit quality and higher credit impairments.

Climate-related risks are initially identified through environmental screening for new transactions for both new and existing customers. Where applicable, reference is made to the group's policies on lending for fossil finance purposes, as well as for coal-fired power and for thermal coal mining, to establish whether new transactions meet eligibility criteria. Existing climate-related risks in the group's portfolio are identified through sector-specific analysis to isolate exposures to sectors known to be vulnerable to both physical and transition risks. Concentrations of such exposures relative to the total group portfolio are reported annually. Identification and measurement methodologies for these risks continue to evolve.

Securitisation

Securitisation is a transaction whereby the credit risk associated with an exposure, or pool of exposures, is tranched and passed on to investors, typically through issuing bonds to investors, and where payments to investors in respect of the bonds are dependent upon the performance of the exposure or pool of exposures.

A traditional securitisation involves the transfer of the exposures being securitised to a structured entity, or special purpose vehicle (SPV) which issues securities, typically bonds. In a synthetic securitisation, the tranching is achieved by the use of credit derivatives and the underlying exposures are not removed from the balance sheet.

We use SPVs to securitise client loans and advances that the bank has originated to diversify our sources of funding for asset origination. In addition, the group plays a secondary role as an investor in certain third-party securitisation note issuances (SPVs established by third-parties).

We have established the following SPVs, which at the end of the 2020 financial year, are all in the process of being wound down, pursuant to all required regulatory consents, following the repurchase of these entities' performing assets. None of the SPVs have any notes outstanding.

- Blue Granite Investments No. 1 (RF)[1] Limited (BG 1)
- Blue Granite Investments No. 2 (RF) Limited (BG 2)
- Blue Granite Investments No. 3 (RF) Limited (BG 3)
- Blue Granite Investments No. 4 (RF) Limited (BG 4)
- Siyakha Fund (RF) Limited (Siyakha).

1 Ring-fenced.

Securitisation achieves the following objectives for investors and third-party issuers:

- facilitating non-banks' access to asset classes traditionally only available to banks
- diversification of investment asset base
- potential yield pick-up for investors or a reduction in funding costs for issuers (disintermediation of the banking sector).

Securitisation achieves the following objectives for the group:

- securitisation is used to raise funding and transfer largely tail-end risk out of the banking system
- we have originated a number of securitisations of our home loan assets. All of these transactions were aimed at diversifying our funding base beyond our normal wholesale deposit base
- we have always retained the subordinated loans and consequently transactions have not resulted in a reduction of the RWA associated with the securitised loans
- securitisation transactions arranged for third-parties allow the bank to earn arranging fees, as well as ancillary fee income from providing banking, back-up servicing, interest rate swaps and liquidity facilities
- since 2014, we also make use of securitisation structures to provide collateral for the SARB committed liquidity facility aimed at meeting the LCR requirements. In these transactions the notes issued by the SPV, as well as the subordinated loan are retained by SBSA. Structured entities created for this purpose are:
  - Blue Shield Investments 01 (RF) Limited (BS01)
  - Blue Shield Investments 02 (RF) Limited (BS02).

For originated and sponsored or administered securitisations consolidated under IFRS (that is, Blue Granite 1-4, Siyakha and Blue Titanium Conduit), intra-group exposures to and between these securitisations have been eliminated and the underlying assets consolidated in the relevant sections and classes in this report. Only exposures to securitisations of assets originated by third-parties are disclosed in annexure C in table SEC1. The approach applied in the calculation of RWA is dependent on our approved model for the underlying assets and the existence of a rating from an eligible external credit assessment institution.

To date, we have applied the standardised approach, the ratings-based approach and the standard formula approach, where relevant, in the calculation of RWA.

For rated securitisation transactions in South Africa that the bank currently participated in, the ratings of Moody's Investor Services and/or Global Ratings Company are referenced.

The transfer of assets by the group to an SPV may give rise to the full or partial derecognition of the financial assets concerned.

Only in the event that derecognition is achieved are sales and any resultant gains or losses on disposals recognised in the financial statements. Where the SPVs are consolidated at group level, such gains or losses are eliminated.

LIFE INSURANCE OPERATIONS

Mutual funds

Liberty invests in mutual funds through which it is also exposed to the credit risk of the underlying assets in which the mutual funds are invested. Liberty's exposure to mutual funds is classified at fund level and not at the underlying asset level and, although mutual funds are not rated, fund managers are required to invest in credit assets within the defined parameters stipulated in the fund's mandate. These rules generally restrict funds to the acquisition of investment grade assets.

Liberty is exposed to CCR in respect of investment reinsurance policies, as well as the underlying debt instruments supporting the valuation of these policies.

Credit exposure to debt instruments

Various debt instruments are entered into by Liberty in order to match policyholder liabilities and invest surplus shareholder funds. Liberty is primarily exposed to the credit-standing of the counterparties that issued these instruments in terms of both default and spread risk.

Liberty is exposed to the credit risk of counterparties with whom Liberty has entered into market risk hedges, re-purchase and/or securities lending agreements. This credit risk is materially mitigated by the use of industry standard master agreements, including collateral support agreements and margining agreements.

Reinsurance

Reinsurance is used to manage insurance risk and consequently reinsurance assets are raised for expected recoveries on projected claims. This does not, however, discharge Liberty's liability as primary insurer. In addition, reinsurance debtors are raised for specific recoveries on claims recognised.

A detailed credit analysis is conducted prior to the appointment of reinsurers. Cognisance is taken of the potential future claims on reinsurers in the assessment process. Financial strength, performance, track record, relative size, ranking within the industry and credit standing of reinsurers are taken into account when determining the allocation of business to reinsurers. In addition, efforts are made to appropriately diversify exposure by using several reinsurers. A review of these reinsurers is done at least annually.

Impairments – policyholder loans

Policyholder loans are impaired when the amount of the loan exceeds the policyholder's investment balance. The loans are recoverable through offset against policyholders' investment balances at policy maturity dates.

Country risk

Country risk, also referred to as cross-border country risk, is the uncertainty that obligors (including the relevant sovereign, and our branches and subsidiaries in a country) will be able to fulfil obligations due to the group given political or economic conditions in the host country.

2020 AND BEYOND

The effects of the pandemic have put downward pressure on economic growth in the Africa Regions and strained public finances exacerbating uncertainty over liquidity funding and sovereign debt financing. Generally, sub-Saharan African countries weathered the economic effects of the pandemic better than that of emerging markets with smaller 2020 GDP contractions. However, governments across the Africa Regions were already constrained by limited policy options and will rely on continued support from multilateral institutions and bilateral partners. Amid slower economic growth and weak tax receipts, foreign currency sovereign debt obligations pose a short-term risk to liquidity and in the medium-/long-term risk morphing into solvency problems.

During 2020, Zambia and South Africa, among others, experienced credit rating downgrades. Debt concerns persisted in markets such as Kenya and South Africa. While political and policy stability persisted, we continued to monitor the evolving policy positions, and political and security risks in Tanzania, Nigeria, Mozambique and Ethiopia. Portfolio risk management actions were implemented for commodity export-dependent markets such as Nigeria, Angola and Botswana. In countries with large state-owned contingent liabilities like Zambia, South Africa and Ghana, we focused on the possible migration of contingent liabilities to the sovereign and the resultant fiscal burden on governments across the region.

In 2020, we developed a framework to measure and monitor issuer limits and exposures, to understand the risk implications and to improve monitoring capability. ESG considerations were also introduced into portfolio risk analysis. Our next steps are to include the ESG considerations in country and sovereign risk annual reviews. In African Regions, we will continue to mitigate the risks of sovereign debt distress and its effects on the country, sovereign and portfolio risks through forward-looking analysis and focused risk management actions. The effect of elevated political risk, policy uncertainty, climatic changes and related emerging risks remains a focus in relevant markets.

Security risks will remain prominent in Mozambique, Nigeria, the Democratic Republic of Congo and Ethiopia. The outlook for commodity-export dependent economies will oscillate with international demand, but oil and gas exporters face a deeper structural challenge as the world moves towards lower-carbon energy sources. Sovereigns will seek to maximise local and foreign currency borrowing options, exacerbating their debt sustainability, especially in Ghana, Kenya and Nigeria. Policy concerns will persist in Zimbabwe, Zambia and Tanzania.

We are committed to countries in which we have a local presence. Having a significant local bank in each of these countries provides us with a competitive edge in information flow and the management of local conditions and risks. In this context, setting appropriate risk appetite for growth opportunities in line with macro and political developments across the continent will be supported by insights gleaned from data analytics tools.

We continue to digitally transform our country risk assessment processes through automation, leveraging available data platforms and simplifying processes.

Approach to managing country risk

All countries to which we are exposed are reviewed at least annually. Internal rating models are employed to determine ratings for jurisdiction, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of our network of operations, country visits and external information sources. These ratings are also a key input into our credit rating models.

The model inputs are continuously updated to reflect economic and political changes in countries. The model outputs are internal risk grades that are calibrated to a jurisdiction risk grade from aaa to d, as well as sovereign risk grade, and transfer and convertibility risk grade (SB) from SB01 to SB25. Countries with sovereign/jurisdiction risk ratings weaker than SB07/a, referred to as medium- and high-risk countries, are subject to more detailed analysis and monitoring.

Country risk is mitigated through a number of methods, including:

- political and commercial risk insurance
- co-financing with multilateral institutions
- structures to mitigate transfer and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

Group country risk management committee

Approved regulatory capital approaches

There are no regulatory capital requirements for country risk; however, country risk is incorporated into regulatory capital for credit in the IRB approaches through the jurisdiction risk and transfer and convertibility risk ratings' impact on credit grades.

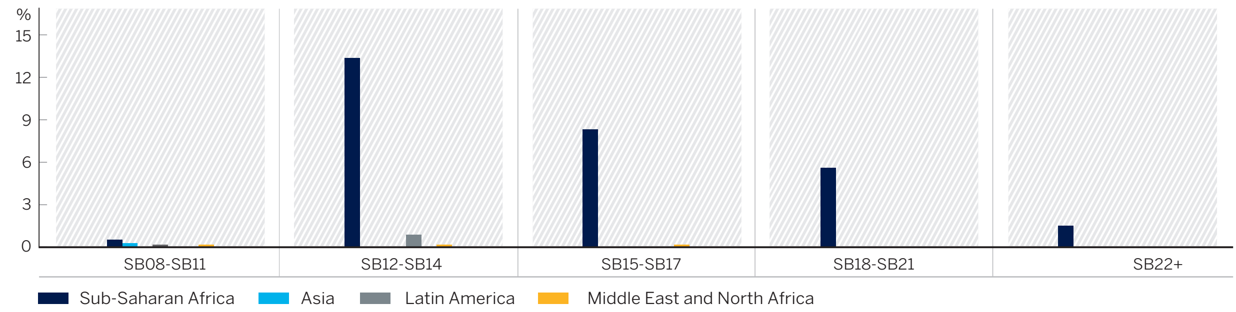
Country risk portfolio characteristics and metrics

The distribution of cross-border country risk exposures is weighted towards European, Asian and North American low-risk countries, as well as sub-Saharan African medium- and high-risk countries.

COUNTRY RISK EXPOSURE BY REGION AND RISK GRADE

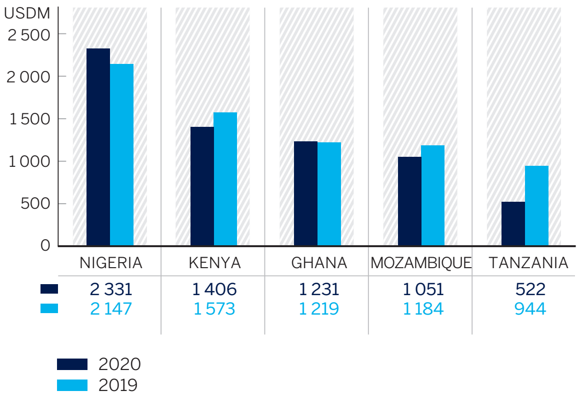
Risk grade	Sub-Saharan-Africa %	Asia %	Australasia %	Europe %	Latin America %	Middle East and North Africa %	North America %
2020							
SB01 – SB07	**1.96**	**17.29**	**0.37**	**37.06**		**1.97**	**10.29**
SB08 – SB11	**0.55**	**0.08**		**0.03**		**0.01**	
SB12 – SB14	**13.63**				**0.89**	**0.03**	
SB15 – SB17	**8.50**					**0.07**	
SB18 – SB21	**5.73**						
SB22+	**1.54**						
2019							
SB01 – SB07	2.40	21.03	0.65	24.35		2.25	10.52
SB08 – SB11	6.30	0.53		0.19			
SB12 – SB14	11.78				1.15	0.12	
SB15 – SB17	12.20				0.33	0.01	
SB18 – SB21	0.99						
SB22+	5.20						

MEDIUM- AND HIGH-RISK COUNTRY EXPOSURE BY REGION

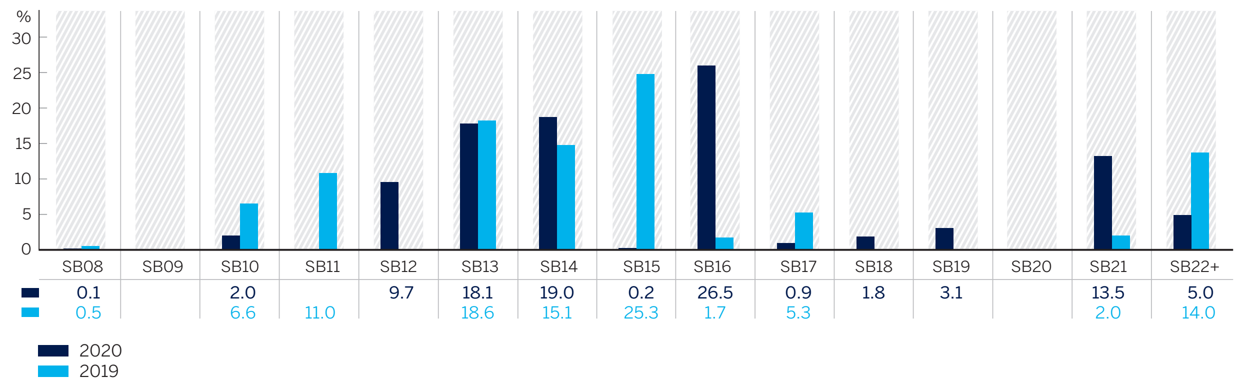


The exposures to the top five medium- and high-risk countries are in line with our growth strategy, which is focused on Africa.

TOP FIVE MEDIUM- AND HIGH-RISK COUNTRY EAD



MEDIUM- AND HIGH-RISK COUNTRY EAD CONCENTRATION BY COUNTRY CEILING



Funding and liquidity risk

The risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

2020 AND BEYOND

Liquidity environments in 2020 were volatile and constrained, mainly attributable to the pandemic. Proactive liquidity management, in line with group liquidity standards, ensured that we at all times maintained adequate liquidity to fully support on- and off-balance sheet strategies, as well as had sufficient contingent funding for unexpected liquidity demands. Longer-term funding increased by R52.8 billion through the issuance of negotiable certificate of deposits, senior debt and syndicated loans.

Our digital solutions were simplified and automated in 2020 for efficient production of daily spot as well as forecast liquidity positions for both normal and stress scenarios ensuring proactive management of our liquidity positions. The liquidity risk management system was migrated to the cloud, enabling the group to leverage the cloud's scalability and cost efficiency benefits.

Pandemic payment holidays and debt restructuring challenged our stress testing assumptions, the appropriateness of our contingent funding plans and our early warning indicators. Amendments have been implemented from the lessons learnt.

Uncertainty persists in respect of client liquidity demand. Liquidity in local and foreign financial markets recovered strongly after some fragility in the first half of 2020; however, risks remain for further financial market dislocation, driven by local solvency risks in the corporate and public sectors, and global market weakness impacting bond and equity prices.

A key priority in 2021 and beyond will be to continue on our cloud journey, further enhancing our systems to ensure continued data quality, efficiency and effectiveness for daily liquidity reporting and forecasting requirements. Integrated forecasting models to leverage the forecasting and planning initiatives across the group are being developed. Balance sheet optimisation strategies, considering not only liquidity risk constraints and demands but also integrated with other financial resources and risk types, will be enhanced using this model.

BANKING OPERATIONS

OVERVIEW OF FUNDING AND LIQUIDITY METRICS

	2020	2019
Total contingent liquidity (Rbn)	**521.9**	427.3
Eligible Basel III LCR high-quality liquid assets (HQLA) (Rbn)	**355.7**	304.7
Managed liquidity (Rbn)	**166.2**	122.6
Total contingent liquidity as a % of funding-related liabilities (%)	**31.3**	29.1
Single depositor (%)	**4.0**	2.2
Top 10 depositors (%)	**11.2**	8.0
Basel III LCR (quarterly average %)	**134.8**	138.4
Minimum regulatory LCR requirement (%)	**80.0**	100.0
Basel III NSFR (%)	**124.8**	119.5
Minimum regulatory NSFR requirement (%)	**100.0**	100.0

Approach to managing liquidity risk

The nature of our banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties withdraw short-term funding or do not roll over funding, or in a case where liquid assets become illiquid as a result of a generalised disruption in markets.

Our framework supports the measurement and management of liquidity, in all geographies across both the corporate and retail sectors to ensure that payment obligations can be met by our legal entities under both normal and stressed conditions and that regulatory minimum requirements are met at all times. This is achieved through a combination of maintaining adequate liquidity buffers, to ensure that cash flow requirements can be met, and ensuring that our balance sheet is structurally sound and supportive of our strategy. Liquidity risk is managed on a consistent basis across our banking subsidiaries, allowing for local requirements. Liquidity risk management ensures that we have the appropriate amount, diversification and tenor of funding and liquidity to support assets at all times.

We manage liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements.

LIQUIDITY MANAGEMENT CATEGORIES

TACTICAL (SHORT-TERM) LIQUIDITY RISK MANAGEMENT	STRUCTURAL (LONG-TERM) LIQUIDITY RISK MANAGEMENT	CONTINGENCY LIQUIDITY RISK MANAGEMENT
• manage intra-day liquidity positions • monitor interbank and repo shortage levels • monitor daily cash flow requirements • manage short-term cash flows • manage daily foreign currency liquidity • set deposit rates in accordance with structural and contingent liquidity requirements as informed by ALCO.	• ensure a structurally sound balance sheet • identify and manage structural liquidity mismatches • determine and apply behavioural profiling • manage long-term cash flows • preserve a diversified funding base • inform term funding requirements • assess foreign currency liquidity exposures • establish liquidity risk appetite • ensure appropriate transfer pricing of liquidity costs • ensure compliance with Basel III NSFR.	• monitor and manage early warning liquidity indicators • establish and maintain contingency funding plans • undertake regular liquidity stress testing and scenario analysis • convene liquidity crisis management committees, if needed • set liquidity buffer levels in accordance with anticipated stress events • advise on the diversification of liquidity buffer portfolios • ensure compliance with Basel III LCR.

Group ALCO

ALCOs have been established in each of our banking subsidiaries and manage liquidity risk on a stand-alone, self-sufficient basis.

Contingency liquidity risk management

Contingency funding plans

Contingency funding plans are designed to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an early warning indicator process supported by clear crisis response strategies. Early warning indicators cover bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels.

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event. The updating of contingency funding plans, while considering forecasting, continues to be a focus area for the asset and liability management teams across the group.

We update recovery plans for the group and our subsidiaries on an annual basis and submit these to the SARB or relevant host regulator as per regulatory requirements. Our recovery plan incorporates contingency funding plans in addition to other components of the recovery plan.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical and historical events. These are conducted on our funding profiles and liquidity positions. The crisis impact is typically measured over a 30 calendar-day period as this is considered the most crucial time horizon for a liquidity event. This measurement period is consistent with the Basel III LCR requirements.

Anticipated on- and off-balance sheet cash flows are subjected to a variety of bank-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the group's ability to maintain sufficient liquidity under adverse conditions.

Internal stress testing metrics are supplemented with the regulatory Basel III LCR in monitoring our ability to survive severe stress scenarios. The ratio is calculated by taking the group's HQLA and dividing it by net cash outflows over a 30-day period. In light of the effects of Covid-19 on the South African market, the SARB amended the minimum LCR requirements from 100% to 80% (effective 1 April 2020) to provide temporary liquidity relief to banks, in line with the intention of the Basel III LCR framework, and to promote continued provision of credit by banks.

The Basel III LCR includes banking and/or deposit taking entities and represents an aggregation of the relevant individual net cash outflows and HQLA portfolios. These results reflect the simple average of 92 days of daily observations over the quarter ended 31 December 2020 for the majority of our balance sheet and a simple average of the three month-end data points for some Africa Regions banking entities which are not yet reported daily. The average LCR of 134.8% exceeded the reduced 80% minimum regulatory requirement for 2020 (2019: 138.4%).

A buffer is maintained above the minimum regulatory requirement to cater for balance sheet and market volatility.

Total contingent liquidity

Portfolios of marketable and liquid instruments to meet regulatory and internal stress testing requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within ALCO-defined limits based on diversification and liquidity.

The table that follows provides a breakdown of the group's liquid and marketable instruments as at 31 December 2020 and 31 December 2019. Eligible Basel III LCR HQLA are defined according to the BCBS January 2013 LCR and liquidity risk monitoring tools framework. Managed liquidity represents unencumbered marketable instruments other than eligible Basel III LCR HQLA (excluding trading assets) which would be able to provide sources of liquidity in a stress scenario.

TOTAL CONTINGENT LIQUIDITY

	2020 Rbn	2019 Rbn
Eligible LCR HQLA[1] comprising:	**355.7**	304.7
Notes and coins	**19.2**	16.5
Balances with central banks	**35.8**	37.1
Government bonds and bills	**265.2**	207.3
Other eligible assets	**35.5**	43.8
Managed liquidity	**166.2**	122.6
Total contingent liquidity	**521.9**	427.3
Total contingent liquidity as a % of funding-related liabilities	**31.3**	29.1

1 Eligible LCR HQLA considers any liquid transfer restrictions that will inhibit transfer across jurisdictions.

Liquid assets held remain adequate to meet all internal stress testing and regulatory requirements.

Structural liquidity mismatch

Maturity analysis of financial liabilities using behavioural profiling

Structural liquidity mismatch arises from tenor mismatches between assets and liabilities and is maintained within the liquidity mismatch capacity by ensuring sufficient stable funding is available to meet term lending requirements. With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments, as well as to certain liquid assets. To highlight potential risks within the group's defined liquidity risk thresholds, structural liquidity mismatch analyses are performed at a banking subsidiary level to anticipate the mismatch between payment profiles of balance sheet items.

To promote funding stability and resilience in the banking sector, the BCBS introduced the Basel III NSFR requiring banks to maintain a stable funding profile in relation to the composition of assets and off-balance sheet activities. ASF is defined as the portion of capital and liabilities expected to be reliable over the one-year time horizon considered by the NSFR. The amount of RSF is a function of the liquidity characteristics and residual maturities of the various assets (including off-balance sheet exposures) held by banks. By ensuring that banks do not embark on excessive maturity transformation that is not sustainable, the NSFR is intended to reduce the likelihood that disruptions to a bank's funding sources would erode its liquidity position, increase its risk of failure and potentially lead to broader systemic risk.

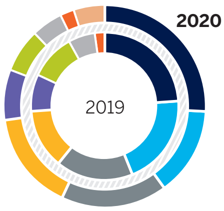
Only banking and/or deposit taking entities are included and the pillar 3 disclosure for the NSFR and the group data represents a consolidation of the relevant individual assets, liabilities and off-balance sheet items. We successfully managed the balance sheet structure and maintained NSFR compliance in excess of the 100% regulatory and risk appetite requirements at 31 December 2020 of 124.8% and at 30 September 2020 of 124.4% respectively.

Funding activities

Funding markets are evaluated on an ongoing basis to ensure appropriate group funding strategies are executed depending on the market, competitive and regulatory environment.
We continue to focus on building deposits as a key component of our funding mix. Deposits sourced from South Africa and other major jurisdictions in Africa Regions, Isle of Man and Jersey provide diverse stable funding sources for the group.

Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as loan and debt capital markets across the group. Total funding-related liabilities increased from R1 469 billion in 2019 to R1 665 billion in 2020.

FUNDING DIVERSIFICATION BY PRODUCT



	2020 %	2019 %
Call deposits	**26**	24
Term deposits	**14**	20
Current accounts	**17**	17
Cash management deposits	**16**	13
Deposits from banks and central banks	**8**	8
Negotiable certificates of deposits (NCD)	**7**	10
Senior and subordinated debt	**5**	6
Savings accounts	**2**	2
Other	**5**	

Concentration risk limits are used to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

FUNDING-RELATED LIABILITIES COMPOSITION[1]

	2020 Rbn	2019 Rbn
Corporate funding	**504**	437
Retail deposits[2]	**448**	395
Institutional funding	**347**	324
Interbank funding	**86**	84
Government and parastatals	**147**	97
Senior debt	**60**	65
Term loan funding	**46**	37
Subordinated debt issued	**23**	23
Other liabilities to the public	**4**	7
Total funding-related liabilities	**1 665**	1 469

1 Composition aligned to Basel III liquidity classifications.
2 Comprises individual and small business clients.

DEPOSITOR CONCENTRATION

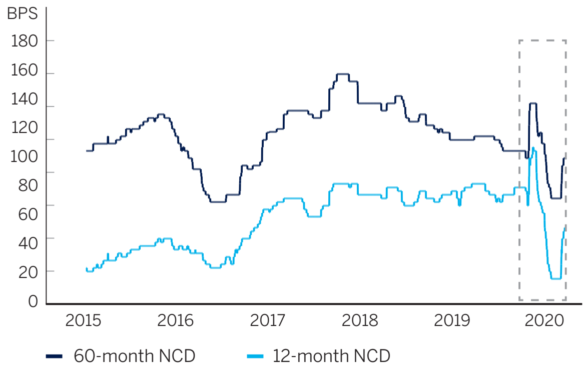
	2020 %	2019 %
Single depositor (limit 10%)	**4.0**	2.2
Top 10 depositors (limit 20%)	**11.2**	8.0

A component of our funding strategy is to ensure that sufficient contractual term funding is raised in support of term lending and to ensure adherence to the structural mismatch tolerance limits and appetite guidelines.

We successfully increased long-term funding in excess of 12 months, raising R52.8 billion through a combination of NCD, senior debt and syndicated loans. We successfully issued R7.0 billion tier II and R1.5 billion AT I notes during 2020, the proceeds of which have been invested in SBSA on the same terms and conditions.

The graph that follows is a representation of the market cost of liquidity, which is measured as the spread paid on NCDs relative to the prevailing reference rate. The graph is based on actively issued money market instruments by banks, namely 12- and 60-month NCDs. The cost of liquidity, as measured by the pricing of 12-month and 60-month NCDs decreased materially during 2020. This was mainly driven by strong demand for bank credit from investors, healthy bank liquidity ratios due to strong deposit growth and a significant amount of liquidity availability in the economy in the second and third quarter combined with reduced client lending demand. Pricing began to increase in the fourth quarter, as market surplus liquidity conditions began to reduce and banks resumed access to wholesale funding markets to support normal funding requirements.

SBSA 12- AND 60-MONTH LIQUIDITY SPREAD



Our credit ratings

Our ability to access funding at cost-effective levels is dependent on maintaining or improving the borrowing entity's credit rating.

	Fitch
Long-term	
Group foreign currency issuer default rating	BB-
SBSA foreign currency issuer default rating	BB-
RSA sovereign foreign currency issuer default rating	BB-

	Moody's
Long-term	
Group foreign currency issuer rating	Ba3
SBSA foreign currency deposit rating	Ba2
RSA sovereign foreign currency rating	Ba2

Credit ratings for SBSA are dependent on multiple factors, including the SA sovereign rating, capital adequacy levels, quality of earnings, credit exposure, the credit risk governance framework and funding diversification. These parameters and their possible impact on the borrowing entity's credit rating are monitored closely and incorporated into our liquidity risk management and contingency planning considerations.

We continue to monitor the implications of further SA sovereign credit rating agency downgrades for both local and foreign currency which could still have a significant impact on our access to, and cost of, foreign currency liquidity sources.

A rating downgrade would reduce the thresholds above which collateral must be posted with counterparties to cover our negative mark-to-market on derivative contracts. These are managed within the liquidity management pillar. The potential cumulative impact on additional collateral requirements is contained in the table below.

1, 2 AND 3 NOTCH RATING DOWNGRADES

	2020[1] Rm	2019 Rm
Impact on the group's liquidity of a collateral call linked to downgrading by		
1 notch		72
2 notch		72
3 notch		72

[1] The bank's derivative master agreements have no rating triggers which could lead to collateral calls.

Conduits

We provide a standby liquidity facility to Thekwini Warehouse Conduit. This facility, which totalled R2.7 billion in 2020 (2019: R2.5 billion), has not been drawn on.

The liquidity risk associated with this facility is managed in accordance with our overall liquidity position and represents less than 1% of our total liquidity (2019: 2%). The liquidity facility is included in our balance sheet, as well as in liquidity risk stress testing.

INSURANCE OPERATIONS

Life insurance

AFS Annexure C

Non-life insurance

Standard Insurance Limited's (SIL) investments are made considering the nature, term and uncertainty of its liabilities. SIL manages its liquidity risk in accordance with its risk appetite statement. This covers monitoring available liquid assets against immediate expenses such as operational expenses, technical provisions for claims outstanding and any outstanding reinsurance premium. SIL also includes the impact of unexpected losses from several catastrophic events in its liquidity risk management. SIL manages liquidity risk on a stand-alone basis such that no reliance is placed on the group to provide contingent funding to the insurance entity.

Market risk

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

2020 AND BEYOND

Markets experienced severe disruption and volatility during 2020. Further rating downgrades, weakened foreign currencies and declining interest rates tested market risk processes and procedures throughout the year.

Proactive and frequent sharing of market conditions and associated risks across the global markets business, particularly in South Africa, enabled us to position and navigate volatile periods while continuing to serve our clients. There are now more frequent engagements across the group to understand current and future client demands together with liquidity and capital positions, enabling more proactive management of risks in uncertain market environments.

We continued to enhance our interest rate risk management and made changes to our global markets and market risk technology to cater for the requirements of the Bank for International Settlements fundamental review of the trading book.

It remains unclear what the prolonged effects of the pandemic will be on the real economy. We continue to manage the traded market risk, banking book interest rate risk, equity risk and own equity-linked transactions, foreign currency risk and associated hedges in the context of current market volatility, including monetary policy changes, rating changes and portfolio risk appetite.

BANKING OPERATIONS

Our key market risks are:

- trading book market risk
- IRRBB*
- equity risk in the banking book*
- foreign currency risk*
- own equity-linked transactions*
- post-employment obligation risk.

AFS * Refer to annexure C of our AFS for these disclosures

Group ALCO

Approved regulatory capital approaches

We have approval from the SARB to adopt the internal model approach (IMA) for most asset classes and across most market variables in SA with the balance on the standardised model.

For material equity portfolios, we have approval from the SARB to adopt either the market-based or PD/LGD approach.

There are no regulatory capital requirements for IRRBB, structural foreign exchange exposures or own equity-linked transactions. We do not apply the incremental risk charge or comprehensive risk capital charge approach.

TRADING BOOK MARKET RISK

The risk represented by financial instruments, including commodities, held in the trading book, arising out of normal global markets' trading activity.

Approach to managing market risk in the trading book

Our policy is that all trading activities are undertaken within our global markets' operations.

The market risk functions are independent of our trading operations and are accountable to the relevant legal entity ALCOs reporting into the group ALCO.

All value-at-risk (VaR) and stressed value-at-risk (SVaR) limits require prior approval from the respective entity ALCOs. The market risk functions have the authority to set these limits at a lower level.

Exposures and excesses are monitored and reported daily. Where breaches in VaR or SVaR limits occur, actions are taken by market risk functions to bring exposures back in line with approved market risk appetite, with such breaches being reported to management and entity ALCOs.

Measurement

The techniques used to measure and control trading book market risk and trading volatility include VaR and SVaR, stop-loss triggers, stress tests, backtesting and specific business unit and product controls.

VaR and SVaR

We use the historical VaR and SVaR approach to quantify market risk under normal and stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:

- calculate 250 daily market price movements based on 251 days' historical data. Absolute movements are used for interest rates and volatility movements; relative for spot, equities, credit spreads, and commodity prices
- calculate hypothetical daily profit or loss for each day using these daily market price movements
- aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on an 251-day period of financial stress which is reviewed quarterly and assumes a ten-day holding period and a worst case loss. The ten-day period is based on the average expected time to reduce positions. The period of stress for SBSA is currently the 2008/2009 financial crises while, for other markets, more recent stress periods are used.

Where we have received internal model approval, the market risk regulatory capital requirement is based on VaR and SVaR, both of which use a confidence level of 99% and a ten-day holding period.

Limitations of historical VaR are acknowledged globally and include:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature
- the use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This will usually not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully
- the use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.

VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposures. VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

Trading book issuer risk

Equity and credit issuer risk is assumed in the trading book by virtue of normal trading activity. These exposures arise from, among others, trading in equities, debt securities issued by corporate and government entities, as well as trading credit derivative transactions with other banks and corporate clients.

The credit spread and equity issuer risk is incorporated into the daily price movements used to compute VaR and SVaR mentioned above for issuer risk and transactions that incorporate material counterparty value adjustments and debit value adjustments.

The VaR models used for credit spread and equity issuer risk are only intended to capture the risk presented by historical day-to-day market movements, and, therefore, do not take into account instantaneous or jump to default risk. Issuer risk is incorporated in the standardised approach interest rate risk charge for SBSA and African entities. Excluding local currency government debt held by each legal entity, the largest issuer exposure was R11.8 billion (2019: R13.5 billion).

Stop-loss triggers

Stop-loss triggers are used to protect the profitability of the trading desk and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily trading losses through acting as a prompt to review or close-out positions.

Stress tests

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing, combinations of market factors per trading desk and combinations of trading desks using a range of historical, hypothetical and Monte Carlo simulations. Daily losses experienced during the period under review, did not exceed the maximum tolerable losses as represented by our stress scenario limits.

Backtesting

We backtest our VaR models to verify the predictive ability of the VaR calculations and ensure the appropriateness of the models within the inherent limitations of VaR.

Backtesting compares the daily hypothetical profits and losses under the one-day buy and hold assumption to the prior day's calculated VaR. In addition, VaR is tested by changing various model parameters, such as confidence intervals and observation periods to test the effectiveness of hedges and risk-mitigation instruments.

Annexure D – MR4

Regulators categorise a VaR model as green, amber or red and assign regulatory capital multipliers based on this categorisation. A green model is consistent with a satisfactory VaR model and is achieved for models that have four or less backtesting exceptions in a 12-month period at 99% VaR. All our approved models were assigned green status for the period under review (2019: green). 14 exceptions occurred in 2020 (2019: two) for 95% VaR and one exception (2019: zero) for 99% VaR.

Specific business unit and product controls

Other market risk limits and controls specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor, stop-loss triggers, price validation and balance sheet substantiation.

Trading book portfolio characteristics

VaR for the period under review

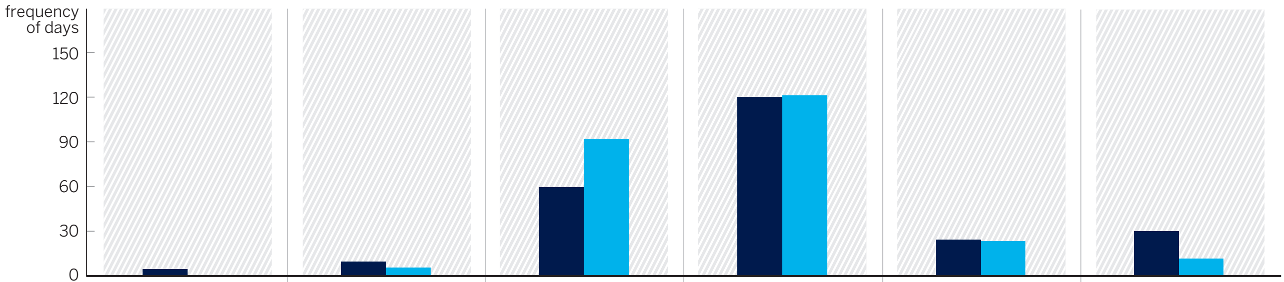
Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for our own account. In general, our trading desks have run similar levels of market risk throughout 2020 when compared to 2019 aggregate normal and SVaR.

Analysis of trading profit

The distribution of daily trading income graph for portfolios with material VaR limits captures trading volatility and shows the number of days in which our trading-related revenues fell within particular ranges. The distribution is skewed favourably to the profit side.

For the period under review, trading profit was positive for 194 out of 255 days (2019: 254 out of 260 days) on an aggregated global basis.

DISTRIBUTION OF DAILY TRADING INCOME (Rm)



	<-30	-30< to <0	0< to <30	30< to <60	60< to <90	>90
2020	5	10	61	123	25	31
2019		6	94	124	24	12

2020
2019

Post-employment obligation risk

We operate both defined contribution plans and defined benefit plans, with the majority of our employees participating in defined contribution plans. Our defined benefit pension and healthcare provider schemes for past and certain current employees create post-employment obligations. Post-employment obligation risk arises from the requirement to contribute as an employer to an under-funded defined benefit plan.

We mitigate these risks through independent asset managers and independent asset and liability management advisors for material funds. Potential residual risks are managed within our asset and liability management process.

AFS Note 44 Post-employment obligation risk

INSURANCE OPERATIONS

Life insurance

For management purposes, Liberty's market risk is split into the following three categories:

- market risk exposures which Liberty wishes to maintain on a long-term strategic basis. This includes market risks arising from assets within the shareholder investment portfolio
- market risk exposures which Liberty does not wish to maintain on a long-term strategic basis (the risk is not expected to provide an adequate return on capital over time) but which are an inevitable consequence of other value adding business activities. Where these risks can be mitigated, on economically sensible terms, such actions are implemented. Where this is not possible, limits are placed on the quantum of the risk that may be taken to ensure that the business continues to be managed within appetite.

Liberty's shareholders are exposed to market risk arising predominantly from:

- the long-term policyholder asset/liability mismatch risk. This occurs if Liberty's property and financial assets do not move in the same direction or by the same magnitude as the obligations arising under its insurance and investment contracts despite the controls and hedging strategies employed
- exposure to management fee revenues not already recognised in the negative rand reserves
- financial assets forming Liberty's capital base (also referred to as shareholders' equity), including currency risks on capital invested outside South Africa
- financial assets held to back liabilities other than long-term policyholder liabilities.

The market risk associated with assets backing long-term policyholder investment-linked liabilities, including discretionary participation features liabilities is largely borne by policyholders.

However, poor performance on policyholder funds can lead to reputational damage and subsequently, to increased policyholder withdrawals and a reduction in new business volumes.

Shareholder investment portfolio

Liberty recognises the importance of investing its capital base, namely the shareholder funds, in a diversified portfolio of financial assets.

The Liberty board approves the long-term strategic asset mix of the portfolio, which is defined on a through-the-cycle basis and aims to maximise after-tax returns for a level of risk consistent with its risk appetite statement. In determining the strategic asset allocation, consideration is given to the risk capacity already utilised by Liberty's core business activities, as well as to liquidity, regulatory and/or operational constraints. The strategic asset allocation is overlaid with a tactical asset allocation which allows for some dynamic management of the investment portfolio.

A dedicated first line function is responsible for implementing the investment strategy and monitoring performance with oversight from group risk functions and ultimately the Liberty board. The implementation of the investment strategy is in part achieved through the mandating of Liberty Holdings Limited's subsidiary STANLIB and other asset managers. Tactical asset allocation is primarily performed by STANLIB within a mandate approved by the Liberty board.

The typical asset classes included in this portfolio are equities, fixed income and cash, both in local and foreign currency. Allocations are also made to property and alternative asset classes in search of yield and diversification benefits. As a result, the portfolio is exposed to currency movements, as well as market movements in the underlying asset classes. In addition, Liberty has invested in certain long-term strategic assets.

In the short-term, market movements may contribute to some earnings volatility. The diversified nature of the portfolio should, however, serve to reduce the overall impact on earnings.

Asset liability management portfolio

Liberty has chosen to mitigate a number of market risk exposures, arising from asset/liability mismatches, to which it does not wish to be exposed to on a long-term strategic basis.

The decision to hedge these risks is based on the following factors:

- these market risks may result in Liberty operating outside of its risk appetite
- there is a liquid and tradable market in which to hedge these market risks
- these market risks are capital intensive and over time have the potential to reduce shareholders' returns on capital unless actively managed
- some of the risks (for instance, those which arise from selling investment guarantees) are asymmetric in nature, and could compromise Liberty's solvency in severe market conditions.

Risk mitigation is achieved through a dynamic hedging programme. The hedging programme aims to manage the risks within Liberty's agreed risk appetite framework through the use of best practice market risk management techniques.

The following exposures are included in this hedging programme:

- embedded derivatives provided in contracted policies, for example, minimum investment return guarantees and guaranteed annuity options
- the interest rate exposure introduced primarily as a result of writing guaranteed immediate annuities, deferred annuities and guaranteed investment plans
- guaranteed index trackers
- negative rand reserves.

These risks are managed in the asset and liability management portfolio using a variety of hedging instruments available in the market.

In some instances, reducing exposure to undesirable risks may result in increased exposure to other risks. In addition to this, as the risk appetite limits cover different dimensions, hedging activity may in certain cases mitigate risk in one dimension while resulting in increased risk in others. In recognition of these unintended consequences, the impact of hedging decisions is assessed across all dimensions prior to transacting. Post- transacting, hedge effectiveness is monitored closely by Liberty's market risk team.

The nature of the existing business results in certain risks being difficult to hedge, such as long-dated implied volatility exposures, movements in long-dated interest rates and correlation risks. It is not possible to entirely hedge these risks and, hence, some residual unhedged risks and associated volatility remain. In such instances limits are imposed on the magnitude of risk accepted. In addition, capital is held against unhedgeable risks.

Foreign currency risk

Offshore assets are held in policyholders' portfolios to match the corresponding liabilities. Liberty is exposed to currency risk through minimum investment return guarantees issued on contracts invested in offshore portfolios and related mismatches, as well as through the 90/10 fee exposure and management fees. In addition, some of the shareholder capital base is invested in offshore assets, including subsidiaries in Africa Regions.

Investment guarantees have not been offered on new business invested in offshore portfolios since 2005. The rand-denominated value of management fees derived from these contracts is subject to currency risk. Strengthening of the rand against the offshore currencies reduces the rand value of management fees on offshore portfolios and increases the liability in respect of rand-denominated minimum investment return guarantees on this business. The weakening of the rand will have the opposite effect.

The gross exposure to foreign-denominated financial instruments expressed in rand (converted at closing rates) as at 31 December 2020 is R87 billion (2019: R81 billion). It is not practical to isolate foreign currency assets contained within rand-denominated mutual funds (which are not subsidiaries) and investment policies.

Property market risk

Liberty is exposed to tenant default, depressed rental markets and unlet space within its investment property portfolio affecting property values and rental income. The managed diversity of the property portfolio together with the existence of multi-tenanted buildings significantly reduce the exposure to this risk. As at 31 December 2020, the proportion of unlet space in the property portfolio was 7% (2019: 5%).

During 2020, the independent valuers devalued many of the properties in the portfolio, given the deterioration in the economic outlook for this sector exacerbated by the impact of Covid-19.

Property market risk also arises with respect to shareholder exposures to investment guarantees and negative rand reserves as well as through the shareholder investment portfolio.

Derivative financial instruments and risk mitigation

Certain Liberty entities are party to contracts for derivative financial instruments, mainly entered into as part of the dynamic hedging strategy used to manage asset-liability mismatches and to facilitate investment portfolio optimisation. Instruments used to mitigate risks such as equity, interest rate and currency risk include vanilla futures, options, swaps, swaptions and forward exchange contracts.

Derivative financial instruments give rise to credit default and operational risk, both of which are managed appropriately.

Derivative instruments are either traded on a regulated exchange, for example, the SAFe or negotiated over-the-counter as a direct arrangement between two counterparties. Instruments traded on an exchange are margined and the exchange is the counterparty to each and every transaction. Over-the-counter instruments are only entered into with appropriately approved counterparties and are entered into in terms of signed ISDAs and collateral support agreements with each counterparty.

Non-life insurance

Market risk arises from investments in cash, corporate money market and collective investment schemes. It is not as material for the short-term insurance business as it is in the group context due to the nature of SIL's liabilities, where larger portions of investments are in cash and bond-type investments.

Management of the investment portfolio is outsourced to investment managers within the group, with target returns, portfolio limits and capital preservation requirements specified in the mandate. The mandate and performance of investments relative to the insurance entity's budget and risk appetite is reviewed and monitored by the insurance entity's asset and liability management and investment committee.

Insurance risk

The risk that actual future underwriting, policyholder behaviour and expense experience will differ from that assumed in measuring policyholder contract values and in pricing products. Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts.

Overview

Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. This could be due to variations in mortality, morbidity, policyholder behaviour or expense experience in the case of life products, and claims incidence, claim severity or expense experience in the case of non-life insurance products.

Insurance risk applies to the life insurance operations housed in Liberty and the non-life insurance operations housed in Liberty and SIL.

LIFE INSURANCE RISK

2020 AND BEYOND

The emergence of the Covid-19 pandemic in 2020 has given rise to significant increases in expected costs from insurance risks as a result of the expected increased claims outgo in respect of mortality, morbidity and retrenchment benefits; of the cost of the expected deterioration in policyholder behaviour and of the cost of actions to reduce its severity; and of the cost of some additional expected management expenses. A pandemic reserve was established in 2020 to provide for the expected cost of these impacts over the short term in line with the accounting policies.

Great uncertainty about the long-term impact of the pandemic remains. In anticipation of vaccination rollouts at frequencies required to suppress new evolving variants, and improvements in therapeutics and medical access, it is assumed that Covid-19 experience will fall within the typical variability of experience arising from general contagious disease spread in the long term. Further, with no clear indication that there is any material adverse long-term impact of the pandemic, no specific long-term assumption changes have been made in respect of Covid-19. However, in the application of setting long-term assumptions as per the assumption setting policy, a higher degree of prudence has been exercised, given increased uncertainty arising from the current environment.

Although the expected costs arising from the pandemic have been allowed for in the pandemic reserve, the pandemic is continuing to give rise directly and indirectly to significant insurance risks and economic volatility in the short-term. The assumptions used to calculate this reserve are based on forward-looking expectations. There continues to be uncertainty on matters such as the extent of natural immunity, the timing of waves and the extent of measures taken by government to mitigate the spread and the adherence of the population to such measures, the speed, efficacy and take-up of vaccines, and the extent of recent and imminent improvements to treatment protocols. Consequently, these assumptions are subject to variances, and longer-term impacts will have to be assessed as data becomes available.

There is a strong link between economic performance and insurance risk experience. The impact on insurance risk experience of the expected economic damage caused by the crisis has been allowed for within the pandemic reserve. The true longer-term economic implications of the crisis, however, remain very uncertain and hence the knock-on effect of these implications on the expected insurance risk experience will need to be revised as greater clarity emerges.

As a result of the expected short-term direct and indirect consequences of the pandemic, management took action during 2020 to remain within risk appetite and to mitigate losses where possible. Furthermore, the pandemic necessitated some changes in typical sales and underwriting processes to facilitate the continued sales of new business. Many of the changes made to the sales and underwriting processes have accelerated longer term trends for more automation and online engagement. The pandemic presented an opportunity to implement these changes.

Given the extreme pressures faced by the insurance industry at this time, the pandemic presented a unique opportunity to improve risk selection. Significant risk selection changes were incorporated into pricing in the second half of 2020 that at this early stage appear to be working favourably for the business. The pandemic is also giving rise to opportunities to increase awareness of the importance of risk protection, which should provide opportunities for growth in new business in future.

Life insurance risk subtypes

Policyholder behaviour risk

The risk of adverse financial impact caused by actual policyholders' behaviour deviating from expected policyholders' behaviour, mainly due to regulatory and law changes (including taxation), changes in economic conditions, competitor behaviour, policy conditions and practices policyholders' perceptions.

Policyholder behaviour risk, in particular surrender and lapse risk, remains significant with the experience being volatile and linked in part to the economic cycle. This risk is managed through frequent monitoring of experience and actively driving retention initiatives in areas exhibiting deteriorating experience. A focus on being client-centric, including listening to clients to understand the drivers of the experience, enables appropriate actions to be taken.

As a result of the deteriorating economic conditions in 2020, caused largely by measures implemented by governments and individuals locally and internationally to control the spread of Covid-19, it was recognised by Liberty that terminations would be likely to increase significantly. The link between higher terminations and poor economic conditions has been observed historically as a result of the general decrease in the ability of customers to afford recurring contributions on both risk and investment policies. Furthermore, on investment policies, there would be an increased need to draw down on unrestricted savings.

To reduce the extent of the losses from expected additional terminations, management actions were taken in 2020 to allow customers premium relief options to reduce or stop paying recurring contributions on their policies over the short-term. The costs to Liberty of granting customers the above premium relief options are considered to be lower than the costs associated with the likely higher levels of policy terminations in the absence of these measures. Experience from these premium relief options to-date indicates that they are having the desired effect. The cost of increased surrenders after expiry of the options is expected to be adequately covered by an allowance for overall increased withdrawals in the pandemic reserve. As the economic situation continues to evolve, the premium relief options provided may need to be further extended or amended. Amendments to the options will be considered if they are expected to reduce the extent of any losses expected to be incurred and deemed to be in the best interest of Liberty and its customers.

Underwriting risks

The risks that future demographic or claims incidence experience will exceed the allowance for expected demographic or claims incidence experience, as determined through provisions, pricing, risk measures and value measures. Underwriting risks include, among others, mortality and morbidity risks, longevity risks and non-life (short-term insurance) risks.

The primary purpose of underwriting is to ensure that appropriate premium is charged for each risk and that cover is not offered to uninsurable risks.

Liberty views these underwriting risks as risks that are core to its business. Although Covid-19 has and is expected to continue to directly and indirectly distribute significant risk benefits to customers, resulting in losses being incurred in the short-term, the occurrence of such pandemic events is part of the reason for the existence of insurance. This is also reflected in the fact that capital is held for such events, with pandemic stresses included in capital calculations. Long-term returns for Liberty's shareholders are expected to cover the costs of these infrequent events adequately.

Liberty uses its specialist skills (with assistance from reinsurers where considered necessary) to enhance risk selection for the assessment, pricing and management of these risks to generate favourable shareholder returns. These risks are diversified by exposure across many different lives, geographies, and product types and will generally be retained if they are within risk appetite.

Liberty is exposed to the risk that its risk selection capabilities fall behind those of its competitors. Liberty continues to acquire and retain specialist skills to actively drive specific risk selection initiatives to counteract this risk.

Liberty has a range of standard processes and procedures in place to manage mortality and morbidity underwriting risk, including differentiating by the individual characteristics, right of review of premiums, underwriting at inception, medical tests, and use of experienced reinsurers and claims assessors.

Mortality risk

The risk of an adverse financial impact due to actual mortality (death) claims being higher than anticipated.

Covid-19 has and is expected to continue to give rise to significant mortality claim payments in the short-term. The expected cost of these excess mortality claim payments was allowed for in the pandemic reserve. While the intention is that the pandemic reserve provides for all ongoing excess mortality, whether directly or indirectly from Covid-19, there is a risk that the assumptions made in setting up this reserve do not materialise.

Particular areas of uncertainty are:

- It has been assumed that Covid-19 has no long-term impact on mortality rates and that immunity to Covid-19 (or any subsequent mutations) will be achieved by being infected, or through vaccinations. There is a risk that immunity is only temporary and that deadly reinfection or deadly infection to new strains could occur. Even with effective vaccines, there is as risk that the rollout/take-up rate of these vaccines will be insufficient to avert community spread among those without immunity.
- The high prevalence of HIV in South Africa poses a particular risk, with the long-term efficacy of vaccines on HIV+ lives being less certain.
- It has been assumed that the economic impact of the actions taken to control Covid-19 will not have any adverse long-term mortality impact on Liberty's risk customers as a result of deteriorating medical access and other lifestyle factors.
- The long-term health consequences of surviving a Covid-19 infection, or of a Covid-19 vaccination, are not known. Either could impact the long-term mortality prognosis.

To mitigate such long-term risks, terms are built into the policy contracts that permit risk contributions to be reviewed on expiry of a guarantee period.

Morbidity risk

The risk of an adverse financial impact due to policyholder health-related (disablement and dread disease) claims being higher than expected.

At this stage, surviving a Covid-19 infection or being vaccinated for Covid-19 is not expected to have a material impact on long-term morbidity for lump sum disability, income disability and dread disease benefits. Historically, a link between deteriorating economic conditions and delayed higher lump sum disability claims has been observed, so higher than normal lump sum disability payments are expected in the short term. The expected cost of these short-term excess morbidity claim payments has been allowed for in the pandemic reserve.

Retrenchment risk

The risk of retrenchment-related claims exceeding expectation.

Given the significant level of uncertainty on retrenchments arising from Covid-19, retrenchments could materially impact profitability particularly in respect of the retrenchment benefits included in the embedded bancassurance business arrangement. This would significantly reduce the bancassurance dividend payable to Standard Bank by the Liberty group. As a result of the poor retrenchment experience expected in 2021, contribution increases have been implemented on applicable embedded bancassurance business effective 1 January 2021. Further, more stringent creditworthiness checks are being taken on much of this business. The additional retrenchment claims are expected to be sufficiently covered by the increased contributions, albeit at a significantly reduced profit margin, and hence reduced bancassurance dividend, if these retrenchments do occur.

Longevity risk

The risk of an adverse financial impact due to actual annuitant mortality being lower than anticipated, that is, annuitants living longer than expected.

For life annuities, the loss arises as a result of Liberty having undertaken to make regular payments to policyholders for their remaining lives, and possibly to the policyholders' spouses for their remaining lives.

The pandemic continues to cause the death of some of these annuitant policyholders, giving rise to higher than expected profits on this portfolio in the short term. These expected profits have been used to reduce the amount of the pandemic reserve. In the longer term, the direct and indirect impacts from Covid-19 on annuitant mortality are unclear.

The most significant risks on these liabilities are continued medical advances and improvements in social conditions that lead to longevity improvements being better than initially expected.

Liberty manages the longevity risk by:

- annually monitoring the actual longevity experience and identifying trends over time
- making allowance for future mortality rates falling in the pricing of new business and the measurement of policyholder liabilities. This allowance will be based on the trends identified in experience investigations and external data
- regularly verifying annuitants are still alive.

Expense risk

Expense risk is the risk of changes in future expense expectation from those assumed in the calculation of expected financial outcomes.

Allowance is made for expected future maintenance expenses in the measurement of long-term policyholder contract values using a cost per policy methodology. These expected expenses are dependent on estimates of the number of in-force and new business policies. As a result, the risk of expense loss arises due to expenses increasing by more than expected, as well as from the number of in-force and/or new business policies being less than expected.

Liberty manages the expense and new business risk by:

- regularly monitoring actual expenses against the budgeted expenses
- regularly monitoring and managing new business volumes and mix
- regularly monitoring and managing withdrawal rates, including lapses
- implementing cost control measures in the event of expenses exceeding budget or of significant unplanned reductions in the number of in-force policies.

As a result of the pandemic, the Liberty group has incurred additional once-off costs for technology to enable remote working and costs to ensure a safe working environment. Financial support has also been provided to variable pay employees, such as financial advisors and nurses.

The lower new business volumes and higher terminations has increased the per policy acquisition and maintenance costs resulting in cost overruns. These were catered for in the pandemic reserve and the expected costs for 2021 are included in the pandemic reserve as at 31 December 2020.

Apart from the pandemic reserve, it is assumed that acquisition and maintenance costs per policy will continue to be managed in line with current assumptions. The business is committed to restoring new business and in-force case counts back to levels that, together with expense savings, will manage the business within these assumptions.

Approach to managing life insurance risks

The management and staff in all business units accepting insurance risk are responsible for the day-to-day identification, analysis, pricing, monitoring and management of insurance risk. It is also management's responsibility to report any material insurance risks, risk events and issues identified to senior management through certain predefined escalation procedures.

Liberty's head of actuarial control function, statutory actuaries (where applicable) and its insurance risk department provide independent oversight of compliance with Liberty's risk management policies and procedures, and the effectiveness of Liberty's insurance risk management processes.

Risk management takes place prior to the acceptance of risks through product development, pricing processes and at the point of sale. Risks continue to be managed through the measurement, monitoring and treatment of risks once the risks are contracted.

Risk management through product development, pricing and at the point of sale

The product development and pricing process defines the terms and conditions on which Liberty is willing to accept risks. Once a policy has been sold, Liberty is placed on risk for the duration of the contract and cannot unilaterally change the terms and conditions of the policy except where the policy allows for rate reviews. It is for these reasons that risks need to be carefully assessed and appropriately mitigated before a product is launched and before new policies are accepted onto Liberty's balance sheet. The product development and approval process ensures that:

- clients' needs and expectations will be met by the product
- risks inherent in new products are identified and quantified
- sensitivity tests are performed to enhance the understanding of the risks and appropriateness of mitigating actions
- pricing is adequate for the risk undertaken
- product design takes account of various factors, including the size and timing of fees and charges, appropriate levels of minimum premiums, commission structures and policy terms and conditions
- Liberty makes use of reinsurance to reduce its exposures to some insurance risks
- the controls required to provide the product within risk appetite are identified and established
- post-implementation reviews are performed to ensure that intended outcomes are realised and to determine if any further action is required.

Risk management post-implementation of products and of in-force policies

The ongoing management of insurance risk, once the risk has been contracted, includes the management of costs, premium adjustments where permitted and appropriate, management strategies and training of sales staff to encourage clients to retain their policies, and careful follow up on disability claims and annuitant deaths.

Experience investigations are conducted at least annually on all significant insurance risks to ascertain the extent of deviations from assumptions and their financial impacts. If the investigations indicate that these deviations are likely to persist in future, the assumptions are adjusted accordingly in the subsequent measurement of policyholder contract values. Furthermore, any deviations that are likely to persist are also used to inform the product development and pricing of new and existing products.

Insurance risks are assessed and reviewed against Liberty's risk appetite and risk target. Mitigating actions are developed for any risks that fall outside of management's assessment of risk appetite in order to reduce the level of risk to within approved tolerance limits.

NON-LIFE INSURANCE RISK

2020 AND BEYOND

The non-life insurance business was exposed to increased new business and lapse risk on the back of the Covid-19 pandemic and secondary economic impacts. To support customers, we implemented premium and excess relief measures totalling R42 million. This supported the management of lapse risk for which cancellations were lower than expected. Business interruption cover exposure resulting from the pandemic presented limited risk exposure to SIL, as SIL only had one policy with the pandemic extension with no Covid-19 impact, and the referred section of the policy has since been annulled by means of an endorsement.

To ensure appropriate and proactive management of the impact of Covid-19, ongoing risk assessments and stress tests were performed throughout the year. This was a catalyst in formalising and developing the out of cycle own risk and solvency assessment tool, which will be used in future to determine a requirement for a detailed risk and capital assessment following any material changes to the business strategy or risk profile.

There were no catastrophes during 2020, and all reinsurers were operating within risk appetite.

In light of the impact of Covid-19 on the economy, increased pressure is expected on sales and cancellations as job losses materialise in 2021. There is increased concern relating to business interruption insurance exposure. This could translate into pressure due to the Regulator imposing minimum coverage requirements for this product on insurers, reinsurers introducing specific exclusions, as well as policy wording updates impacting customers. To mitigate this, the business ensures proactive formal engagements with the reinsurance broker. The business further closely monitors and manages regulatory communications to ensure adequate responses to any risks that may materialise.

Non-life insurance risk types

The underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a large geographical area. This strategy is cascaded down to individual underwriters through detailed underwriting mandates. These mandates set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to enforce appropriate risk selection within the portfolio. Externally, this is managed contractually and through service level agreements.

For property classes of business there is a significant geographical concentration of risk such that external factors, like adverse weather conditions, may adversely impact upon a large proportion of a particular geographical portion of the company's property risks. Claim inducing perils such as storms, floods, subsidence, earthquakes, fires, explosions and rising crime levels will occur on a regional basis, meaning that the insurance business has to manage its geographical risk dispersion carefully.

Lapse risk

The risk of loss arising due to policyholders discontinuing their insurance policies earlier or more frequently than expected.

This may arise due to a change in economic conditions, inconsistent policy practices, regulatory and tax changes, selling practices and/or policyholder perceptions. This could lead to a reduction in premium income, an increase in the expense ratio and a reduction on the return on capital.

Premium risk

The risk of fluctuations in the timing, frequency and severity of insured events. It includes the risk that premium provisions turn out to be insufficient to compensate claims or that premium provisions need to be increased.

Premium risk relates to insurance policies to be written or renewed during the period, and to unexpired risks on existing policies.

Reserve risk

The risk of fluctuations in the timing and amount of claim settlements relative to what was expected.

Catastrophe risk

The risk of adverse financial impact due to a single event or series of extreme or irregular events, usually over a short period (often 72 hours), leading to a significant deviation in actual claims from the total expected claims.

This includes the risk of loss, or of adverse change in the value of insurance obligations, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

The greatest likelihood of significant losses to the insurance business arises from catastrophic events such as flood, storm or earthquake damage, as well as large single risk events.

To mitigate this risk, the insurance business buys reinsurance across a diversified panel of multiple third-party reinsurers, each participating on different structures according to their own risk tolerance. Reinsurance protects the insurance entity from downside risk as a result of individual large claims, several accumulations of claims and catastrophic claims such as hail damage and earthquakes. The insurance business can place either proportional or non-proportional reinsurance.

Expense risk

This is the risk of adverse financial impact due to the timing and/or amount of expenses incurred, differing from those expected in administering policies.

The expenses that we expect to incur on policies are allowed for in product pricing. If the expenses expected to be incurred are considerably higher than those of insurers offering competing products, our ability to sell business on a profitable basis will be restricted. This does not only have capital implications, but can also affect our ability to function as a going concern in the long term.

New business risk

This is the risk of adverse financial impact due to the actual volume and/or quality of new business deviating from the expected volume and/or quality.

Emerging risks

In addition to monitoring and assessing existing risks, there is also a focus on factors that may result in a change in the levels of the underlying risks. These will, in all likelihood, take the form of a change in the quantification of one of the previously mentioned risks. Examples of this include an increase in natural disasters due to climate change or changes in regulation.

Reinsurance credit risk

Reinsurance credit risk arises where a portion of risk is ceded to another insurer.

The purpose of reinsurance is generally to reduce the fluctuations in experience in exchange for a premium paid to the reinsurer. A reinsurer becomes a creditor to the main insurer and payments due by reinsurers to the insurer are a credit risk to the insurer, who is liable for the claims payments to policyholders.

Approach to managing non-life insurance risk

SIL writes mainly property, motor, accident and health insurance on a countrywide basis within South Africa. SIL's largest non-life insurance risk exposure emanates from the homeowners insurance book which makes up the majority of the total gross written premium. The homeowners insurance product offering indemnifies, subject to any limits or excesses, the policyholder against loss or damage to their own property and business interruption arising from this damage.

The management of non-life insurance risk is effectively the management of deviations of actual experience from the assumed best estimate of future experience on which product pricing is based. The risk is that these earnings are less than expected due to adverse actual experience.

Experience investigations are conducted on non-life insurance risks to ascertain the reasons for deviations from assumptions and their financial impact. The accumulation of various risk exposures are monitored against pre-determined limits.

Non-life insurance risk is in addition managed through underwriting limits, approval procedures for transactions that involve new products or that exceed limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging risks.

Stress testing evaluates the potentially adverse effects and vulnerabilities from the business's current and future financial condition. It supports the effectiveness of material business processes including strategic planning and capital management including the own risk and solvency assessment amongst others.

Key risk indicators are used to enhance the monitoring and mitigation of risks and facilitate risk reporting. Key risk indicators are measures that enable risk managers to identify potential losses before they happen. The metrics act as indicators of changes in the risk profile of a business.

As part of the risk management system the business undertakes an own risk solvency assessment, which is used to ensure adequate capitalisation, and access to additional sources of capital to deal with a wide range of scenarios. The own risk solvency assessment is an integral part of the business strategy and is taken into account on an ongoing basis in strategic decision-making.

Liberty writes medical expense insurance through Total Health Trust Limited to government employees and corporate clients in Nigeria. Medical expense cover is also provided via the subsidiary Liberty Health Holdings (Pty) Limited, to clients in 22 African countries.

CAPITAL MANAGEMENT

Capital management

2020 AND BEYOND

Globally, 2020 has been dominated by the Covid-19 pandemic and the distressing human and economic cost thereof. The group's prudent capital management practices and strong capital adequacy position going into the crisis have allowed us to provide significant temporary relief to clients in 2020 without constraining our ability to lend to existing and new clients or support new projects. The group's capital adequacy remains strong and positions us well to weather any additional turbulence and provides the financial resources to continue to support our clients.

During 2020, we successfully raised Basel III compliant AT I and tier II capital bonds of R1.5 billion and R7 billion respectively, the proceeds of which were invested as AT I and tier II capital in SBSA.

We continue to analyse the potential impact of the Basel III post-crisis reform proposals, the more significant components of which are due to be implemented from 1 January 2023, on our capital adequacy ratios, systems and processes. Engagement with the PA on these reform proposals, including areas of national discretion specified by the BCBS is ongoing.

Our approach to capital management

Our capital management function is designed to ensure that regulatory requirements are met at all times and that the group and our principal subsidiaries are capitalised in line with our risk appetite and target ranges.

It further aims to facilitate the allocation and use of capital, such that it generates a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of our budget and forecasting processes. The capital plan is tested under a range of stress scenarios.

Group ALCO | group capital management committee

Regulatory update

In response to possible pressures on banks' capital supply brought about by the pandemic and to assist banks to continue to serve their clients under very difficult circumstances, the PA implemented measures to reduce the minimum capital and reserve funds maintained by banks in South Africa through a temporary relaxation of the pillar 2A capital requirement.

It is the PA's intention to reinstate the minimum pillar 2A capital requirement from 1 January 2022. However, further guidance issued by the PA in February 2021 allows for the resumption of distributions to ordinary shareholders, provided that the benefits of temporary regulatory relief measures provided by the PA in 2020 are not utilised for making these distributions.

South African minimum capital requirements

Considering the temporary removal of the pillar 2A capital requirement, the South African minimum Basel III capital requirements are 8.0% for CET I, 10.0% for tier I and 13.0% for total capital adequacy (8.5%, 10.8% and 14.0% respectively prior to the reduction of pillar 2A requirements). These minimums exclude the countercyclical buffer, which for the time being has not been announced as a requirement for South Africa and confidential bank-specific pillar 2B capital requirements but include the maximum potential domestic systemically important bank (D-SIB) requirement of 2.5%.

South African banks were required to disclose their D-SIB capital requirements from 1 September 2020. The group's D-SIB buffer requirement amounts to 1.5% of which 1% is required to be held in CET I.

Annexure H on page 118 provides a summary of the regulatory and legislative developments impacting the group.

We adopted IFRS 9 – Financial Instruments (IFRS 9) from 1 January 2018.

In terms of the SARB Directive 5/2017, we elected the three-year transition period, amortised on a straight-line basis. All metrics are presented on the basis of applying this transition period with the exception of those metrics referred to as fully loaded.

IFRS 9 had a small impact on our total capital adequacy due to the add-back to tier II capital that is permitted for provisions that exceed the regulatory EL. The volatility that arises from the add-back due to the adoption of IFRS 9 is monitored on an ongoing basis.

The Basel III post-crisis reform proposals and the potential requirements for loss absorbing and recapitalisation capacity of systemically important banks may impact capital levels going forward. In South Africa, the implementation date for the more significant Basel III post crisis reform proposals has been set for 1 January 2023 with transitional arrangements for the phasing-in of the aggregate output floor from 1 January 2023 to 1 January 2027. The Basel III post-crisis reform proposals provide for areas of national discretion and we are, through relevant industry bodies, engaging the PA on the South African implementation of the proposals.

Regulatory capital

We manage our capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance.

The main regulatory requirements to be complied with are those specified in the Banks Act and related regulations, which are aligned with Basel III.

Banking operations

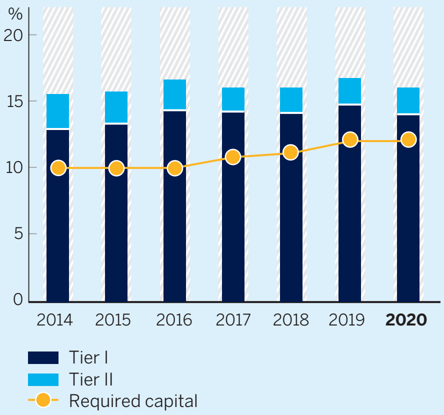
Regulatory capital adequacy is measured through the following three risk-based ratios:

- **CET I:** ordinary share capital, share premium, retained earnings, other reserves and qualifying non-controlling interest less impairments divided by total RWA
- **tier I:** CET I and other qualifying non-controlling interest plus perpetual, non-cumulative instruments with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Perpetual non-cumulative preference shares that comply with Basel I and Basel II rules are included in tier I capital but are currently subject to regulatory phase-out requirements over a ten-year period, which commenced on 1 January 2013
- **total capital adequacy:** tier I plus other items such as general credit impairments and subordinated debt with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Subordinated debt that complies with Basel I and Basel II rules is included in total capital but is currently subject to regulatory phase-out requirements, over a ten-year period, which commenced on 1 January 2013.

The ratios are measured against internal targets and regulatory minimum requirements.

The following graph discloses our total capital adequacy and the components thereof and indicates that our capital is well above the required level of capital.

CAPITAL – ADEQUACY[1]

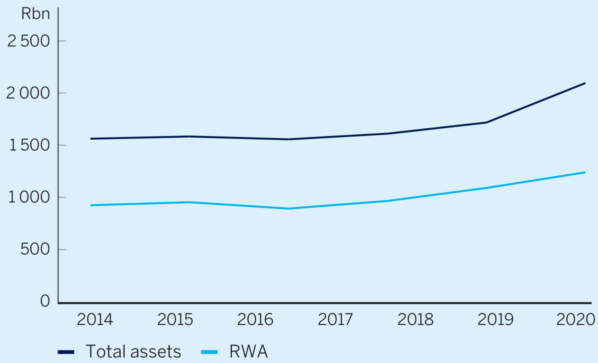


1 Group, including Liberty.

RWA are calculated in terms of the Banks Act and related regulations, which are aligned with Basel III.

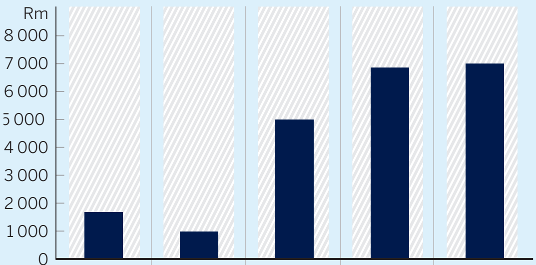
Our CET I capital, including unappropriated profits, was R163.6 billion as at 31 December 2020 (2019: R154.4 billion). Our tier I capital, including unappropriated profits, was R172.5 billion as at 31 December 2020 (2019: R162.1 billion) and total capital, including unappropriated profits was R198.4 billion as at 31 December 2020 (2019: R184.1 billion).

RWA HISTORY[1]



1 Banking activities and other banking interests.

MATURITY PROFILE OF SBG'S QUALIFYING TIER II INSTRUMENTS[1]

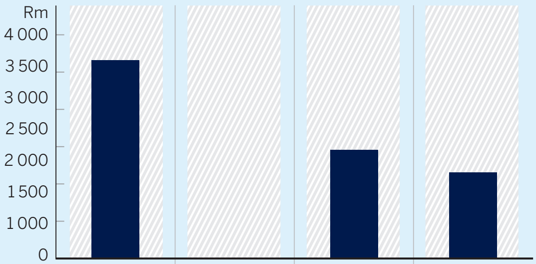


	2021	2022	2023	2024	2025
■	1 700	1 000	5 000	6 868	7 000

■ First callable date

1 Instruments issued in non-ZAR are converted to ZAR at the month-end rate for the reporting period 31 December 2020.

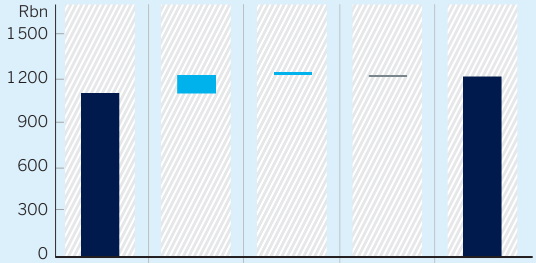
MATURITY PROFILE OF SBG'S QUALIFYING AT I INSTRUMENTS



	2022	2023	2024	2025
■	3 544		1 942	1 539

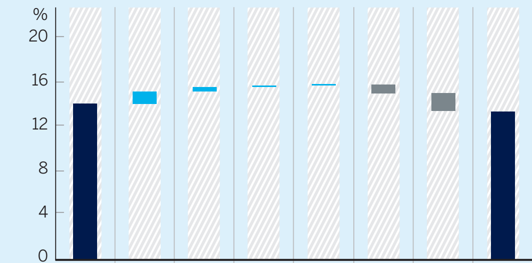
■ First callable date

RWA RECONCILIATION



	2019 RWA	Credit risk	CCR	Other risks	**2020 RWA**
■	1 099.5	121.8	19.4	(11.2)	**1 299.5**

CET I CAPITAL ADEQUACY RATIO MOVEMENT



	2019 CET I ratio	Profit for the period	Other move-ements	Growth in NCI	Sale of ICBC Argentina	Divi-dends	Move-ment in RWA	2020 CET I ratio
■	14.0	1.1	0.4	0.1	0.1	(0.8)	(1.6)	13.3

CAPITAL ADEQUACY RATIOS (PHASED-IN)[1,2]

	2020 SARB minimum regulatory requirement[3] %	Internal target ranges[4] %	Including unappropriated profits 2020 %	Including unappropriated profits 2019 %	Excluding unappropriated profits 2020 %	Excluding unappropriated profits 2019 %
Total capital adequacy ratio	12.0	>14.0	**16.1**	16.7	**15.4**	15.5
Tier I capital adequacy ratio	10.0	>11.0	**14.0**	14.7	**13.3**	13.5
CET I capital adequacy ratio	8.0	10.0-11.5	**13.3**	14.0	**12.6**	12.8

1 Capital adequacy ratios based on the SARB IFRS 9 phased-in approach.
2 Group, including Liberty.
3 Excluding confidential bank specific requirements. Pillar 2A buffer requirements temporarily removed in response to the Covid-19 pandemic.
4 Including unappropriated profit. Recalibrated in line with the temporary removal of pillar 2A buffer requirements by the PA.

CAPITAL ADEQUACY RATIOS (FULLY LOADED)[1]

	2020 SARB minimum regulatory requirement[2] %	Internal target ranges[3] %	Including unappropriated profits 2020 %	Including unappropriated profits 2019 %	Excluding unappropriated profits 2020 %	Excluding unappropriated profits 2019 %
Total capital adequacy ratio	12.0	>14.0	**16.1**	16.6	**15.4**	15.4
Tier I capital adequacy ratio	10.0	>11.0	**13.9**	14.5	**13.2**	13.2
CET I capital adequacy ratio	8.0	10.0-11.5	**13.2**	13.8	**12.5**	12.5

1 Capital ratios based on the inclusion of the full IFRS 9 transition impact.
2 Excluding confidential bank-specific requirements. Pillar 2A buffer requirements temporarily removed in response to the Covid-19 pandemic.
3 Including unappropriated profit. Recalibrated in line with the temporary removal of pillar 2A buffer requirements by the PA.

CAPITAL ADEQUACY RATIOS OF LEGAL ENTITIES[1]

	Host tier I regulatory requirements %	Host total regulatory requirements %	2020 Tier I capital %	2020 Total capital %	2019 Tier I capital %	2019 Total capital %
Standard Bank Group[2]	10.0	12.0	**14.0**	**16.1**	14.7	16.7
The Standard Bank of South Africa Group[2]	10.0	12.5	**13.1**	**16.0**	14.0	16.8
Africa Regions						
Stanbic Bank Botswana	7.5	12.5	**9.2**	**16.9**	10.2	17.7
Stanbic Bank Ghana	9.5	11.5	**16.5**	**18.5**	12.4	14.4
Stanbic Bank Kenya	10.5	14.5	**16.0**	**18.1**	15.2	18.3
Stanbic Bank S.A. (Côte d'Ivoire)	7.9	10.4	**>100**	**>100**	>100	>100
Stanbic Bank Tanzania	12.5	14.5	**20.5**	**22.0**	17.3	18.8
Stanbic Bank Uganda	10.0	12.0	**15.9**	**18.1**	16.9	19.4
Stanbic Bank Zambia	5.0	10.0	**19.2**	**22.0**	19.7	22.5
Stanbic Bank Zimbabwe	8.0	12.0	**15.9**	**23.6**	16.7	26.5
Stanbic IBTC Bank Nigeria		10.0	**17.2**	**19.4**	16.5	19.4
Standard Bank de Angola		10.0	**32.6**	**38.0**	28.3	34.1
Standard Bank Malawi	10.0	15.0	**21.6**	**24.0**	20.0	22.0
Standard Bank Mauritius	9.9	11.9	**32.2**	**33.0**	26.2	26.4
Standard Bank Mozambique		13.0	**24.8**	**24.8**	27.7	29.3
Standard Bank Namibia	7.5	10.0	**12.1**	**13.5**	12.8	14.1
Standard Bank RDC (DRC-Congo)	7.5	10.0	**21.5**	**23.6**	36.1	38.6
Standard Bank Swaziland	5.5	8.0	**10.0**	**13.0**	10.4	14.0
Standard Lesotho Bank	6.0	8.0	**25.9**	**22.4**	21.7	17.3
Standard Bank International						
Standard Bank Isle of Man	8.5	10.0	**19.4**	**19.5**	22.4	22.5
Standard Bank Jersey	8.5	11.0	**17.9**	**17.9**	20.6	20.7
Liberty Group Limited[3]						
Solvency capital requirement (SCR) coverage ratio				**1.81**		1.99
SIL[3]						
SCR coverage ratio				**2.70**		2.71

1 IFRS 9 transitional impact phased-in according to local regulatory requirements or elections for SBG, SBSA, Kenya, Zambia, Botswana and Tanzania.
2 Represents SARB Basel III minimum capital requirements excluding confidential bank-specific add-ons. Pillar 2A buffer requirements have been temporarily removed in response to the Covid-19 pandemic. The group's D-SIB buffer requirement amounts to 1.5% of which 1% is required to be held in CET I. SBSA's D-SIB buffer requirement is 2% of which 1% is required to be held in CET I.
3 Calculated in accordance with the Insurance Act, 2017 which came into effect on 1 July 2018.

The SARB has not activated a CCyB requirement for banks in South Africa, but we are subject to CCyB requirements on exposures in other jurisdictions where these buffers apply from time-to-time. Directive 2/2018 issued by the SARB in August 2018 allows for a threshold of 2% of total private sector credit exposure below which banks can apply the home jurisdiction CCyB requirement (currently 0% in South Africa) to foreign private sector credit exposures. Additionally, if the sum of all foreign private sector credit exposures that are less than 2% of total private sector credit exposure amounts to greater than 10% in aggregate then the three most significant exposures must be assigned their jurisdiction's CCyB and not the home jurisdiction CCyB.

The table in annexure F shows the proportion of capital held for CCyB requirements in geographies other than South Africa.

The SARB adopted the leverage framework that was issued by the BCBS in January 2014 with the minimum leverage ratio being set at 4% by the SARB.

The non-risk-based leverage measure is designed to complement the Basel III risk-based capital framework. Our leverage ratio, including unappropriated profits, was 7.8 % as at 31 December 2020 (2019: 8.2%).

Annexure F

Insurance operations

LIBERTY GROUP LIMITED SCR

	2020	2019
Available capital (Rm)	**30 275**	33 255
SCR (Rm)	**16 703**	16 746
SCR coverage ratio (times)	**1.81**	1.99

In terms of the Insurance Act 2017 the PA prescribed updated methodology for South African insurers to use in calculating their available capital and SCR.

SIL SCR

	2020	2019
Own funds eligible to meet SCR (Rm)	**1 895**	1 686
SCR (Rm)	**703**	622
SCR coverage ratio (times)	**2.70**	2.71

Economic capital

Economic capital adequacy is the internal basis for measuring and reporting all quantifiable risks on a consistent risk-adjusted basis. We assess our economic capital adequacy by measuring our risk profile under both normal and stressed conditions.

The ICAAP considers the qualitative capital management processes within the group and includes our governance, risk management, capital management and financial planning standards and frameworks. Furthermore, the quantitative internal assessments of our business models are used to assess capital requirements to be held against all risks that we have or may become exposed to, in order to meet current and future needs, as well as to assess our resilience under stressed conditions.

Banking operations

ECONOMIC CAPITAL BY RISK TYPE

	2020 Rm	2019 Rm
Credit risk	**107 182**	87 068
Equity risk	**5 557**	6 617
Market risk	**1 512**	1 322
Operational risk	**15 960**	14 695
Business risk	**4 139**	4 039
IRRBB	**4 016**	4 782
Economic capital requirement	**138 366**	118 523
Available financial resources	**189 928**	174 417
Economic capital coverage ratio (times)	**1.37**	1.47

The economic capital requirement of R138.4 billion as at 31 December 2020 (2019: R118.5 billion) is the internal assessment of the amount of capital that is required to support our economic risk profile. For statistically quantifiable potential losses arising from risk types, economic capital reflects the worst-case loss commensurate with a 99.92% confidence level.

Available financial resources refer to capital supply as defined by the group for economic capital purposes and includes capital and reserve funds after adjusting for certain non-qualifying items.

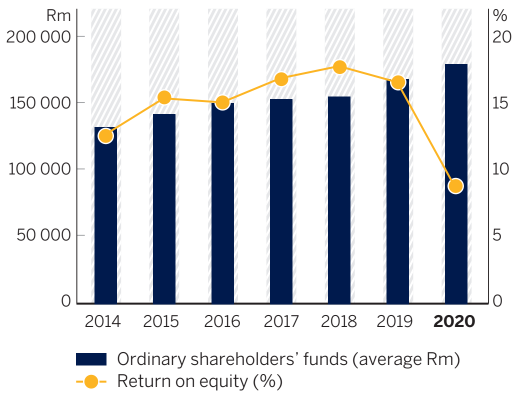
Insurance operations

As prescribed under the regulatory regime implemented on 1 July 2018, the assessment of capital will be on an economic capital basis for South African insurance entities. This applies to Liberty Group Limited and SIL. The regulatory capital is the amount of financial resources required to protect against economic insolvency under extreme events. The current assessments indicate that the regulatory capital requirements are well covered.

Risk-adjusted performance measurement

Risk-adjusted performance measurement (RAPM) maximises shareholder value by optimally managing financial resources within the board-approved risk appetite. Capital is centrally monitored and allocated, based on usage and performance in a manner that enhances overall group economic profit and return on equity. Business units are held accountable for achieving their RAPM targets. RAPM is calculated on both regulatory and economic capital measures.

RETURN ON ORDINARY EQUITY



Cost of equity

Our ZAR-based cost of equity is estimated using the capital asset pricing model applying estimates of a risk-free rate at 9.3% (2019: 8.9%), equity risk premium of 6.1% (2019: 6.2%) and a beta factor of 83.6% (2019: 80.3%). The beta factor for banking activities is estimated at 84.2% (2019: 81.4%). Our average cost of equity as at 31 December 2020 is 14.4% (2019: 13.9%).

ANNEXURES

Annexure A – key metrics

KM1: SBG KEY METRICS

		2020	3Q20	1H20	1Q20	2019
	Available capital[1] (Rm)					
1	CET I	**155 079**	159 352	164 684	160 296	140 222
1a	Fully loaded expected credit losses (ECL) accounting model CET I	**153 276**	157 663	162 998	158 602	137 091
2	Tier I	**163 945**	168 568	172 467	167 749	147 981
2a	Fully loaded ECL accounting model tier I	**162 141**	166 879	170 781	166 055	144 851
3	Total capital	**189 848**	198 339	202 636	196 106	169 983
3a	Fully loaded ECL accounting model total capital	**188 991**	197 596	201 896	195 358	168 744
	RWA (Rm)					
4	Total RWA	**1 229 478**	1 273 813	1 324 767	1 274 176	1 099 528
	Risk-based capital ratios as a percentage of RWA[2]					
5	CET I ratio (%)	**12.6**	12.5	12.4	12.6	12.8
5a	Fully loaded ECL accounting model CET I (%)	**12.5**	12.4	12.3	12.5	12.5
6	Tier I ratio (%)	**13.3**	13.2	13.0	13.2	13.5
6a	Fully loaded ECL accounting model tier I ratio (%)	**13.2**	13.1	12.9	13.0	13.2
7	Total capital ratio (%)	**15.4**	15.6	15.3	15.4	15.5
7a	Fully loaded ECL accounting model total capital ratio (%)	**15.4**	15.5	15.2	15.3	15.4
	Additional CET I buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	**2.5**	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)					0.0329
10	Bank domestic systemically important (D-SIB) additional requirements (%)[3]	**1.0**	1.0	1.0		
11	Total of bank CET I specific buffer requirements (%) (row 8 + row 9 + row 10)	**3.5**	3.5	3.5	2.5	2.5
12	CET I available after meeting the bank's minimum capital requirements (%)	**3.4**	3.5	3.2	3.8	3.8
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure (Rm)	**2 210 449**	2 264 244	2 310 930	2 206 213	1 969 404
14	Basel III leverage ratio (%) (row 2/row 13)	**7.4**	7.4	7.5	7.6	7.5
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	**7.3**	7.4	7.4	7.5	7.4
	LCR					
15	Total HQLA (Rm)	**349 104**	343 507	341 672	300 508	293 594
16	Total net cash outflow (Rm)	**259 065**	234 733	251 132	211 787	212 109
17	LCR ratio (%)	**134.8**	146.3	136.1	141.9	138.4
	NSFR					
18	Total ASF (Rm)	**1 298 314**	1 330 483	1 332 554	1 259 294	1 171 157
19	Total RSF (Rm)	**1 040 433**	1 069 378	1 090 127	1 072 503	980 118
20	NSFR ratio (%)	**124.8**	124.4	122.2	117.4	119.5

1 On 1 January 2018 we adopted IFRS 9 – Financial Instruments. For more information on the IFRS 9 transition adjustment, refer to our IFRS 9 Transition Report which is available on our Investor Relations website. In terms of the SARB Directive 5/2017, we elected the three-year transition period. All metrics are presented on the basis of applying this transition period with the exception of those metrics referred to as 'fully loaded'.
2 Excludes unappropriated profit.
3 Confidential requirement for disclosure made prior to 1 September 2020.

Annexure B – linkages between financial statements and regulatory exposures

LI1: SBG DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPE OF CONSOLIDATION[1]

			Carrying value of items				
	Carrying value as reported in the published financial statements[2] Rm	Under scope of regulatory consoli-dation Rm	Credit risk framework Rm	CCR framework Rm	Securiti-sation framework Rm	Market risk framework Rm	Not subject to capital requirements or subject to deduction from capital Rm
Assets							
Cash and balances with central banks	87 505	87 505	87 505				
Derivative assets	118 290	106 096		106 096		106 096	
Trading assets	262 627	257 907		41 302		257 907	
Pledged assets	18 981	10 382		10 382			
Financial investments	650298	273 114	256 435	16 350	330		
Current tax assets	694	689	689				
Disposal group assets held for sale	220	8	8				
Loans and advances	1 271 255	1 271 204	1 129 593	141 610			
Policyholders' assets	5 050						
Other assets	36 020	25 344	25 344				
Interest in associates and joint ventures	6 498	20 391	16 438				3 953
Investment property	29 917	453					
Property and equipment	20 702	19 590	19 590				
Goodwill and other intangible assets	18 262	17 686					17 686
Deferred tax assets	6 621	6 380	6 137				243
Total assets	2 532 940	2 096 749	1 541 739	315 740	330	36 4003	21 882
Liabilities							
Derivative liabilities	111 577	101 234		101 234		101 234	
Trading liabilities	81 261	80 088				80 088	
Current tax liabilities	5 417	5 202					5 202
Deposits and debt funding	1 624 044	1 645 180					
Policyholders' liabilities	325 192						
Subordinated debt	29 306	23 225					23 225
Disposal group liabilities held for sale	92						
Provisions and other liabilities	137 894	42 702					42 702
Deferred tax liabilities	2 885	596					596
Total liabilities	2 317 668	1898 227		101 234		181 322	72 725

1 The most significant differences between columns a and b of the table are as a result of the exclusion of Liberty, the group's insurance operations, from the regulatory scope of consolidation.
2 Including Liberty.

LI2: SBG SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

The table below provides a reconciliation of the in-scope carrying values as included in the IFRS financial statements to the exposure amounts used for regulatory purposes.

		Subject to the:				
	Total Rm	Credit risk framework Rm	CCR framework Rm	Securitisation framework Rm	Market risk framework Rm	
Asset carrying values amount under scope of regulatory consolidation	**2 074 867**	**1 541 739**	**315 740**	**330**	**364 003**	LI1
Liabilities carrying value amount under scope of regulatory consolidation	**(181 322)**		**(101 234)**		**(181 322)**	LI1
Total net amount under regulatory scope of consolidation	**1 893 545**	**1 541 739**	**214 506**	**330**	**182 681**	
Off-balance amounts[1]	**421 685**	**165 107**	**24 652**	**3 638**		
Differences in valuations						
Differences due to netting (including PFE)[2]	**(12 484)**		**(12 484)**			
Differences due to the impact of collateral[3]	**(213 673)**		**(213 612)**			
Differences due to PFE[4]	**58 459**		**58 460**			
Differences due to considerations of provisions[5]	**49 986**	**49 986**				
Exposure amounts considered for regulatory purposes	**2 197 518**	**1 756 832**	**71 522**	**3 968**	**182 681**	
Amounts included as follows:						
Standardised approach	CR4, CR5	**536 082**	**10 377**	CCR3		
IRB approach	CR6	**1 218 502**	**61 145**	CCR4, CCR3		
Equity risk	CR10	**2 248**				
Total		**1 756 832**	**71 522**			

1 The off-balance sheet regulatory exposures differ to that reported in the financial statements, since the regulatory exposures include revocable facilities and are subject to CCF in determining the regulatory exposures.
2 Regulatory netting is not equivalent to offset as applied in the financial statements, since regulatory netting includes netting agreements not meeting the IFRS netting requirements.
3 CCR exposures relating to resale and repurchase agreements as considered for regulatory purposes is presented after taking into account underlying collateral values. The IFRS balance sheet represents the underlying financing amount, excluding any underlying collateral.
4 CCR exposure considered for regulatory purposes includes an add-on for PFE not included as part of the IFRS balance sheet.
5 Specific and general debt provisions are excluded from the exposure considered for regulatory purposes, subject to the credit risk framework, whereas these form part of the amount reported on the face of the IFRS balance sheet.

Annexure C – credit risk

CR1: SBG CREDIT QUALITY OF ASSETS

	Gross carrying values of				
	Defaulted exposures (a) Rm	Non-defaulted exposures (b) Rm	Total exposure Rm	Allowances/ impairments (c) Rm	Net values (a+b-c) Rm
2020					
Loans[1]	**69 224**	**1 230 694**	**1 299 918**	**42 476**	**1 257 442**
Debt securities and other investments	**154**	**203 577**	**203 731**	**13**	**203 718**
On-balance sheet exposures	**69 378**	**1 434 271**	**1 503 649**	**42 489**	**1 461 160**
Off-balance sheet exposures	**1 190**	**375 003**	**376 193**	**645**	**375 548**
Total	**70 568**	**1 809 274**	**1 879 842**	**43 134**	**1 836 708**
	CR2			AFS	
2019					
Loans[1]	42 901	1 191 583	1 234 484	29 337	1 205 147
Debt securities and other investments	22	156 474	156 496		156 496
On-balance sheet exposures	42 923	1 348 057	1 390 980	29 337	1 361 643
Off-balance sheet exposures	662	343 000	343 662	359	343 303
Total	43 585	1 691 057	1 734 642	29 696	1 704 946
	CR2			AFS[2]	

1 Included in loans are placements with central banks outside of South Africa. Placements under resale agreement are included within the CCR framework and excluded from credit risk.
2 Credit impairment charges exclude interest in suspense.

CR2: SBG CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

	2020 Rm	2019 Rm
Defaulted loans and debt securities at beginning of period	**43 585**	42 930
Loans and debt securities that have defaulted since the last reporting period	**49 346**	25 533
Returned to non-defaulted status	**(6 446)**	(11 184)
Amounts written off[1]	**(8 616)**	(12 990)
Other changes	**(7 301)**	(704)
Defaulted loans and debt securities at end of period	**70 568**	43 585
	CR1	CR1

1 As reported in the AFS.

CRB(G): AGEING ANALYSIS OF ACCOUNTING PAST-DUE EXPOSURES

	1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	Total[1] (Rm)
Corporate	1 186	48	1 467	14 511	17 212
SME corporate	1 325	90	1 181	1 946	4 542
Public sector entities				1 284	1 284
Local governments and municipalities					
Sovereign			816		816
Banks					
Securities firms					
Retail mortgage advances	16 784	4 543	5 442	19 303	46 072
Retail revolving credit	3 859	1 160	1 711	6 011	12 741
SME retail	2 743	505	1 540	4 134	8 922
Other retail	4 246	1 339	4 141	5 043	14 769
Total	30 143	7 685	16 298	52 232	106 358

1 EAD.

CR3: SBG CRM TECHNIQUES – OVERVIEW

	Exposures unsecured: carrying amount[1] Rm	Exposures secured[1] Rm	Total Rm	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount Rm	Exposures secured by financial guarantees Rm	Exposures secured by financial guarantees, of which: secured amount Rm
2020							
Loans	586 700	670 742	1 257 442	585 239	572 792	85 503	21 177
Debt securities	191 894	11 824	203 718	10 689	10 689	1 135	1 135
Off-balance sheet exposures	350 530	25 018	375 548	17 830	10 054	7 188	7 188
Total	1 129 124	707 584	1 836 708	613 758	593 535	93 826	29 500
Of which: defaulted	16 360	28 129	44 489	27 212	26 881	917	916
2019							
Loans	594 018	611 129	1 205 147	580 272	568 209	30 857	29 546
Debt securities	144 975	11 521	156 496	11 521	11 521		
Off-balance sheet exposures	322 427	20 876	343 303	13 912	12 725	6 964	6 370
Total	1 061 420	643 526	1 704 946	605 705	592 455	37 821	35 916
Of which: defaulted	10 384	16 406	26 790	14 757	14 456	1649	1574

1 Exposures are net of impairments.

CR4: STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes	**On-balance sheet amount Rm**	**Off-balance sheet amount Rm**	**On-balance sheet amount Rm**	**Off-balance sheet amount Rm**	**RWA Rm**	**RWA density %**
2020						
Corporate	120 434	61 057	117 729	21 716	133 801	97
SME corporate	8 884	2 720	8 276	923	9 087	99
Public sector entities	2 753	1 202	2 753	120	1 461	51
Local governments and municipalities	46	81	46	41	68	78
Sovereign	192 513	1 366	192 513	383	131 944	68
Banks	31 819	15 671	31 682	9 111	32 854	81
Retail mortgage advances	23 778	2 631	23 778	1 315	15 054	60
Retail revolving credit	5 944	700	5 944		4 979	84
SME retail	9 740	6 119	9 713	1 829	9 893	86
Other retail	25 796	1 173	25 551	417	21 485	83
Other assets	82 242		82 242		36 317	44
Total	503 949	92 720	500 227	35 855	396 943	74
Sum of exposures post-CCF and CRM				536 082		
				LI2 CR5	OV1	
2019						
Corporate	63 107	33 271	59 801	11 887	69 188	97
SME corporate	55 514	20 110	54 216	6 823	64 494	106
Public sector entities	3 451	681	3 241	323	1 782	50
Local governments and municipalities	57	91	57	43	91	91
Sovereign	133 009	1 396	132 083	614	96 371	73
Banks	27 008	17 316	24 038	11 018	16 611	47
Retail mortgage advances	20 180	1 597	19 886	1 053	10 993	53
Retail revolving credit	5 201	3 955	5 071		4 307	85
SME retail	11 053	5 846	10 366	1 929	11 383	93
Other retail	22 027	1 928	21 622	673	18 542	83
Other assets	80 992		80 992		39 542	49
Total	421 600	86 191	411 374	34 363	333 304	75
Sum of exposures post-CCF and CRM				445 737		
				CR5	OV1	

CR5: SBG STANDARDISED APPROACH – EXPOSURE BY ASSET CLASSES AND RISK-WEIGHTS

	Risk-weights							
Asset classes	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Total credit exposures amount (post CCF and post CRM)**
2020								
Corporate			17 327	6		107 230	14 882	139 445
SME corporate				225		8 974		9 199
Public sector entities				2 848			25	2 873
Local governments and municipalities				38		49		87
Sovereign	67 177	4 001		3 858		95 150	22 710	192 896
Banks		1 608		13 305		25 880		40 793
Securities firms								
Retail mortgage advances			10 167	418	12 885	1 623		25 093
Retail revolving credit				10	3 934	1 953	47	5 944
SME retail				82	7 508	3 414	538	11 542
Other retail				301	17 593	7 942	132	25 968
Other assets	45 160	956				36 126		82 242
Total	112 337	6 565	27 494	21 091	41 920	288 341	38 334	536 082
								CR4/LI2
2019								
Corporate			6 779	2		60 051	4 856	71 688
SME corporate				100		54 133	6 806	61 039
Public sector entities				3 564				3 564
Local governments and municipalities				20		77	3	100
Sovereign	41 181	3 789		3 034		65 631	19 062	132 697
Banks		3 487		31 569				35 056
Securities firms		1						1
Retail mortgage advances			16 887	284	2 770	998		20 939
Retail revolving credit				7	5 011	21	32	5 071
SME retail				73	8 167	3 721	334	12 295
Other retail				225	21 674	305	91	22 295
Securitisation and re-securitisation exposure								
Other assets	40 220	1 537				39 235		80 992
Total	81 401	8 814	23 666	38 878	37 622	224 172	31 184	445 737
								CR4

CR6: SBG IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE TOTAL (ALL PORTFOLIOS)[1]

Total

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**174 031**	**65 860**	**49.60**	**206 503**	**0.07**
0.15 to < 0.25	**58 518**	**40 092**	**49.81**	**78 497**	**0.20**
0.25 to < 0.50	**186 305**	**71 938**	**49.50**	**221 878**	**0.38**
0.50 to < 0.75	**142 489**	**26 441**	**47.25**	**155 013**	**0.64**
0.75 to < 2.50	**284 242**	**62 321**	**43.39**	**311 908**	**1.38**
2.50 to < 10.00	**133 354**	**13 150**	**51.99**	**139 766**	**4.55**
10.00 to < 100.00	**46 396**	**2 603**	**58.49**	**47 811**	**25.16**
100.00 (default)	**56 607**	**1 068**	**48.66**	**57 126**	**100.00**
Total	**1 081 942**	**283 473**		**1 218 502**	**6.73**
				LI2	
2019					
0.00 to < 0.15	145 171	57 600	46.00	195 486	0.05
0.15 to < 0.25	83 512	39 841	48.00	102 150	0.21
0.25 to < 0.50	252 012	67 453	47.37	281 581	0.38
0.50 to < 0.75	129 319	24 911	35.62	138 553	0.63
0.75 to < 2.50	237 154	49 445	34.39	254 631	1.38
2.50 to < 10.00	125 024	14 402	6.37	127 260	4.47
10.00 to < 100.00	43 792	3 156	58.08	44 308	25.48
100.00 (default)	34 388	663	63.36	32 656	100.00
Total	1 050 372	257 471		1 176 625	4.71

[1] Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.

Corporates

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**34 042**	**32 758**	**43.71**	**49 174**	**0.08**
0.15 to < 0.25	**10 244**	**23 968**	**44.90**	**21 267**	**0.19**
0.25 to < 0.50	**73 877**	**55 266**	**45.27**	**99 397**	**0.41**
0.50 to < 0.75	**55 941**	**18 243**	**44.10**	**63 987**	**0.64**
0.75 to < 2.50	**79 599**	**24 522**	**49.77**	**89 996**	**1.30**
2.50 to < 10.00	**14 879**	**3 801**	**55.38**	**16 984**	**4.01**
10.00 to < 100.00	**2 404**	**592**	**54.25**	**2 725**	**14.17**
100.00 (default)	**8 879**	**1 001**	**50.19**	**9 381**	**100.00**
Subtotal	**279 865**	**160 151**	**45.76**	**352 911**	**3.55**
2019					
0.00 to < 0.15	22 671	27 001	42.42	43 378	0.07
0.15 to < 0.25	36 446	27 262	45.21	48 508	0.21
0.25 to < 0.50	115 211	50 399	45.11	134 026	0.40
0.50 to < 0.75	29 995	9 052	47.93	34 577	0.64
0.75 to < 2.50	60 154	15 971	50.13	65 981	1.33
2.50 to < 10.00	17 637	3 921	56.62	19 112	3.52
10.00 to < 100.00	3 307	1 386	52.49	3 081	20.22
100.00 (default)	3 285	469	45.40	2 929	100.00
Subtotal	288 706	135 461	45.61	351 592	1.70

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
301 361	**32.90**	**1.3**	**25 131**	**12.17**	**42**	
391 781	**26.65**	**0.7**	**14 944**	**19.04**	**42**	
773 438	**23.83**	**1.1**	**56 998**	**25.69**	**204**	
459 253	**20.79**	**1.1**	**44 901**	**28.97**	**206**	
3 763 643	**30.27**	**1.1**	**154 356**	**49.49**	**1 349**	
4 346 798	**37.36**	**0.5**	**100 952**	**72.23**	**2 363**	
1 393 859	**34.59**	**0.2**	**55 381**	**115.83**	**4 322**	
1 033 830	**32.76**	**0.5**	**33 492**	**58.63**	**21 116**	
12 463 963	**29.20**	**1.0**	**486 155**	**39.90**	**29 644**	**34 880**
			OV1 CR7			

150 410	30.82	1.7	18 106	9.26	29	
182 065	26.65	2.0	21 942	21.48	56	
411 105	22.34	2.2	72 186	25.64	244	
290 122	21.74	2.4	42 135	30.41	183	
1 475 733	30.84	2.3	121 595	47.75	1 121	
1 858 416	38.21	2.4	89 446	70.29	2 173	
715 634	35.95	2.2	56 387	127.26	4 165	
333 384	31.28	2.4	13 205	40.44	13 018	
5 416 869	28.37	2.1	435 002	36.97	20 989	22 773
			OV1 CR7			

Number of obligor	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
249	**37.16**	**1.8**	**9 406**	**19.13**	**15**	
227	**34.41**	**1.9**	**6 633**	**31.19**	**14**	
1 051	**29.01**	**2.1**	**39 644**	**39.88**	**118**	
407	**22.28**	**1.9**	**24 103**	**37.67**	**91**	
10 851	**30.81**	**2.0**	**62 020**	**69.90**	**365**	
381	**33.59**	**2.1**	**17 803**	**104.82**	**216**	
209	**46.05**	**1.6**	**5 572**	**204.44**	**161**	
259	**43.33**	**2.2**	**20 570**	**219.26**	**3 375**	
13 634	**30.44**	**2.0**	**185 751**	**52.89**	**4 355**	**4 972**

165	37.61	1.8	7 402	17.06	11	
248	26.99	2.3	12 617	26.01	28	
654	25.67	2.1	47 226	35.27	139	
275	26.94	2.3	16 934	48.97	59	
10 469	31.56	2.3	49 433	74.92	279	
286	34.76	2.1	20 358	106.52	248	
68	39.55	1.3	6 207	201.47	252	
142	44.05	2.0	6 512	222.35	1 122	
12 307	29.32	2.1	166 689	47.42	2 138	2 448

Specialised lending – high volatility commercial real estate (HVCRE)

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15					
0.15 to < 0.25					
0.25 to < 0.50					
0.50 to < 0.75					
0.75 to < 2.50	**159**	**46**	**50.00**	**182**	**1.76**
2.50 to < 10.00					
10.00 to < 100.00					
100.00 (default)					
Subtotal	**159**	**46**	**50.00**	**182**	**1.76**
2019					
0.00 to < 0.15					
0.15 to < 0.25					
0.25 to < 0.50					
0.50 to < 0.75	86			86	0.64
0.75 to < 2.50	110	92	50.00	156	1.56
2.50 to < 10.00	98			98	2.56
10.00 to < 100.00					
100.00 (default)					
Subtotal	294	92	50.00	340	1.62

Specialised lending – IPRE

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**23**			**23**	**0.11**
0.15 to < 0.25	**222**		**65.00**	**222**	**0.22**
0.25 to < 0.50	**3 919**	**3**	**50.00**	**3 920**	**0.39**
0.50 to < 0.75	**7 430**	**3**	**50.00**	**7 431**	**0.64**
0.75 to < 2.50	**8 211**	**53**	**50.27**	**8 239**	**1.09**
2.50 to < 10.00	**935**			**935**	**3.69**
10.00 to < 100.00	**23**			**23**	**21.26**
100.00 (default)					
Subtotal	**20 763**	**59**	**50.27**	**20 793**	**0.93**
2019					
0.00 to < 0.15	48			48	0.11
0.15 to < 0.25	377			377	0.22
0.25 to < 0.50	9 743	85	65.00	9 798	0.42
0.50 to < 0.75	6 951	132	54.00	7 022	0.64
0.75 to < 2.50	5 124	50	52.99	5 151	1.09
2.50 to < 10.00	442	29	54.00	457	2.97
10.00 to < 100.00					28.96
100.00 (default)	194			194	100.00
Subtotal	22 879	296	56.57	23 047	1.52

	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
	1	**36.26**	**1.0**	**164**	**89.85**	**1**	
	1	**36.26**	**1.0**	**164**	**89.85**	**1**	**2**
	1	22.83	1.0	34	39.87		
	2	24.29	1.0	92	58.91	1	
	2	17.03	1.0	45	45.93		
	5	21.82	1.0	171	50.36	1	1

	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
	2	**5.00**	**1.0**	**1**	**2.40**		
	25	**9.77**	**2.9**	**22**	**9.83**		
	199	**13.11**	**1.9**	**637**	**16.24**	**2**	
	225	**13.99**	**2.2**	**1 736**	**23.36**	**7**	
	197	**18.29**	**2.1**	**3 010**	**36.53**	**18**	
	39	**21.78**	**1.6**	**575**	**61.54**	**7**	
	4	**26.92**	**2.3**	**30**	**134.14**	**1**	
	691	**15.84**	**2.1**	**6 011**	**28.91**	**35**	**56**
	9	5.09	1.3	1	2.46		
	60	9.72	2.5	35	9.37		
	255	13.40	2.4	1 993	20.34	6	
	283	15.83	2.5	1 881	26.78	7	
	225	17.83	2.3	1 940	37.64	10	
	44	22.08	2.5	294	64.39	3	
	1	5.00	1.0		27.77		
	13	13.18	4.1	98	50.74	33	
	890	15.22	2.4	6 242	27.08	59	64

Specialised lending – project finance

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**533**			**533**	**0.08**
0.15 to < 0.25					
0.25 to < 0.50	**433**			**433**	**0.45**
0.50 to < 0.75	**4 101**	**330**	**99.93**	**4 430**	**0.64**
0.75 to < 2.50	**11 855**	**896**	**69.90**	**12 481**	**1.12**
2.50 to < 10.00	**1 036**			**1 036**	**2.56**
10.00 to < 100.00					
100.00 (default)	**400**			**400**	**100.00**
Subtotal	**18 358**	**1 226**	**77.99**	**19 313**	**3.09**
2019					
0.00 to < 0.15	385			385	0.06
0.15 to < 0.25					
0.25 to < 0.50	8 164	343	99.36	8 506	0.45
0.50 to < 0.75	2 928	321	99.98	3 249	0.64
0.75 to < 2.50	2 614	3	50.00	2 615	0.97
2.50 to < 10.00	2 665			2 665	3.31
10.00 to < 100.00					
100.00 (default)	318			318	100.00
Subtotal	17 074	667	99.29	17 738	2.77

SME corporate

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**1 760**	**253**	**85.97**	**1 978**	**0.07**
0.15 to < 0.25	**931**	**64**	**87.39**	**987**	**0.21**
0.25 to < 0.50	**4 913**	**1 449**	**89.54**	**6 211**	**0.39**
0.50 to < 0.75	**1 275**	**63**	**90.44**	**1 333**	**0.64**
0.75 to < 2.50	**22 870**	**1 180**	**73.37**	**23 466**	**1.42**
2.50 to < 10.00	**5 861**	**389**	**77.04**	**6 161**	**3.49**
10.00 to < 100.00	**1 093**	**47**	**94.38**	**1 137**	**24.39**
100.00 (default)	**1 862**	**6**	**50.00**	**1 865**	**100.00**
Subtotal	**40 565**	**3 451**	**82.32**	**43 138**	**6.32**
2019					
0.00 to < 0.15	451	156	45.35	1 915	0.07
0.15 to < 0.25	2 820	157	50.97	1 526	0.22
0.25 to < 0.50	5 223	873	71.41	5 974	0.38
0.50 to < 0.75	4 977	147	49.33	5 071	0.64
0.75 to < 2.50	15 903	1 339	57.24	16 866	1.40
2.50 to < 10.00	5 655	449	63.75	5 985	3.78
10.00 to < 100.00	821	21	58.20	836	23.81
100.00 (default)	1 657	6	45.40	1 660	100.00
Subtotal	37 507	3 148	59.79	39 833	5.98

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
1	**33.18**	**5.0**	**178**	**33.46**		
3	**11.68**	**3.1**	**80**	**18.48**		
9	**22.95**	**4.1**	**2 378**	**53.68**	**7**	
31	**30.34**	**4.2**	**10 360**	**82.99**	**44**	
2	**35.55**	**2.8**	**1 089**	**105.13**	**9**	
2	**36.99**	**2.8**			**429**	
48	**28.72**	**4.1**	**14 085**	**72.93**	**489**	**524**
1	33.18	5.0	108	28.11		
21	25.01	4.4	4 635	54.49	10	
7	28.95	4.4	2 154	66.29	6	
11	26.31	4.4	1 887	72.15	7	
4	36.44	3.6	2 945	110.51	35	
2	36.94	3.2	493	154.83	223	
46	28.03	4.3	12 222	68.90	281	298

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
217	**26.27**	**3.9**	**202**	**10.22**		
227	**26.46**	**2.9**	**248**	**25.10**	**1**	
484	**28.13**	**2.5**	**2 147**	**34.57**	**7**	
95	**29.68**	**2.8**	**648**	**48.64**	**3**	
1 310	**23.61**	**2.2**	**11 392**	**48.55**	**83**	
847	**29.93**	**2.8**	**4 803**	**77.96**	**64**	
370	**25.49**	**2.3**	**1 287**	**113.14**	**68**	
67	**30.86**	**2.9**	**2 676**	**143.54**	**484**	
3 617	**25.90**	**2.5**	**23 403**	**54.25**	**710**	**886**
28	36.54	1.7	266	13.86		
29	36.05	1.5	442	28.99	1	
214	26.17	2.7	1 937	32.42	6	
48	10.91	2.0	814	16.05	3	
588	19.34	2.4	6 497	38.53	45	
432	21.00	2.8	3 320	55.47	51	
37	26.58	2.3	972	116.16	52	
36	29.44	2.8	2 603	156.82	422	
1 412	21.58	2.4	16 851	42.31	580	618

Securities firms

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	77			77	0.08
0.15 to < 0.25	128			128	0.16
0.25 to < 0.50		15	39.50	6	0.45
0.50 to < 0.75					
0.75 to < 2.50		147	39.52	58	0.90
2.50 to < 10.00					
10.00 to < 100.00					
100.00 (default)					
Subtotal	205	162	39.52	269	0.30
2019					
0.00 to < 0.15	384			384	0.08
0.15 to < 0.25					
0.25 to < 0.50	4	155	39.85	66	0.45
0.50 to < 0.75		50	39.50	20	0.64
0.75 to < 2.50					
2.50 to < 10.00					
10.00 to < 100.00					
100.00 (default)					
Subtotal	388	205	39.76	470	0.15

Sovereign

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	86 803	446	40.09	89 021	0.06
0.15 to < 0.25	251	20	11.82		0.17
0.25 to < 0.50		1	9.30		0.41
0.50 to < 0.75	4 846	322	39.05	4 972	0.64
0.75 to < 2.50	2 495	33	9.82	2 499	0.91
2.50 to < 10.00	104	53	33.99	122	5.11
10.00 to < 100.00	3	25	9.82	5	16.05
100.00 (default)	640			640	100.00
Subtotal	95 142	900	39.13	97 259	0.77
2019					
0.00 to < 0.15	84 954	2	47.47	87 709	0.02
0.15 to < 0.25					0.16
0.25 to < 0.50	3 607	18	17.16	3 609	0.45
0.50 to < 0.75	4 946	32	45.15	3 304	0.64
0.75 to < 2.50	2 761	23	9.59	2 763	0.91
2.50 to < 10.00	1 151	483	48.21	248	2.58
10.00 to < 100.00	1	2	25.20	1	18.32
100.00 (default)	3			3	100.00
Subtotal	97 423	560	39.29	97 695	0.09

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
5.00	**40.74**	**1.0**	**16**	**20.62**		
1.00	**42.84**	**3.4**	**81**	**63.26**		
1.00	**40.09**	**1.0**	**4**	**61.18**		
3.00	**40.09**	**1.0**	**49**	**85.03**		
10.00	**41.58**	**2.1**	**150**	**55.69**		**7**
10	40.24	1.9	108	28.16		
6	40.09	1.0	40	61.20		
1	10.64	1.0	3	14.88		
17	38.97	1.7	151	32.23		4

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
22	**28.94**	**1.4**	**8 618**	**9.68**	**14**	
2	**41.48**	**1.0**		**26.55**		
7	**31.18**	**1.0**		**34.22**		
14	**40.41**	**2.0**	**3 472**	**69.30**	**13**	
16	**36.46**	**1.0**	**1 519**	**60.81**	**9**	
19	**38.73**	**2.4**	**167**	**136.99**	**2**	
15	**31.66**	**1.0**	**7**	**149.68**		
9	**29.26**	**1.2**			**204**	
104	**29.73**	**1.4**	**13 783**	**14.14**	**242**	**268**
6	28.41	1.6	4 823	5.50	5	
1	40.09	3.3	25	43.00		
7	28.15	1.3	1 267	35.10	5	
6	43.10	2.9	2 755	83.37	9	
9	35.44	1.4	1 812	65.60	10	
14	48.22	3.9	396	159.78	3	
7	33.36	1.0	2	170.67		
3	34.52	1.0			1	
53	29.15	1.6	11 080	11.34	33	41

Public sector entities

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**15 844**	**2 116**	**51.21**	**11 604**	**0.03**
0.15 to < 0.25			**74.35**		**0.17**
0.25 to < 0.50	**2 253**	**1 793**	**39.33**	**2 958**	**0.45**
0.50 to < 0.75		**1 000**	**39.50**	**395**	**0.64**
0.75 to < 2.50	**4 069**	**4 220**	**40.33**	**8 262**	**1.23**
2.50 to < 10.00	**2 145**	**509**	**39.68**	**2 347**	**2.78**
10.00 to < 100.00	**38**	**895**	**39.00**	**387**	**10.24**
100.00 (default)	**1 044**	**22**	**65.00**	**1 058**	**100.00**
Subtotal	**25 393**	**10 555**	**40.39**	**27 011**	**4.76**
2019					
0.00 to < 0.15	401		897.42	8 348	0.02
0.15 to < 0.25					
0.25 to < 0.50	1 796	1 887	39.06	2 536	0.32
0.50 to < 0.75	3 768	5 698	18.83	4 840	0.64
0.75 to < 2.50	5 480	4 474	8.51	5 105	0.98
2.50 to < 10.00	3 175	889	0.44	383	7.22
10.00 to < 100.00			32.06		12.28
100.00 (default)	1 387	188		8	100.00
Subtotal	16 007	13 136	4.52	21 220	0.60

Local governments and municipalities

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15		**1**	**39.00**	**1**	**0.03**
0.15 to < 0.25					**0.17**
0.25 to < 0.50	**177**	**1**	**145.80**	**179**	**0.45**
0.50 to < 0.75	**381**			**381**	**0.64**
0.75 to < 2.50	**1 463**	**8**	**90.27**	**1 470**	**1.44**
2.50 to < 10.00	**6**		**100.00**	**6**	**2.56**
10.00 to < 100.00					**19.15**
100.00 (default)					
Subtotal	**2 027**	**10**	**91.40**	**2 037**	**1.21**
2019					
0.00 to < 0.15					
0.15 to < 0.25	445			445	0.16
0.25 to < 0.50	309	1	75.00	309	0.45
0.50 to < 0.75	31	675	39.50	298	0.64
0.75 to < 2.50	1 227	10	74.64	1 238	1.58
2.50 to < 10.00	184	1	9.67	184	3.25
10.00 to < 100.00	41			41	18.04
100.00 (default)	0				
Subtotal	2 237	687	39.62	2 515	1.47

	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
	6	35.18	1.6	1 512	13.03	1	
	1	41.48	1.0		26.55		
	4	40.10	2.1	1 742	58.87	5	
	3	26.29	1.0	145	36.77	1	
	14	27.67	3.8	7 044	85.26	29	
	6	52.80	2.2	4 202	179.04	35	
	1	26.29	1.1	428	110.57	10	
	3	47.77	1.2	3 220	304.26	263	
	38	35.19	2.3	18 293	67.72	344	408
	6	28.89	2.5	714	8.55	1	
	6	28.18	2.6	972	38.32	2	
	5	26.29	1.9	2 382	49.22	8	
	16	26.53	2.4	3 197	62.64	14	
	13	26.06	1.1	364	94.89	7	
	2	13.92	1.0		62.48		
	2	39.80	1.0	40	503.27	3	
	50	27.60	2.3	7 669	36.14	35	49

	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
	2	30.57	1.0		5.46		
	10	25.39	1.0				
	14	24.96	3.5	81	45.55		
	56	24.95	3.3	195	51.05	1	
	40	24.25	3.5	974	66.24	5	
	2	24.95	1.2	4	62.62		
	4	25.39	1.0		131.95		
	128	24.45	3.4	1 254	61.55	6	10
	20	24.90	3.8	133	29.87		
	9	24.96	3.3	138	44.51		
	22	21.40	1.4	97	32.60		
	35	24.28	3.6	868	70.15	5	
	8	32.40	2.2	164	89.16	2	
	5	23.62	2.0	50	122.90	2	
	99	24.71	3.2	1 450	57.67	9	12

Banks

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**18 469**	**6 867**	**43.11**	**23 709**	**0.06**
0.15 to < 0.25	**11 090**	**333**	**24.84**	**11 172**	**0.22**
0.25 to < 0.50	**2 130**	**166**	**29.75**	**1 680**	**0.43**
0.50 to < 0.75	**282**			**282**	**0.64**
0.75 to < 2.50	**4 206**	**621**	**27.31**	**4 375**	**1.66**
2.50 to < 10.00	**1 517**	**16**	**20.02**	**1 520**	**3.40**
10.00 to < 100.00					**28.37**
100.00 (default)					
Subtotal	**37 694**	**8 003**	**40.80**	**42 738**	**0.40**
2019					
0.00 to < 0.15	16 885	5 168	42.24	19 477	0.05
0.15 to < 0.25	12 565	280	45.18	12 696	0.22
0.25 to < 0.50	1 139	193	44.45	1 217	0.41
0.50 to < 0.75	302	701	47.81	608	0.64
0.75 to < 2.50	6 578	1 251	48.82	6 900	1.35
2.50 to < 10.00	2	13	54.59	162	3.30
10.00 to < 100.00	38	777	51.19	44	37.59
100.00 (default)					
Subtotal	37 509	8 383	44.45	41 104	0.39

Retail mortgages

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**9 176**	**14 298**	**39.34**	**14 800**	**0.11**
0.15 to < 0.25	**32 985**	**11 881**	**45.23**	**38 359**	**0.20**
0.25 to < 0.50	**90 007**	**8 747**	**49.22**	**94 312**	**0.35**
0.50 to < 0.75	**62 001**	**2 861**	**49.81**	**63 427**	**0.64**
0.75 to < 2.50	**81 692**	**2 437**	**50.51**	**82 924**	**1.34**
2.50 to < 10.00	**44 521**	**142**	**92.86**	**44 652**	**4.74**
10.00 to < 100.00	**23 867**	**5**	**84.94**	**23 871**	**24.45**
100.00 (default)	**27 288**	**39**		**27 288**	**100.00**
Subtotal	**371 537**	**40 410**	**44.78**	**389 633**	**9.54**
2019					
0.00 to < 0.15	16 288	16 759	42.45	23 408	0.14
0.15 to < 0.25	28 007	8 201	46.65	31 887	0.20
0.25 to < 0.50	95 951	8 907	50.44	100 666	0.35
0.50 to < 0.75	67 728	3 144	49.04	69 370	0.63
0.75 to < 2.50	70 964	1 784	49.84	71 929	1.31
2.50 to < 10.00	33 489	114	66.92	33 576	4.90
10.00 to < 100.00	21 952	8	58.18	21 957	25.31
100.00 (default)	16 984			16 984	100.00
Subtotal	351 363	38 917	45.84	369 777	7.04

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
332	**39.04**	**1.1**	**3 862**	**15.81**	**5**	
27	**43.80**	**1.0**	**4 843**	**43.35**	**11**	
18	**45.85**	**1.0**	**936**	**55.73**	**3**	
2	**47.04**	**1.9**	**219**	**77.57**	**1**	
45	**49.84**	**1.0**	**4 605**	**105.25**	**37**	
15	**52.07**	**1.0**	**2 135**	**140.48**	**27**	
2	**58.35**	**1.0**		**346.90**		
441	**42.17**	**1.1**	**16 600**	**38.57**	**84**	**169**
67	39.07	1.2	2 951	15.15	4	
11	43.73	1.0	5 521	43.49	12	
9	45.66	1.1	688	56.47	2	
2	43.61	1.5	442	72.68	2	
24	49.25	1.0	6 644	96.31	45	
12	49.41	1.0	214	132.16	3	
2	59.24	1.0	150	344.99	10	
127	42.54	1.1	16 610	40.41	78	116

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
66 578	**12.18**		**494**	**3.34**	**2**	
123 144	**13.42**		**2 188**	**5.70**	**10**	
280 522	**14.94**		**9 024**	**9.57**	**50**	
183 926	**14.73**		**9 164**	**14.45**	**60**	
236 364	**15.23**		**20 137**	**24.28**	**172**	
131 468	**16.04**		**23 601**	**52.86**	**339**	
77 436	**15.95**		**21 275**	**89.13**	**941**	
78 346	**16.23**				**7 380**	
1 177 784	**14.99**		**85 883**	**22.04**	**8 954**	**9 896**
43 517	12.53		959	4.10	4	
52 372	14.16		1 900	5.96	9	
152 004	14.82		9 439	9.38	52	
106 194	14.77		9 880	14.24	64	
112 069	14.71		16 594	23.07	140	
80 978	15.00		16 978	50.57	247	
39 027	15.63		19 156	87.24	888	
26 412	15.90				5 230	
612 573	14.70		74 906	20.26	6 634	6 981

QRRE

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**117**	**2 536**	**111.27**	**2 939**	**0.13**
0.15 to < 0.25	**400**	**1 829**	**112.98**	**2 467**	**0.20**
0.25 to < 0.50	**1 111**	**2 007**	**114.53**	**3 291**	**0.36**
0.50 to < 0.75	**972**	**2 426**	**54.71**	**2 148**	**0.63**
0.75 to < 2.50	**24 539**	**25 916**	**34.04**	**32 950**	**1.56**
2.50 to < 10.00	**29 030**	**7 384**	**50.96**	**31 220**	**4.46**
10.00 to < 100.00	**7 579**	**898**	**83.62**	**8 101**	**27.53**
100.00 (default)	**7 575**			**7 469**	**100.00**
Subtotal	**71 323**	**42 996**	**50.83**	**90 585**	**12.85**
2019					
0.00 to < 0.15	160	2 865	104.62	3 157	0.12
0.15 to < 0.25	435	1 936	112.29	2 609	0.20
0.25 to < 0.50	1 182	1 913	114.36	3 371	0.36
0.50 to < 0.75	1 198	3 606	44.17	2 765	0.66
0.75 to < 2.50	22 781	21 447	47.27	30 669	1.58
2.50 to < 10.00	31 207	5 497	91.27	33 975	4.44
10.00 to < 100.00	7 151	745	103.05	7 763	28.33
100.00 (default)	5 046			5 046	100.00
Subtotal	69 160	38 009	57.23	89 355	10.38

Retail other

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**5**	**46**	**100.31**	**51**	**0.12**
0.15 to < 0.25	**180**	**50**	**104.50**	**232**	**0.18**
0.25 to < 0.50	**2 643**	**69**	**101.89**	**2 713**	**0.29**
0.50 to < 0.75	**737**	**30**	**72.19**	**759**	**0.61**
0.75 to < 2.50	**25 564**	**195**	**65.21**	**25 693**	**1.75**
2.50 to < 10.00	**24 196**	**94**	**71.43**	**24 263**	**5.19**
10.00 to < 100.00	**7 752**	**13**	**49.56**	**7 758**	**29.32**
100.00 (default)	**5 303**			**5 303**	**100.00**
Subtotal	**66 380**	**497**	**78.77**	**66 772**	**13.93**
2019					
0.00 to < 0.15	4	4	105.54	8	0.11
0.15 to < 0.25	162	6	110.44	169	0.17
0.25 to < 0.50	5 086	16	114.78	5 104	0.46
0.50 to < 0.75	821	6	122.29	828	0.62
0.75 to < 2.50	22 251	82	79.35	22 318	1.69
2.50 to < 10.00	21 485	39	111.84	21 529	4.93
10.00 to < 100.00	6 571		269.64	6 571	25.69
100.00 (default)	2 990			2 990	100.00
Subtotal	59 370	153	92.06	59 517	10.33

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
180 316	61.38		139	4.72	2	
237 316	61.71		169	6.87	3	
247 378	62.19		369	11.20	7	
184 800	62.44		381	17.72	8	
3 020 568	67.17		12 403	37.64	347	
3 473 104	66.71		24 269	77.73	925	
927 812	66.18		14 044	173.37	1 481	
795 568	65.98		4 617	61.82	4 592	
9 066 862	66.19		56 391	62.25	7 365	9 025
96 064	59.34		143	4.53	2	
120 346	59.99		173	6.64	3	
154 011	60.44		367	10.88	7	
151 748	62.71		512	18.51	11	
1 167 488	66.82		11 591	37.80	325	
1 574 707	66.01		25 931	76.32	986	
528 216	65.58		13 249	170.66	1 450	
262 198	65.50		2 598	51.48	3 216	
4 054 778	65.50		54 564	61.06	6 000	6 687

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
276	42.08		7	12.67		
1 924	14.91		15	6.29		
4 157	27.05		408	15.03	2	
8 134	29.45		190	25.04	1	
233 499	28.72		9 652	37.58	135	
421 916	39.30		15 083	62.16	526	
280 608	51.45		8 767	113.00	1 215	
114 419	42.69		1 242	23.42	2 293	
1 064 933	36.22		35 364	52.96	4 172	5 296
107	49.76		1	14.20		
820	6.10		4	2.63		
1 565	26.46		981	19.22	6	
4 233	29.22		207	24.96	1	
121 166	29.08		8 414	37.70	115	
150 964	36.72		12 376	57.49	404	
125 594	55.37		7 996	121.68	935	
38 198	40.17		614	20.53	1 280	
442 647	35.02		30 593	51.40	2 741	3 102

SME retail

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15	**7 182**	**6 539**	**82.76**	**12 593**	**0.04**
0.15 to < 0.25	**2 072**	**1 947**	**80.93**	**3 648**	**0.20**
0.25 to < 0.50	**4 788**	**2 421**	**76.67**	**6 724**	**0.36**
0.50 to < 0.75	**4 370**	**1 163**	**65.80**	**5 315**	**0.60**
0.75 to < 2.50	**16 810**	**2 047**	**57.35**	**18 603**	**1.44**
2.50 to < 10.00	**8 994**	**762**	**32.46**	**10 390**	**4.93**
10.00 to < 100.00	**3 637**	**128**	**34.34**	**3 804**	**25.76**
100.00 (default)	**3 512**			**3 618**	**100.00**
Subtotal	**51 365**	**15 007**	**67.42**	**64 695**	**8.42**
2019					
0.00 to < 0.15	2 540	5 645	83.70	7 269	0.07
0.15 to < 0.25	2 125	1 999	80.96	3 745	0.20
0.25 to < 0.50	4 299	2 663	68.76	6 101	0.35
0.50 to < 0.75	4 915	1 347	68.61	5 842	0.56
0.75 to < 2.50	20 509	2 919	59.72	22 242	1.44
2.50 to < 10.00	7 834	2 967	35.64	8 886	4.73
10.00 to < 100.00	2 948	217	43.81	3 052	24.74
100.00 (default)	2 502			2 502	100.00
Subtotal	47 672	17 757	61.75	59 639	6.81

Equity

PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %
2020					
0.00 to < 0.15					**0.06**
0.15 to < 0.25	**15**			**15**	**0.23**
0.25 to < 0.50	**54**			**54**	**0.45**
0.50 to < 0.75	**153**			**153**	**0.64**
0.75 to < 2.50	**710**			**710**	**1.28**
2.50 to < 10.00	**130**			**130**	**2.81**
10.00 to < 100.00					
100.00 (default)	**104**			**104**	**100.00**
Subtotal	**1166**			**1 166**	**10.12**
2019					
0.00 to < 0.15					
0.15 to < 0.25	130			130	0.23
0.25 to < 0.50	298			298	0.45
0.50 to < 0.75	673			673	0.64
0.75 to < 2.50	698			698	1.22
2.50 to < 10.00					5.12
10.00 to < 100.00	962			962	25.16
100.00 (default)	22			22	100.00
Subtotal	2 783			2 783	9.43

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
53 354	**49.29**		**696**	**5.52**	**3**	
28 876	**45.67**		**712**	**19.52**	**3**	
239 598	**41.80**		**1 755**	**26.11**	**10**	
81 580	**40.08**		**1 786**	**33.60**	**13**	
260 700	**38.89**		**8 768**	**47.13**	**104**	
318 994	**42.08**		**6 805**	**65.50**	**213**	
107 398	**45.25**		**3 971**	**104.40**	**445**	
45 154	**41.95**		**1**	**0.04**	**2 096**	
1 135 654	**42.75**		**24 494**	**37.86**	**2 887**	**3 361**
19 456	44.04		630	8.67	2	
14 320	44.14		713	19.05	3	
113 593	41.66		1 564	25.63	9	
29 685	39.89		1 902	32.56	13	
129 332	38.55		10 395	46.73	124	
123 023	44.04		6 061	68.21	184	
54 508	46.74		3 285	107.62	358	
16 296	42.47			0.01	1 488	
500 213	41.42		24 550	41.16	2 181	2 352

Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
1	**90.00**	**5.0**		**318.00**		
1	**90.00**	**5.0**	**33**	**212.00**		
2	**90.00**	**5.0**	**171**	**318.00**		
2	**90.00**	**5.0**	**484**	**318.00**		
4	**90.00**	**5.0**	**2 259**	**318.00**		
5	**90.00**	**5.0**	**416**	**318.83**		
	90.00	**5.0**				
3	**90.00**	**5.0**	**1 166**	**1 125.00**		
18	**90.00**	**5.0**	**4 529**	**388.42**		
4	90.00	5.0	379	291.54		
4	90.00	5.0	939	315.10		
3	90.00	5.0	2 138	317.68		
3	90.00	5.0	2 231	319.38	1	
1	90.00	5.0		383.57		
2	90.00	5.0	5 320	553.10	218	
3	90.00	5.0	247	1 125.00		
20	90.00	5.0	11 254	404.38	219	

CR7: IRB – EFFECT ON RWA OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES

	2020		2019	
	Pre-credit derivatives RWA Rm	**Actual RWA Rm**	Pre-credit derivatives RWA Rm	Actual RWA Rm
Corporate	**185 751**	**185 751**	166 689	166 689
Other asset classes[1]		**300 404**		268 313
Specialised lending – high volatility commercial real estate (property development)		**164**		171
Specialised lending – income producing real estate		**6 011**		6 242
Specialised lending – project finance		**14 085**		12 222
SME corporate		**23 403**		16 851
Securities firms		**150**		151
Sovereign		**13 783**		11 080
Public sector entities		**18 293**		7 669
Local governments and municipalities		**1 254**		1 450
Banks		**16 600**		16 610
Retail mortgages		**85 883**		74 906
QRRE		**56 391**		54 564
Retail – other		**35 364**		30 593
SME retail		**24 494**		24 550
Equity		**4 529**		11 254
Total (all portfolios)		**486 155**		435 002
		OV1/CR6/CR8		OV1/CR6/CR8

1 Other asset classes' pre-credit derivatives RWA is equivalent to actual.

CR8: IRB – RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES

	2020 RWA Rm	2019 RWA Rm
RWA at beginning of period	**435 002**	435 307
Asset size	**22 262**	32 029
Asset quality	**23 815**	(5 897)
Model updates		(23 578)
Foreign exchange movements	**5 386**	(2 694)
Other	**(310)**	(165)
RWA at end of period	**486 155**	435 002
	OV1/CR6/CR7	OV1/CR6/CR7

CR9: SBG IRB – BACKTESTING OF PD PER PORTFOLIO

Portfolio[1]	PD range	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors
2020				
Bank	0.03% to 40.96%	BB+	**0.31**	**0.41**
Corporate	0.01% to 40.96%	BB+	**0.86**	**0.98**
Sovereign	0.01% to 20.48%	BBB-	**0.11**	**0.29**
Corporate specialised lending	0.08% to 10.24%	BB+	**0.98**	**1.04**
HVCRE	1.28% to 1.81%	BB-	**1.76**	**1.63**
IPRE	0.11% to 10.24%	BB+	**0.92**	**1.06**
Project finance	0.08% to 2.56%	BB+	**1.04**	**0.99**
Retail mortgages	0.035% to 100%	B3	**2.63**	**2.75**
Retail other	0.123% to 100%	Caa1	**6.53**	**11.7**
Retail SME	0.030% to 100%	B3	**3.17**	**4.13**
QRRE	0.030% to 100%	Caa1	**5.00**	**4.86**
2019				
Bank	0.03% to 40.96%	BBB	0.29	0.25
Corporate	0.01% to 28.96%	BB+	0.79	0.88
Sovereign	0.01% to 2.56%	BBB+	0.09	0.18
Corporate specialised lending	0.06% to 28.96%	BB+	0.82	0.91
HVCRE	0.64% to 2.56%	BB-	1.62	1.71
IPRE	0.11% to 28.96%	BB+	0.66	0.93
Project finance	0.06% to 7.24%	BB+	0.99	0.81
Retail mortgages	0.035% to 100%	B3	2.53	2.79
Retail other	0.123% to 100%	Caa1	5.58	10.84
Retail SME	0.030% to 100%	B3	2.73	4.09
QRRE	0.030% to 100%	Caa1	5.00	5.13

1 The dimension portfolio includes the following prudential portfolios for the FIRB approach: (i) sovereign; (ii) banks; (iii) corporate; (iv) corporate – specialised lending; (v) equity (PD/LGD method); (vi) purchased receivables, and the following prudential portfolios for the AIRB approach: (i) sovereign; (ii) banks; (iii) corporate; (iv) corporate – specialised lending; (v) equity (PD/LGD method); (vi) retail – QRRE; (vii) retail – residential mortgage exposures; (viii) retail – SME; (ix) other retail exposures; and (x) purchased receivables.

- Weighted average PD: excludes defaults and is therefore not the same as CR6
- Arithmetic average PD by obligors: PD within range by number of obligors within the range
- Defaulted obligors in the year: number of defaulted obligors during the year; of which: new obligors defaulted in the year: number of obligors having defaulted during the last 12-month period that were not funded at the end of the previous financial year
- Average historical annual default rate: the five-year average of the annual default rate (obligors at the beginning of each year that defaulted during that year/total obligors held at the beginning of the year) is a minimum.

	Number of obligors				
	End of previous year	End of the year	Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate %
	233	**225**	**74**	**13**	**0.23**
	1 494	**1442**			**0.81**
	32	**30**			
	261	**240**	**6**		**0.83**
	5	**1**			**0.56**
	212	**193**	**5**		**0.89**
	44	**46**	**1**		**2.20**
	562 149	**568 273**	**22 693**	**20 095**	**3.78**
	487 282	**531 023**	**59 862**	**56 657**	**9.99**
	579 113	**567 821**	**40 976**	**38 044**	**6.80**
	4 099 730	**3 924 156**	**234 307**	**216 221**	**7.36**
	231	233			0.26
	1 538	1 494	47	12	0.85
	32	32			
	252	261	5	2	0.83
	3	5	4		0.62
	206	212	1	2	0.88
	43	44			2.45
	540 245	562 149	15 137	11 867	3.81
	415 940	487 282	33 031	31 251	8.02
	593 645	579 113	23 125	21 353	6.62
	4 048 248	4 099 730	199 331	182 319	7.36

CR10: SBG IRB EQUITIES UNDER THE SIMPLE RISK-WEIGHT METHOD

Categories	On-balance sheet amount Rm	Off-balance sheet amount Rm	Risk-weight %	RWA Rm
2020				
Private equity exposures	**2 219**		**400**	**9 407**
Other equity exposures	**29**		**300**	**93**
Total	**2 248**			**9 500**
	LI2			OV1
2019				
Private equity exposures	1 326		400	5 624
Other equity exposures	24		300	76
Total	1 350			5 700
				OV1

CCR1: SBG ANALYSIS OF CCR EXPOSURE BY APPROACH

	Replacement cost Rm	PFE Rm	Alpha used for computing regulatory EAD	EAD post-CRM Rm	RWA Rm	
2020						
Current exposure method (for derivatives)	**120 248**	**72 450**	**1.4**	**54 673**	**26 673**	
Comprehensive approach for credit risk mitigation (for securities financing transaction (SFT)				**16 849**	**5 213**	
Total	**120 248**	**72 450**	**1.4**	**71 522**	**31 670**	
CVA				CCR3/LI2	**19 061**	CCR2
central counterparty (CCP) and default funds					**599**	CCR8
Total					**51 330**	
					OV1	
2019						
Current exposure method (for derivatives)	70 801	66 754	1.4	38 282	17 529	
Comprehensive approach for credit risk mitigation (for SFTs)				10 103	3 022	
Total	70 801	66 754	1.4	48 385	20 551	
CVA				CCR3	10 843	CCR2
CCP and default funds					518	CCR8
Total					31 912	
					OV1	

CCR2: SBG CVA CAPITAL CHARGE

	2020		2019	
	EAD post-CRM Rm	RWA Rm	EAD post-CRM Rm	RWA Rm
All portfolios (subject to the standardised CVA capital charge)	**41 913**	**19 061**	38 282	10 843
Total subject to the CVA capital charge	**41 913**	**19 061**	38 282	10 843
		CCR1		CCR1

CCR3: SBG STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK-WEIGHTS

	Risk-weights					
Regulatory portfolios	**20%**	**50%**	**100%**	**150%**	**Total credit exposure**	
2020						
Corporate			**2 328**	**2**	**2 330**	
SME corporate			**745**	**1**	**746**	
Public sector entities		**41**			**41**	
Local governments and municipalities						
Sovereign			**5 039**	**962**	**6 001**	
Banks	**487**	**772**			**1 259**	
Securities firms						
Retail exposure						
Retail mortgage advances						
Retail revolving credit						
SME retail						
Other retail						
Securitisation and re-securitisation exposure						
Total	**487**	**813**	**8 112**	**965**	**10 377**	LI2
EAD					**61 145**	CCR4/LI2
Total					**71 522**	CCR1/LI2
2019						
Corporate			1 474	5	1 479	
SME corporate			428	1	429	
Public sector entities		37			37	
Local governments and municipalities						
Sovereign	277		3 029		3 306	
Banks	4 566	1 304			5 870	
Securities firms		9			9	
Retail exposure						
Retail mortgage advances						
Retail revolving credit						
SME retail						
Other retail						
Securitisation and re-securitisation exposure						
Total	4 843	1 350	4 931	6	11 130	
EAD					37 255	CCR4
Total					48 385	CCR1

CCR4: SBG IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE

The table below provides information on all the relevant parameters used for the calculation of CCR capital requirements under the IRB approach. To note:

- EAD post-CRM is the EAD as calculated under the applicable CCR approach and after applying CRM but gross of accounting provisions
- number of obligors correspond to the number of individual PDs in a band
- average PD and LGD are weighted by EAD
- RWA density is total RWA to EAD post-CRM.

Total

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2020							
0.00 to < 0.15	**42 644**	**0.06**	**102**	**38.41**	**1.3**	**6 234**	**19.20**
0.15 to < 0.25	**610**	**0.19**	**45**	**39.50**	**1.4**	**260**	**42.62**
0.25 to < 0.50	**6 000**	**0.41**	**161**	**39.03**	**2.7**	**3 935**	**65.58**
0.50 to < 0.75	**2 492**	**0.64**	**98**	**39.54**	**2.7**	**1 821**	**73.07**
0.75 to < 2.50	**8 347**	**1.00**	**222**	**41.89**	**2.2**	**8 075**	**96.74**
2.50 to < 10.00	**673**	**3.49**	**63**	**40.69**	**2.0**	**837**	**124.37**
10.00 to < 100.00	**338**	**10.94**	**7**	**28.11**	**4.8**	**500**	**147.93**
100.00 (default)	**41**	**100.00**	**3**	**40.29**	**2.5**	**68**	**165.85**
Total	**61 145**	**0.48**	**701**	**39.09**	**1.7**	**21 730**	**42.63**
	LI2/CCR3						
2019							
0.00 to < 0.15	22 757	0.06	76	39.24	1.5	4 106	18.04
0.15 to < 0.25	2 680	0.22	56	42.35	1.6	1 287	48.01
0.25 to < 0.50	8 817	0.43	196	42.06	1.9	5 922	67.06
0.50 to < 0.75	1 010	0.64	75	37.12	2.4	679	67.33
0.75 to < 2.50	1 228	1.15	158	39.64	1.8	1 082	88.15
2.50 to < 10.00	757	5.19	65	34.46	3.2	887	117.16
10.00 to < 100.00	1	11.14	4	58.18	1.0	3	256.83
100.00 (default)	5	100.00	2	40.09	1.0	1	20.61
Total	37 255	0.33	632	39.99	1.6	13 967	37.47
	CCR3						

Corporate

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2020							
0.00 to < 0.15	**649**	**0.10**	**31**	**36.70**	**1.6**	**146**	**22.55**
0.15 to < 0.25	**335**	**0.20**	**37**	**37.46**	**1.1**	**102**	**30.35**
0.25 to < 0.50	**5 010**	**0.42**	**144**	**38.51**	**2.5**	**3 204**	**63.95**
0.50 to < 0.75	**2 035**	**0.64**	**91**	**40.88**	**2.4**	**1 488**	**73.14**
0.75 to < 2.50	**3 534**	**1.04**	**168**	**37.00**	**2.6**	**2 936**	**83.04**
2.50 to < 10.00	**583**	**3.53**	**45**	**40.39**	**2.0**	**748**	**128.38**
10.00 to < 100.00	**32**	**17.59**	**5**	**45.56**	**2.7**	**77**	**242.48**
100.00 (default)	**40**	**100.00**	**2**	**40.09**	**2.5**	**64**	**161.26**
Subtotal	**12 218**	**1.13**	**523**	**38.46**	**2.4**	**8 765**	**71.74**
2019							
0.00 to < 0.15	534	0.07	24	36.36	1.3	78	14.68
0.15 to < 0.25	991	0.22	53	39.73	1.3	357	35.93
0.25 to < 0.50	2 653	0.40	160	41.08	1.7	1 461	54.76
0.50 to < 0.75	312	0.64	51	38.41	1.7	196	62.95
0.75 to < 2.50	817	1.15	111	40.38	1.6	752	92.13
2.50 to < 10.00	237	3.25	47	40.67	1.5	272	114.76
10.00 to < 100.00	1	10.24	2	58.64	1.0	2	245.14
100.00 (default)	5	100.00	1	40.09	1.0		
Subtotal	5 550	0.67	449	40.12	1.6	3 118	56.04

SME corporate

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2020							
0.00 to < 0.15	**3**	**0.13**	**2**	**45.00**	**1.0**	**1**	**20.93**
0.15 to < 0.25	**107**	**0.22**	**3**	**40.64**	**1.0**	**34**	**31.49**
0.25 to < 0.50	**90**	**0.38**	**7**	**31.87**	**4.6**	**47**	**51.53**
0.50 to < 0.75	**82**	**0.64**	**2**	**40.09**	**1.7**	**49**	**59.56**
0.75 to < 2.50	**823**	**1.11**	**21**	**37.52**	**2.9**	**662**	**80.60**
2.50 to < 10.00	**71**	**3.12**	**10**	**40.09**	**1.8**	**62**	**87.75**
10.00 to < 100.00		**40.96**	**1**	**61.93**	**1.0**		
100.00 (default)							
Subtotal	**1 176**	**1.06**	**46**	**37.72**	**2.7**	**855**	**72.69**
2019							
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50	28	0.32	2	40.09	5.0	20	68.89
0.50 to < 0.75	136	0.64	8	40.09	2.2	82	60.31
0.75 to < 2.50	56	1.23	15	41.29	2.4	59	105.43
2.50 to < 10.00	74	2.63	8	40.09	1.2	58	78.20
10.00 to < 100.00							
100.00 (default)		100.00	1	40.09	1.5	1	531.19
Subtotal	294	1.29	34	40.32	2.3	220	74.57

Securities firms

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2020							
0.00 to < 0.15	**6 618**	**0.06**	**5**	**39.83**	**1.6**	**1 436**	**20.79**
0.15 to < 0.25	**160**	**0.16**	**2**	**42.84**	**2.3**	**122**	**50.21**
0.25 to < 0.50							
0.50 to < 0.75	**1**	**0.64**	**1**	**40.09**	**1.0**	**1**	**72.78**
0.75 to < 2.50	**456**	**1.13**	**5**	**40.09**	**2.9**	**528**	**115.92**
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Subtotal	**7 235**	**0.13**	**13**	**39.91**	**1.7**	**2 087**	**27.44**
2019							
0.00 to < 0.15	8 149	0.05	8	39.40	1.7	1 540	18.90
0.15 to < 0.25							
0.25 to < 0.50	16	0.45	4	40.09	1.0	10	61.18
0.50 to < 0.75	267	0.64	2	40.09	1.0	194	72.75
0.75 to < 2.50	158	1.26	5	40.09	1.0	119	75.22
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Subtotal	8 590	0.09	19	39.43	1.7	1 863	21.69

Sovereign

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2020							
0.00 to < 0.15	**3 747**	**0.04**	**2**	**29.34**	**0.7**	**182**	**4.86**
0.15 to < 0.25							
0.25 to < 0.50							
0.50 to < 0.75	**360**	**0.64**	**1**	**31.81**	**4.3**	**268**	**74.39**
0.75 to < 2.50							
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Subtotal	**4 107**	**0.09**	**3**	**29.56**	**1.0**	**450**	**10.95**
2019							
0.00 to < 0.15	153	0.02	3	28.14	3.1	15	9.68
0.15 to < 0.25							
0.25 to < 0.50	482	0.45	1	29.34	4.2	286	59.45
0.50 to < 0.75		0.64	2	26.29	1.0		36.77
0.75 to < 2.50							
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Subtotal	635	0.35	6	29.05	4.0	301	47.44

Public sector entities

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2020							
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50	**850**	**0.37**	**5**	**42.51**	**3.7**	**653**	**76.77**
0.50 to < 0.75	**14**	**0.64**	**2**	**40.09**	**3.6**	**15**	**109.47**
0.75 to < 2.50	**30**	**1.45**	**4**	**35.43**	**1.2**	**27**	**87.15**
2.50 to < 10.00		**3.62**	**2**	**40.08**	**1.0**		**110.63**
10.00 to < 100.00	**306**	**10.24**	**1**	**26.29**	**5.0**	**423**	**138.48**
100.00 (default)	**1**	**100.00**	**1**	**48.09**	**1.0**	**4**	**607.18**
Subtotal	**1 201**	**2.96**	**15**	**38.17**	**4.0**	**1 122**	**93.41**
2019							
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50	195	0.32	3	36.21	2.7	104	52.90
0.50 to < 0.75	20	0.64	4	26.48	2.0	10	52.38
0.75 to < 2.50	21	0.90	3	35.50	1.0	15	73.27
2.50 to < 10.00	386	7.24	2	26.29	5.0	478	123.93
10.00 to < 100.00							
100.00 (default)							
Subtotal	622	4.64	12	29.72	4.0	607	97.62

Specialised lending – project finance

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2020[1]							
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50							
0.50 to < 0.75							
0.75 to < 2.50							
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Subtotal							
2019							
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50	914	0.45	17	33.53	3.2	500	54.71
0.50 to < 0.75	272	0.64	5	31.92	4.6	195	71.63
0.75 to < 2.50	96	0.92	5	25.05	4.5	65	67.77
2.50 to < 10.00	21	3.09	2	63.64	1.8	29	140.77
10.00 to < 100.00							
100.00 (default)							
Subtotal	1 303	0.57	29	33.05	3.6	789	60.57

1 There was no CCR for this asset class during 2020.

Banks

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2020							
0.00 to < 0.15	**31 627**	**0.06**	**62**	**39.61**	**1.3**	**4 469**	**18.85**
0.15 to < 0.25	**8**	**0.16**	**3**	**42.84**	**1.0**	**2**	**26.16**
0.25 to < 0.50	**50**	**0.37**	**5**	**45.31**	**2.0**	**31**	**61.65**
0.50 to < 0.75		**0.64**	**1**	**47.04**	**1.0**		
0.75 to < 2.50	**3 504**	**0.92**	**23**	**48.13**	**1.5**	**3 922**	**108.77**
2.50 to < 10.00	**19**	**3.48**	**6**	**52.15**	**1.0**	**27**	**141.83**
10.00 to < 100.00							
100.00 (default)							
Subtotal	**35 208**	**0.18**	**100**	**40.83**	**1.4**	**8 451**	**31.62**
2019							
0.00 to < 0.15	13 921	0.06	41	39.38	1.3	2 473	17.76
0.15 to < 0.25	1 689	0.23	3	43.89	1.8	930	55.10
0.25 to < 0.50	4 529	0.45	9	45.99	1.5	3 541	78.19
0.50 to < 0.75	3	0.64	3	47.04	1.0	2	65.80
0.75 to < 2.50	80	1.14	18	48.70	1.0	72	89.21
2.50 to < 10.00	39	2.57	6	51.25	1.0	50	125.80
10.00 to < 100.00		14.48	2	56.49	1.0	1	300.30
100.00 (default)							
Subtotal	20 261	0.17	82	41.29	1.4	7 069	34.88

Local governments and municipalities

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2020							
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50							
0.50 to < 0.75							
0.75 to < 2.50		**1.81**	**1**	**40.09**	**1.0**		**87.33**
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Subtotal		**1.81**	**1**	**40.09**	**1.0**		**87.33**
2019							
0.00 to < 0.15							
0.15 to < 0.25							
0.25 to < 0.50							
0.50 to < 0.75							
0.75 to < 2.50		1.81	1	40.09	1.0		108.99
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Subtotal		1.81	1	40.09	1.0		108.99

CCR5: SBG COMPOSITION OF CAPITAL FOR CCR EXPOSURE[1]

	Collateral used in derivatives transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received Rm	Fair value of posted collateral Rm
	Segregated Rm	Unsegregated[2] Rm	Segregated Rm	Unsegregated[2] Rm		
2020						
Cash – domestic currency		**15 528**		**5 826**	**20 551**	**28 422**
Cash – other currencies		**2 970**		**13 279**	**2 381**	**130 580**
Domestic sovereign debt		**1 122**			**12 409**	**14 668**
Other sovereign debt		**356**			**18 349**	**52**
Government agency debt		**717**			**96**	
Corporate bonds					**77 242**	**22 933**
Equity securities					**25 517**	**11 793**
Other collateral		**8 231**			**48 715**	
Total		**28 924**		**19 105**	**205 260**	**208 448**
2019						
Cash – domestic currency		10 423		445	32 448	26 282
Cash – other currencies		1 831		6 633	3 570	50 323
Domestic sovereign debt		1 281			9 806	25 666
Other sovereign debt		1			9 056	2 612
Government agency debt		570			26	
Corporate bonds					43 355	598
Equity securities					5 318	6 033
Other collateral		5 580			12 694	
Total		19 686		7 078	116 273	111 514

1 Per the requirement of the framework, collateral includes both cash and securities that are subject to the transaction. Collateral items are presented at fair value and gross of haircuts.
2 Unsegregated refers to collateral not held in a bankruptcy-remote manner.

CCR6: SBG CREDIT DERIVATIVES EXPOSURES

	2020		2019	
	Protection bought Rm	Protection sold Rm	Protection bought Rm	Protection sold Rm
Notionals				
Single-name credit default swaps	**17 971**	**31 079**	20 519	35 906
Index credit default swaps	**1 049**	**2 837**	7 963	9 326
Total return swaps	**3 218**	**1 481**	3 983	4 205
Other credit derivatives	**43 745**	**3 526**	44 677	9 701
Total notionals	**65 983**	**38 923**	77 142	59 138
Fair values				
Positive fair value (asset)	**1 484**	**389**	890	387
Negative fair value (liability)	**1 102**	**1 395**	3 421	935

CCR8: SBG EXPOSURES TO CCPS

	2020		2019	
	EAD (post-CRM) Rm	RWA Rm	EAD (post-CRM) Rm	RWA Rm
Exposures to qualifying CCPs (total)	**47 338**	**599**	31 315	518
Exposures for trades at qualifying CCPs (excluding initial margin and default fund contributions) of which:	**25 933**	**596**	18 983	415
Over-the-counter derivatives	**5 823**	**194**	6 541	166
Exchange-traded derivatives[1]	**20 110**	**402**	12 442	249
Segregated initial margin				
Non-segregated initial margin	**21 281**		12 223	100
Pre-funded default fund contributions	**124**	**3**	109	3

1 Calculation of EAD includes supervisory add-on factor for all exchange-traded derivatives.

SEC1: SBG SECURITISATION EXPOSURES IN THE BANKING BOOK

	Bank acts as originator	Bank acts as sponsor	Bank acts as investor
	Traditional Rm	Traditional Rm	Traditional Rm
2020			
Retail	**49 134**	**3 637**	**330**
Of which: residential mortgages	**49 134**	**3 296**	**16**
Of which: credit card			
Of which: other retail exposures		**341**	**314**
Of which: re-securitisation			
Wholesale			
Of which: loans to corporates			
Of which: commercial mortgages			
Of which: lease and receivables			
Of which: other wholesale			
Of which: re-securitisation			
2019			
Retail	49 793	3 513	315
Of which: residential mortgages	49 793	3 167	
Of which: credit card			
Of which: other retail exposures		346	315
Of which: re-securitisation			
Wholesale			
Of which: loans to corporates			
Of which: commercial mortgages			
Of which: lease and receivables			
Of which: other wholesale			
Of which: re-securitisation			

SEC3: SBG SECURITISATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATION REGULATORY CAPITAL REQUIREMENTS – BANK ACTING AS ORIGINATOR OR AS SPONSOR

	Exposure values (by RW bands)			Exposure values (by regulatory approach)		RWA (by regulatory approach)		Capital charge after cap	
	<=20% RW	<20% to 50% RW	<100% to < 1 250% RW	IRB RBA[1] (including IAA[2])	IRB SFA[3]	IRB RBA[1] (including IAA[2])	IRB SFA[3]	IRB RBA[1] (including IAA[2])	IRB SFA[3]
2020									
Total exposures	**2 877**	**1 074**	**16**	**1 090**	**2 877**	**491**	**213**	**59**	**26**
Traditional securitisation	**2 877**	**1 074**	**16**	**1 090**	**2 877**	**491**	**213**	**59**	**26**
Of which: securitisation	**2 877**	**1 074**	**16**	**1 090**	**2 877**	**491**	**213**	**59**	**26**
Of which: retail underlying	**2 877**	**1 074**	**16**	**1 090**	**2 877**	**491**	**213**	**59**	**26**
Of which: wholesale									
2019									
Total exposures	3 513			880	2 633	151	195	20	26
Traditional securitisation	3 513			880	2 633	151	195	20	26
Of which: securitisation	3 513			880	2 633	151	195	20	26
Of which: retail underlying	3 513			880	2 633	151	195	20	26
Of which: wholesale									

1 Ratings-based approach.
2 Internal assessment approach.
3 Supervisory formula approach.
4 Simplified supervisory formula approach.

SEC4: SBG SECURITISATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED REGULATORY CAPITAL REQUIREMENTS – BANK ACTING AS INVESTOR

	Exposure values (by RW bands)			Exposure values (by regulatory approach)	RWA (by regulatory approach)	Capital charge after cap
	<=20% RW	<20% to 50% RW	<100% to < 1 250% RW	IRB RBA (including IAA)	IRB RBA (including IAA)	IRB RBA (including IAA)
2020						
Total exposures		**314**	**16**	**330**	**209**	**20**
Traditional securitisation		**314**	**16**	**330**	**209**	**20**
Of which: securitisation		**314**	**16**	**330**	**209**	**20**
Of which: retail underlying		**314**	**16**	**330**	**209**	**20**
Of which: wholesale						
Of which: re-securitisation						
Of which: senior						
Of which: non-senior						
2019						
Total exposures		315		315	117	16
Traditional securitisation		315		315	117	16
Of which: securitisation		315		315	117	16
Of which: retail underlying		315		315	117	16
Of which: wholesale						
Of which: re-securitisation						
Of which: senior						
Of which: non-senior						

Annexure D – funding and liquidity risk

LIQ1: SBG LCR

	4Q20[1]		4Q19[1]	
	Total unweighted[2] value (average) Rm	**Total weighted[3] value (average) Rm**	Total unweighted[2] value (average) Rm	Total weighted[3] value (average) Rm
HQLA				
Total HQLA		**349 104**		293 594
Retail deposits and deposits from small business customers, of which:	**422 046**	**41 158**	375 725	36 684
Stable deposits	**20 928**	**1 046**	17 776	889
Less-stable deposits	**401 118**	**40 112**	357 949	35 795
Unsecured wholesale funding, of which:	**827 685**	**427 040**	637 516	331 995
Operational deposits (all counterparties) and deposits in networks of cooperative banks	**213 769**	**53 442**	174 438	43 609
Non-operational deposits (all counterparties)	**609 526**	**369 208**	460 556	285 864
Unsecured debt	**4 390**	**4 390**	2 522	2 522
Secured wholesale funding		**268**		159
Additional requirements	**139 113**	**46 987**	102 862	28 108
Outflows related to derivative exposures and other collateral requirements	**25 163**	**25 163**	12 882	12 882
Outflows related to loss of funding on debt products	**3 637**	**3 637**	3 031	3 031
Credit and liquidity facilities	**110 313**	**18 187**	86 949	12 195
Other contractual funding obligations	**5 287**	**5 287**	6 476	6 476
Other contingent funding obligations	**380 797**	**15 102**	389 992	15 611
Cash outflows		**535 842**		419 033
Secured lending	**87 925**	**81 221**	52 040	39 847
Inflows from fully performing exposures	**206 572**	**182 580**	175 706	147 342
Other cash inflows	**19 429**	**12 976**	25 931	19 735
Cash inflows		**276 777**		206 924

		Total adjusted value[4] Rm	Total adjusted value[4] Rm
Total HQLA	KM1	**349 104**	293 594
Total net cash outflows	KM1	**259 065**	212 109
LCR (%)	KM1	**134.8**	138.4

1 Simple average of 92 days of daily observations over the quarter ended 31 December 2020 and 31 December 2019 for SBSA, SBSA Isle of Man branch, Stanbic Bank Ghana, Stanbic Bank Uganda, Standard Bank Namibia, Stanbic IBTC Bank Nigeria, Standard Bank Isle of Man Limited and Standard Bank Jersey Limited and the simple average of three month-end data points ended 31 December 2020 and 31 December 2020 for the other Africa Regions banking entities.
2 Unweighted value represents the outstanding balances maturing or callable within 30 days (for inflows and outflows).
3 Total weighted value is calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).
4 Adjusted value calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows).

LIQ2: SBG NSFR

		Unweighted value by residual maturity				
		No maturity Rm	< 6 months Rm	6 months to < 1 year Rm	≥ 1 year Rm	Weighted value Rm
2020						
ASF item						
Capital:		151 396	2 134	0	32 889	185 032
Regulatory capital		145 916	2 134		32 889	179 552
Other capital instruments		5 480				5 480
Retail deposits and deposits from small business customers:		231 046	225 364	8 425	11 290	430 863
Stable deposits		20 518	411			19 883
Less-stable deposits		210 528	224 953	8 425	11 290	410 980
Wholesale funding:		439 862	567 225	52 435	196 056	624 748
Operational deposits		175 818	42 562			109 190
Other wholesale funding		264 044	524 663	52 435	196 056	515 558
Liabilities with matching interdependent assets						
Other liabilities:		22 983	2 187	552	57 396	57 671
NSFR derivative liabilities				17 583		
All other liabilities and equity not included in the above categories		22 983	2 187	552	57 396	57 671
Total ASF	KM1					1 298 314
RSF item						
Total NSFR HQLA						35 370
Deposits held at other financial institutions for operational purposes		1 153	1 448			897
Performing loans and securities:		20 768	409 245	96 992	863 453	849 506
Performing loans to financial institutions secured by level 1 HQLA			22 963	6 823	661	6 369
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		1	253 410	9 952	37 258	79 045
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities, of which:		15	113 832	69 436	448 696	473 033
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk			43 268	12 371	81 884	97 421
Performing residential mortgages, of which:			9 467	7 961	333 120	230 070
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk			8 819	77 285	309 607	209 297
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		20 752	9 573	2 820	43 718	60 989
Assets with matching interdependent liabilities						
Other assets:		61 155	46 202	0	67 539	135 810
Physical traded commodities, including gold		19				16
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				3 347		2 845
NSFR derivative assets				18 751		1 165
NSFR derivative liabilities before deduction of variation margin posted				27 740		2 810
All other assets not included in the above categories		61 136	46 202		67 539	128 974
Off-balance sheet items				417 127		18 850
Total RSF	KM1					1 040 433
NSFR (%)	KM1					124.8

	Unweighted value by residual maturity				
	No maturity Rm	**< 6 months Rm**	**6 months to < 1 year Rm**	**≥ 1 year Rm**	**Weighted value Rm**
3Q20					
ASF item					
Capital:	156 197	5 090	1 836	32 582	191 478
Regulatory capital	149 578	1 590	1 836	32 582	183 634
Other capital instruments	6 619	3 500			7 844
Retail deposits and deposits from small business customers:	236 155	208 231	8 274	12 173	420 899
Stable deposits	21 492	252			20 657
Less-stable deposits	214 663	207 979	8 274	12 173	400 242
Wholesale funding:	417 099	569 999	82 008	224 912	659 175
Operational deposits	172 857	42 191			107 524
Other wholesale funding	244 242	527 808	82 008	224 912	551 651
Liabilities with matching interdependent assets					
Other liabilities:	24 296	2 843	357	58 754	58 932
NSFR derivative liabilities			9 001		
All other liabilities and equity not included in the above categories	24 296	2 843	357	58 754	58 932
Total ASF					1 330 484
RSF item					
Total NSFR HQLA					34 976
Deposits held at other financial institutions for operational purposes	1 657	208			353
Performing loans and securities:	17 858	407 931	92 171	866 915	851 578
Performing loans to financial institutions secured by level 1 HQLA		10 533	1 889	7 932	9 929
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	4	267 680	4 971	31 090	72 536
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities, of which:	22	111 814	76 596	477 335	499 985
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		45 321	12 338	92 690	107 616
Performing residential mortgages, of which:		8 980	7 167	307 692	212 298
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		8 463	6 688	287 035	194 148
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	17 832	8 924	1 548	42 866	56 830
Assets with matching interdependent liabilities					
Other assets:	62 499	4 473		86 342	163 861
Physical traded commodities, including gold					
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			5 070		4 309
NSFR derivative assets			15 571		7 637
NSFR derivative liabilities before deduction of variation margin posted			25 948		2 491
All other assets not included in the above categories	62 499	4 473		86 342	149 424
Off-balance sheet items			436 653		18 610
Total RSF					1 069 378
NSFR (%)					124.4

Annexure E – market risk

MR1: SBG MARKET RISK UNDER THE STANDARDISED APPROACH

	2020 RWA Rm	2019 RWA Rm
Outright products	**44 285**	57 608
Interest rate risk (general and specific)	42 371	54 167
Equity risk (general and specific)	8	5
Foreign exchange risk	1 784	3 185
Commodity risk	122	251
Options	**2 906**	3 187
Simplified approach		
Delta-plus method	2 906	3 187
Scenario approach		
Securitisation		
Total	**47 191**	60 795
	OV1	OV1

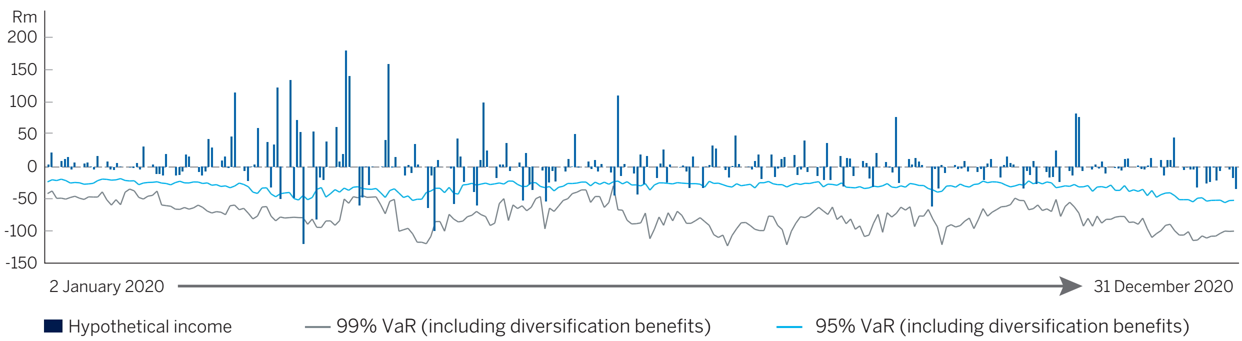
MR2: SBG RWA FLOW STATEMENTS OF MARKET RISK EXPOSURES UNDER IMA

	2020			2019		
	VaR Rm	SVaR Rm	Total RWA Rm	VaR Rm	SVaR Rm	Total RWA Rm
RWA at beginning of reporting period	6 188	8 400	14 588	5 115	8 719	13 834
Movement in risk levels	1 874	(625)	1 249	1 073	(349)	724
Model updates/changes	1	13	14		30	30
RWA at end of reporting period	**8 063**	**7 789**	**15 852**	6 188	8 400	14 588
			OV1			OV1

MR3: SBG IMA VALUES FOR TRADING PORTFOLIOS

	2020 Rm	2019 Rm
VaR (ten day 99%)		
Maximum value	102	199
Average value	56	131
Minimum value	28	72
Period end	**71**	95
Stressed VaR (ten day 99%)		
Maximum value	330	405
Average value	179	220
Minimum value	73	82
Period end	**123**	324

MR4: SBG BACKTESTING - COMPARISON OF VAR AND HYPOTHETICAL INCOME OF TRADING UNITS



Annexure F – capital management

OV1: SBG BASEL RWA AND ASSOCIATED CAPITAL REQUIREMENTS

		RWA		Minimum capital requirements[1]
		2020	2019	2020
Credit risk (excluding CCR)		883 098	768 308	105 971
Of which: standardised approach[2]	CR4	396 943	333 306	47 633
Of which: IRB approach	CR6, CR7, CR8	486 155	435 002	58 338
CCR	CCR1, CCR2	51 330	31 912	6 160
Of which: standardised approach for CCR		9 940	6 584	1 193
Of which: IRB approach		22 329	14 485	2 680
Of which: credit valuation adjustments		19 061	10 843	2 287
Equity positions in banking book under market-based approach	CR10	9 500	5 700	1 140
Securitisation exposures in banking book		704	463	85
Of which: IRB approach		491	268	59
Of which: IRB supervisory formula approach		213	195	26
Market risk		63 043	75 383	7 565
Of which: standardised approach	MR1	47 191	60 795	5 663
Of which: internal model approach (IMA)	MR2	15 852	14 588	1 902
Operational risk		163 648	165 819	19 637
Of which: standardised approach		82 578	89 090	9 909
Of which: advanced measurement approach (AMA)		81 070	76 729	9 728
Amounts below the thresholds for deduction (subject to 250% risk-weight)		58 155	51 943	6 979
Total		1 229 478	1 099 528	147 537

1 Measured at 12.0% (2019: 11.5%) and excludes any bank-specific capital requirements. Pillar 2A buffer requirements have been temporarily removed in response to the Covid-19 pandemic. The group's D-SIB buffer requirement, which is required to be disclosed from 1 September 2020 amounts to 1.5%, of which 1.0% is required to be held in CET I. There is currently no requirement for the countercyclical buffer add-on in South Africa or in other jurisdictions in which we have significant exposures.

2 Portfolios on the standardised approach relate to Africa Regions and portfolios for which application to adopt the internal model approach has not been submitted, or for which an application has been submitted but approval has not been granted.

CCYB1: SBG GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES USED IN THE COUNTERCYCLICAL BUFFER

Geographical breakdown	Countercyclical capital buffer rate %	RWA used in the computation of the countercyclical capital buffer Rm	Bank-specific countercyclical capital buffer rate %	Countercyclical buffer amount Rm
Hong Kong	2.0	45		
Norway	2.0	4		
Sweden		208		
France	0.3	1 815		
United Kingdom		68		

LR1: SBG SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE[1]

	2020 Rm	2019 Rm
Total consolidated assets as per published financial statements	2 080 771	1 836 652
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	11 528	11 182
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		
Adjustments for derivative financial instruments	(39 890)	(10 862)
Adjustment for SFT (repos and similar secured lending)	1 582	1 628
Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	141 363	113 436
Other adjustments	15 095	17 368
Leverage ratio exposure	2 210 449	1 969 404

1 Group, including Liberty.

LR2: SBG LEVERAGE RATIO COMMON DISCLOSURE TABLE

	2020 Rm	2019 Rm
On-balance sheet exposures (excluding derivatives and SFT)	1 872 932	1 730 899
On-balance sheet exposures (excluding derivatives and SFTs, but including collateral)	1 892 745	1 753 358
Less: asset amounts deducted in determining Basel III tier I capital	(19 813)	(22 459)
Derivatives exposures	66 205	55 962
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	35 119	16 636
Add-on amounts for PFE associated with all derivatives transactions	64 653	49 008
Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	(19 106)	(7 078)
Less: exempted CCP leg of client-cleared trade exposures	(30 553)	(16 998)
Adjusted effective notional amount of written credit derivatives	16 092	14 394
SFT exposures	129 949	69 107
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions (Netted amounts of cash payables and cash receivables of gross SFT assets)	128 367	67 479
CCR exposure for SFT assets	1 582	1 628
Agent transaction exposures		
Other off-balance sheet exposures	141 363	113 436
Off-balance sheet exposure at gross notional amount	397 049	362 912
Less: adjustments for conversion to credit equivalent amounts	(255 686)	(249 476)
Capital and total exposures		
Tier I capital[1]	163 945	147 981
Total exposures	2 210 449	1 969 404
Leverage ratio		
Basel III leverage ratio	7.4	7.5
Basel III leverage ratio (including unappropriated profits)	7.8	8.2
Total exposure	2 210 449	1 969 404

1 Excludes unappropriated profits.

SBG RECONCILIATION WITH AFS

	2020 Rm	2019 Rm
Total consolidated assets per AFS	2 080 771	1 836 652
Derivative assets as per the balance sheet	(106 096)	(66 825)
Security financing transactions per the balance sheet	(128 367)	(67 479)
Total consolidated assets per AFS (excluding derivative and SFT assets)	1 846 308	(134 304)
Gross-up for cash management schemes	35 034	39 829
Adjustment for share of consolidated insurance assets	11 528	11 182
Total on-balance sheet items	46 562	(83 293)

CC1: SBG COMPOSITION OF REGULATORY REGULATORY CAPITAL[1]

	2020 Basel III Rm	2019 Basel III Rm
CET I capital	**155 079**	140 222
Instruments and reserves		
CET I capital before regulatory adjustments	**174 892**	162 681
Directly issued qualifying common share capital plus related stock surplus	**18 017**	17 984
Retained earnings	**154 547**	144 904
Accumulated other comprehensive income (and other reserves)	**(4 711)**	(5 818)
Directly issued capital subject to phase-out from CET I (only applicable to non-joint stock companies)		
Public sector capital injections grandfathered until 1 January 2018		
Common share capital issued by subsidiaries and held by third-parties (amount allowed in group CET I)	**7 039**	5 611
Regulatory adjustments		
Less: total regulatory adjustments to CET I	**(19 813)**	(22 459)
Prudential valuation adjustments	**1 457**	2 754
Goodwill (net of related tax liability)	**(2 207)**	(2 186)
Other intangibles other than mortgage-servicing rights (net of related tax liability)	**(13 797)**	(16 518)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(787)**	(413)
Cashflow hedge reserve	**(107)**	51
Shortfall of provisions to expected losses		
Securitisation gain on sale		
Gains and losses due to changes in own credit risk on fair valued liabilities	**(15)**	(21)
Defined-benefit pension fund net assets	**(406)**	(242)
Investments in own shares (if not already netted of paid-in capital on reported balance sheet)		(51)
Reciprocal cross-holdings in common equity		
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)		
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)	**(3 953)**	(5 833)
Mortgage servicing rights (amount above 10% threshold)		
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
Amount exceeding the 15% threshold, relating to:		
Significant investments in the common stock of financials		
Mortgage servicing rights		
Deferred tax assets arising from temporary differences		
National-specific regulatory adjustments		
Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment		
Regulatory adjustments applied to CET I due to insufficient AT I and tier II to cover deductions		

	2020 Basel III Rm	2019 Basel III Rm
AT I capital		
Instruments		
AT I capital before regulatory adjustments	**8 866**	7 759
Directly issued qualifying AT I instruments plus related stock surplus, classified as:	**8 124**	7 134
Equity under applicable accounting standards	**8 124**	7 134
Liabilities under applicable accounting standards		
Directly issued capital instruments subject to phase-out from AT I	**5 495**	5 495
AT I instruments (and CET I instruments not included in common share capital) issued by subsidiaries and held by third-parties (amount allowed in group AT I), including:	**823**	636
Instruments issued by subsidiaries subject to phase-out		
Regulatory adjustments		
Total regulatory adjustments to AT I capital	**(81)**	(11)
Investments in own AT I instruments	**(81)**	(11)
Reciprocal cross-holdings in AT I instruments		
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)		
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)		
National-specific regulatory adjustments:		
Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment		
Regulatory adjustments applied to AT I due to insufficient tier II to cover deductions		
Tier I capital	**163 945**	147 981
Capital and provisions		
Tier II capital before regulatory adjustments	**26 320**	23 116
Directly issued qualifying tier II instruments plus related stock surplus	**21 569**	20 431
Directly issued capital instruments subject to phase-out from tier II		3 500
Tier II instruments (and CET I and AT I instruments not included in common share capital and AT I instruments) issued by subsidiaries and held by third-parties (amount allowed in group tier II), including:		
Instruments issued by subsidiaries subject to phase-out		
Provisions	**4 751**	2 685
Regulatory adjustments		
Total regulatory adjustments to tier II capital	**(417)**	(1 114)
Investments in own tier II instruments	**(69)**	(49)
Reciprocal cross-holdings in tier II instruments		
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)	**(348)**	(1 065)
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
National specific regulatory adjustments		
Regulatory adjustments applied to tier II in respect of amounts subject to pre-Basel III treatment		
Tier II capital	**25 903**	22 002
Total capital	**189 848**	169 983
Total RWA	**1 229 478**	1 099 528

	2020 Basel III Rm	2019 Basel III Rm
RWA in respect of amounts subject to pre-Basel III treatment		
Capital ratios and buffers		
CET I (as a % of RWA)	**12.6**	12.8
Tier I (as a % of RWA)	**13.3**	13.5
Total capital (as a % of RWA)	**15.4**	15.5
Institution-specific buffer requirement (minimum CET I requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a % of RWA)	**7.0**	7.5
Capital conservation buffer requirement (%)	**2.5**	2.5
Bank specific countercyclical buffer requirement (%)		
Global systemically important bank (G-SIB) buffer requirement (%)	**1.0**	
CET I available to meet buffers (as a % of RWA)	**5.6**	5.3
National minima (if different from Basel III)		
National CET I minimum ratio (if different from Basel III minimum) – excluding individual capital requirement (ICR) and D-SIB (%)	**7.0**	7.5
National tier I minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB	**8.5**	9.3
National total capital minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB	**10.5**	11.5
Amounts below the threshold for deductions (before risk-weighting)		
Non-significant investments in the capital of other financials	**919**	236
Significant investments in the common stock of financials	**15 750**	14 321
Mortgage servicing rights (net of related tax liability)		
Deferred tax assets arising from temporary differences (net of related tax liability)	**7 373**	6 172
Applicable caps on the inclusion of provisions in tier II		
Provisions eligible for inclusion in tier II in respect of exposures subject to standardised approach (prior to application of cap)	**2 821**	2 849
Cap on inclusion of provisions in tier II under standardised approach	**5 681**	4 375
Provisions eligible for inclusion in tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)[2]	**2 639**	2 399
Cap for inclusion of provisions in tier II under internal ratings-based approach	**1 931**	(165)
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)		
Current cap on CET I instruments subject to phase-out arrangements		
Amount excluded from CET I due to cap (excess over cap after redemptions and maturities)		
Current cap on AT I instruments subject to phase-out arrangements		
Amount excluded from AT I due to cap (excess over cap after redemptions and maturities)		
Current cap on tier II instruments subject to phase-out arrangements		
Amount excluded from tier II due to cap (excess over cap after redemptions and maturities)		

1 Disclosure based on prescribed SARB template. All blank line items are not applicable as at 31 December 2020.
2 Based on SARB IFRS 9 phased-in approach.

CC2: SBG RECONCILIATION OF IFRS AUDITED STATEMENT OF FINANCIAL POSITION AND REGULATORY CAPITAL AND RESERVES

	Statement of financial position Rm	Under regulatory scope of consolidation Rm
2020		
Assets		
Cash and balances with central banks	87 505	87 505
Derivative assets	118 290	106 096
Trading assets	262 627	257 907
Pledged assets	18 981	10 382
Financial investments	650 298	273 114
Current tax assets	694	689
Disposal group assets held for sale	220	8
Loans and advances	1 271 255	1 271 204
Policyholders' assets	5 050	
Other assets	36 020	25 344
Of which: defined-benefit pension fund net assets		1 081
Interest in associates and joint ventures	6 498	20 391
Of which: CET I capital deductions		3 953
Investment property	29 917	453
Property and equipment	20 702	19 590
Goodwill and other intangible assets	18 262	17 686
Of which: goodwill		2 207
Of which: other intangibles		13 797
Deferred tax assets (DTA)	6 621	6 380
Of which: deferred tax liabilities (DTL) other intangible assets (CET I deduction)		2 258
Of which: DTA that relies on future profitability (CET I deduction)		787
Of which: DTL defined-benefit pension fund net assets (CET I deduction)		(158)
Total assets	**2 532 940**	**2 096 749**
Liabilities		
Derivative liabilities	111 577	101 234
Trading liabilities	81 261	80 088
Current tax liabilities	5 417	5 202
Deposits and debt funding	1 624 044	1 645 180
Policyholders' liabilities	325 192	
Subordinated debt	29 306	23 225
Of which: tier II capital		25 903
Disposal group liabilities held for sale	92	
Provisions and other liabilities	137 894	42 702
Deferred tax liabilities	2 885	517
Of which: DTL related to other intangible assets		596
Total liabilities	**2 317 668**	**1 898 227**
Shareholder's equity		
Paid-in share capital	18 016	18 016
Of which: amount eligible for CET I		18 016
Retained earnings and other reserves	158 355	158 355
Of which: amount eligible for CET I		149 837
Equity attributable to other equity instrument holders	12 528	12 528
Of which: AT I capital		8 124
Equity attributable to non-controlling interest	26 373	26 373
Of which: CET I capital		7 039
Of which: AT I capital		823
Total shareholders' equity	**215 272**	**215 272**

Annexure G – The Standard Bank of South Africa

The sections that follow present the quantitative disclosure of SBSA, our largest banking subsidiary. All references apply within this annexure and not to SBG.

KM1: SBSA KEY METRICS

		2020	3Q20	1H20	1Q20	2019
	Available capital[1] (Rm)					
1	CET I	**83 676**	84 250	84 176	79 319	78 675
1a	Fully loaded ECL accounting model	**82 984**	83 558	83 483	78 626	77 289
2	Tier I	**90 620**	91 207	89 634	84 756	84 150
2a	Fully loaded ECL accounting model tier I	**89 927**	90 515	88 940	84 063	82 764
3	Total capital	**112 069**	116 038	114 648	107 167	102 876
3a	Fully loaded ECL accounting model total capital	**112 029**	115 998	114 606	107 125	102 791
	RWA (Rm)					
4	Total RWA	**722 809**	724 961	746 991	730 446	669 571
	Risk-based capital ratios as a percentage of RWA[2]					
5	CET I ratio (%)	**11.6**	11.6	11.3	10.9	11.7
5a	Fully loaded ECL accounting model CET I (%)	**11.5**	11.5	11.2	10.8	11.5
6	Tier I ratio (%)	**12.5**	12.6	12.0	11.6	12.6
6a	Fully loaded ECL accounting model tier I ratio (%)	**12.4**	12.5	11.9	11.5	12.4
7	Total capital ratio (%)	**15.5**	16.0	15.3	14.7	15.4
7a	Fully loaded ECL accounting model total capital ratio (%)	**15.5**	16.0	15.3	14.7	15.4
	Additional CET I buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	**2.5**	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)					0.0216
10	Bank G-SIB and/or D-SIB additional requirements (%)[3]	**1.0**	1.0	1.0		
11	Total of bank CET I specific buffer requirements (%) (row 8 + row 9 + row 10)	**3.5**	3.5	3.5	2.5	2.5
12	CET I available after meeting the bank's minimum capital requirements (%)	**3.0**	3.5	2.8	3.2	3.8
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure (Rm)	**1 746 411**	1 744 725	1 772 260	1 723 936	1 593 527
14	Basel III leverage ratio (%) (row 2/row 13)	**5.2**	5.2	5.1	4.9	5.3
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	**5.1**	5.2	5.0	4.9	5.2
	LCR					
15	Total HQLA (Rm)	**229 488**	230 410	221 503	201 712	205 349
16	Total net cash outflow (Rm)	**203 832**	182 317	189 025	161 290	165 096
17	LCR ratio (%)	**112.6**	126.4	117.2	125.1	124.4
	NSFR					
18	Total ASF (Rm)	**904 040**	896 389	890 808	851 175	830 874
19	Total RSF (Rm)	**807 975**	795 488	805 821	810 756	763 595
20	NSFR ratio (%)	**111.9**	112.7	110.5	105.0	108.8

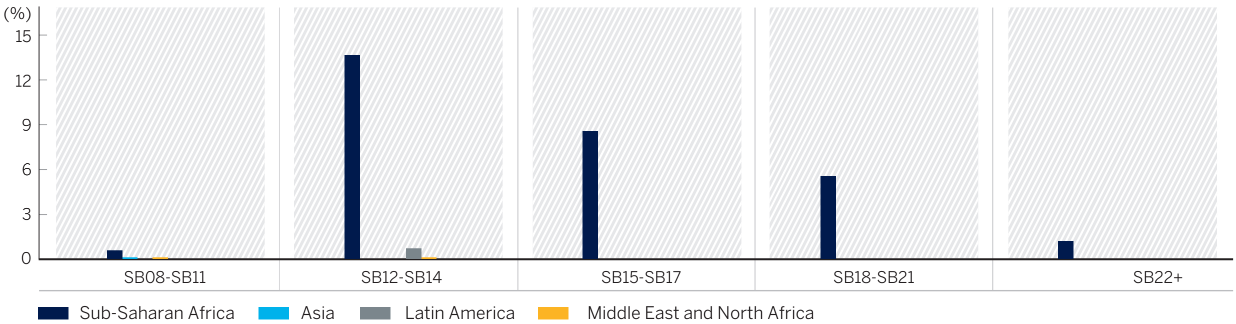
1 On 1 January 2018 the group adopted IFRS 9 – Financial Instruments (IFRS 9). For more information on the IFRS 9 transition adjustment, please refer to the group's IFRS 9 Transition Report which is available on the group's Investor Relations website. In terms of the SARB Directive 5/2017, the group elected the three-year transition period. All metrics are presented on the basis of applying this transition period with the exception of those metrics referred to as 'fully loaded'.
2 Excludes unappropriated profit.
3 Confidential requirement for disclosure made prior to 1 September 2020.

COUNTRY RISK

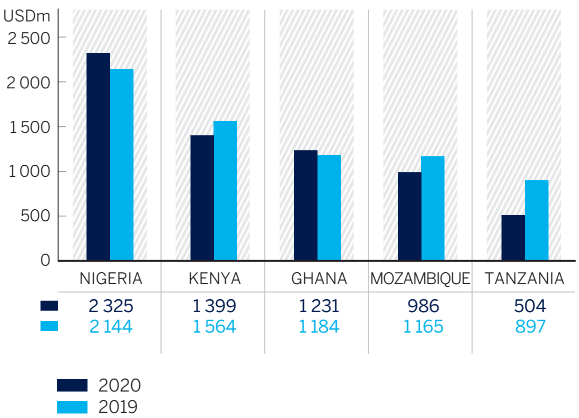
SBSA COUNTRY RISK EXPOSURE BY REGION AND RISK GRADE

Risk grade	Sub-Saharan-Africa %	Asia %	Australasia %	Europe %	Latin America %	Middle East and North Africa %	North America %
2020							
SB01 – SB07	**2.15**	**18.71**	**0.09**	**30.84**		**2.20**	**4.77**
SB08 – SB11	**0.75**	**0.11**		**0.04**		**0.01**	
SB12 – SB14	**18.55**				**0.94**	**0.04**	
SB15 – SB17	**11.62**						
SB18 – SB21	**7.56**						
SB22+	**1.62**						
2019							
SB01 – SB07	2.70	22.06	0.52	22.84		2.55	4.45
SB08 – SB11	7.27	0.63		0.20			
SB12 – SB14	13.97				1.09	0.15	
SB15 – SB17	14.41				0.39	0.01	
SB18 – SB21	1.18						
SB22+	5.58						

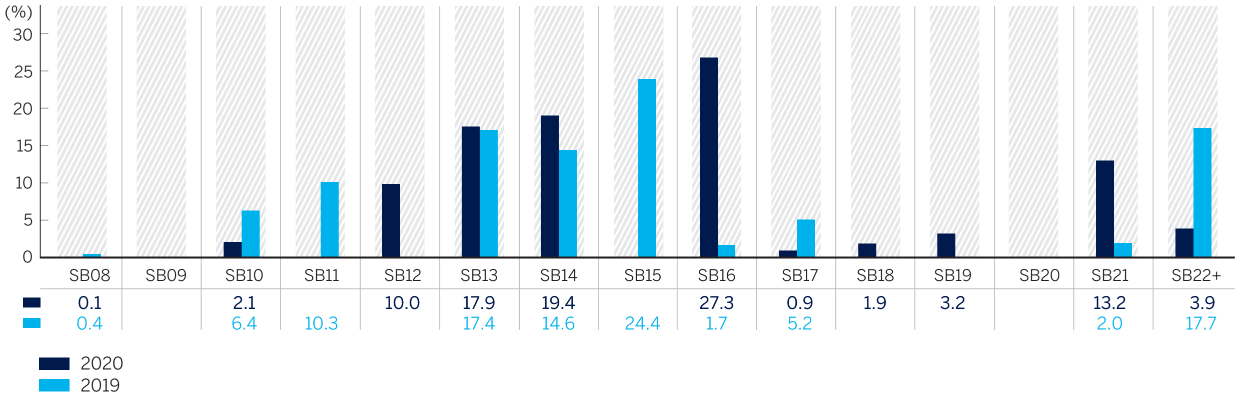
SBSA MEDIUM- AND HIGH-RISK COUNTRY EXPOSURE BY REGION



SBSA TOP FIVE MEDIUM- AND HIGH-RISK COUNTRY EAD



SBSA MEDIUM- AND HIGH-RISK COUNTRY EAD CONCENTRATION BY COUNTRY CEILING



FUNDING AND LIQUIDITY RISK

SBSA OVERVIEW OF FUNDING AND LIQUIDITY METRICS

	2020	2019
Total contingent liquidity (Rbn)	**358.5**	274.4
Eligible Basel III LCR HQLA (Rbn)	**227.8**	210.7
Managed liquidity (Rbn)	**130.7**	63.7
Total contingent liquidity as a % of funding-related liabilities (%)	**26.7**	22.8
Single depositor (%)	**4.9**	2.6
Top 10 depositors (%)	**14.2**	9.6
Basel III LCR (quarterly average %)	**112.6**	124.4
Minimum regulatory LCR requirement (%)	**80.0**	100.0
Basel III NSFR (%)	**111.9**	108.8
Minimum regulatory NSFR requirement (%)	**100.0**	100.0

SBSA TOTAL CONTINGENT LIQUIDITY

	2020 Rbn	2019 Rbn
Eligible LCR HQLA[1] comprising:	**227.8**	210.7
Notes and coins	**8.5**	9.5
Balances with central banks	**25.5**	23.5
Government bonds and bills	**158.3**	133.9
Other eligible assets	**35.5**	43.8
Managed liquidity	**130.7**	63.7
Total contingent liquidity	**358.5**	274.4
Total contingent liquidity as a % of funding-related liabilities (%)	**26.7**	22.8

1 Eligible LCR HQLA are defined according to the BCBS LCR and liquidity risk monitoring framework.

SBSA DEPOSITOR CONCENTRATION

	2020 %	2019 %
Single depositor (limit 10%)	4.9	2.6
Top 10 depositors (limit 20%)	14.2	9.6

LIQ1: SBSA LCR

	4Q20[1]		4Q19[1]	
	Total unweighted[2] value (average) Rm	Total weighted[3] value (average) Rm	Total unweighted[2] value (average) Rm	Total weighted[3] value (average) Rm
HQLA				
Total HQLA		229 488		205 349
Retail deposits and deposits from small business customers, of which:	263 309	26 331	237 780	23 778
Stable deposits				
Less-stable deposits	263 309	26 331	237 780	23 778
Unsecured wholesale funding, of which:	600 545	309 515	483 794	257 627
Operational deposits (all counterparties) and deposits in networks of cooperative banks	213 769	53 442	174 438	43 609
Non-operational deposits (all counterparties)	382 403	251 700	306 620	211 282
Unsecured debt	4 373	4 373	2 736	2 736
Secured wholesale funding		269		159
Additional requirements	78 126	37 035	65 875	21 666
Outflows related to derivative exposures and other collateral requirements	23 706	23 706	11 383	11 383
Outflows related to loss of funding on debt products	3 637	3 637	3 031	3 031
Credit and liquidity facilities	50 783	9 692	51 461	7 252
Other contractual funding obligations	5 230	5 230	6 476	6 476
Other contingent funding obligations	330 482	13 373	344 169	14 026
Cash outflows		391 753		323 732
Secured lending	53 149	46 444	37 127	35 200
Inflows from fully performing exposures	140 020	128 446	121 796	105 031
Other cash inflows	19 180	13 031	24 261	18 405
Cash inflows		187 921		158 636

	Total adjusted value[4] Rm	Total adjusted value[4] Rm
Total HQLA	229 488	205 349
Total net cash outflows	203 832	165 096
LCR (%)	112.6	124.4

1 Simple average of 92 days of daily observations over the quarter ended 31 December 2020 and 31 December 2020 for SBSA, excluding foreign branches.
2 Unweighted value represents the outstanding balances maturing or callable within 30 days (for inflows and outflows).
3 Total weighted value is calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).
4 Adjusted value calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows).

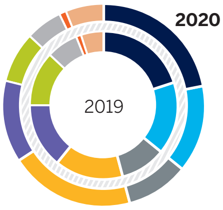
LIQ2: SBSA NSFR

The following table reflects SBSA excluding foreign branches, assets, liabilities and off-balance sheet items as at 31 December 2020 and 30 September 2020.

	Unweighted value by residual maturity				
	No maturity Rm	**< 6 months Rm**	**6 months to < 1 year Rm**	**≥ 1 year Rm**	**Weighted value Rm**
2020					
ASF item					
Capital:	95 091	2 134		27 042	122 880
Regulatory capital	95 091	2 134		27 042	122 880
Other capital instruments					
Retail deposits and deposits from small business customers:	101 612	191 789	6 945	8 150	278 461
Stable deposits					
Less-stable deposits	101 612	191 789	6 945	8 150	278 461
Wholesale funding:	304 729	482 762	45 793	163 666	498 053
Operational deposits	175 812	41 647			108 729
Other wholesale funding	128 917	441 115	45 793	163 666	389 324
Liabilities with matching interdependent assets					
Other liabilities:	22 253	2 187	551	4 371	4 646
NSFR derivative liabilities			17 226		
All other liabilities and equity not included in the above categories	22 253	2 187	551	4 371	4 646
Total ASF					904 040
RSF item					
Total NSFR HQLA					25 590
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:	20 752	295 479	74 108	735 626	695 825
Performing loans to financial institutions secured by level 1 HQLA		22 963	6 823	661	6 369
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		193 649	10 061	37 882	71 960
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities, of which:		61 057	47 000	328 912	333 604
With a risk-weight of less than or equal to 35% under the Basel II standardised approach for credit risk					
Performing residential mortgages, of which:		8 237	7 404	324 453	222 904
With a risk-weight of less than or equal to 35% under the Basel II standardised approach for credit risk		7 705	6 926	303 510	204 597
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	20 752	9 573	2 820	43 718	60 988
Assets with matching interdependent liabilities					
Other assets:	64 348	5 204		867	72 498
Physical traded commodities, including gold	19				17
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			3 347		2 845
NSFR derivative assets			18 748		1 523
NSFR derivative liabilities before deduction of variation margin posted			27 740		2 774
All other assets not included in the above categories	64 329	5 204		867	65 339
Off-balance sheet items			321 374		14 062
Total RSF					807 975
NSFR (%)					111.9

	Unweighted value by residual maturity				
	No maturity Rm	< 6 months Rm	6 months to < 1 year Rm	≥ 1 year Rm	Weighted value Rm
3Q20					
ASF item					
Capital:	95 741	5 090	1 836	26 275	124 716
Regulatory capital	95 741	1 590	1 836	26 275	123 491
Other capital instruments		3 500			1 225
Retail deposits and deposits from small business customers:	98 634	187 024	6 165	8 673	271 313
Stable deposits					
Less-stable deposits	98 634	187 024	6 165	8 673	271 313
Wholesale funding:	278 073	441 338	74 417	168 302	497 255
Operational deposits	172 807	41 441			107 124
Other wholesale funding	105 266	399 897	74 417	168 302	390 131
Liabilities with matching interdependent assets					
Other liabilities:	23 079	2 843	357	2 927	3 106
NSFR derivative liabilities			8 978		
All other liabilities and equity not included in the above categories	23 079	2 843	357	2 927	3 106
Total ASF					896 390
RSF item					
Total NSFR HQLA					26 382
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:	17 832	274 525	61 968	724 428	678 459
Performing loans to financial institutions secured by level 1 HQLA		10 533	1 889	7 932	9 929
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		191 501	7 078	36 572	68 836
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities, of which:		55 697	44 813	338 690	338 141
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk					
Performing residential mortgages, of which:		7 870	6 640	298 369	204 723
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		7 405	6 248	280 729	189 300
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	17 832	8 924	1 548	42 866	56 830
Assets with matching interdependent liabilities					
Other assets:	62 448	4 252		867	76 270
Physical traded commodities, including gold					
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			5 070		4 310
NSFR derivative assets			14 679		5 701
NSFR derivative liabilities before deduction of variation margin posted			26 798		2 680
All other assets not included in the above categories	62 448	4 252		867	63 579
Off-balance sheet items			351 996		14 378
Total RSF					795 489
NSFR (%)					112.7

SBSA FUNDING DIVERSIFICATION BY PRODUCT



	2020 %	2019 %
Call deposits	**22**	20
Term deposits	**14**	16
Current accounts	**10**	10
Cash management deposits	**20**	15
Deposits from banks and central banks	**13**	14
Negotiable certificates of deposits	**8**	12
Senior and subordinated debt	**6**	7
Savings accounts	**1**	1
Other	**6**	5

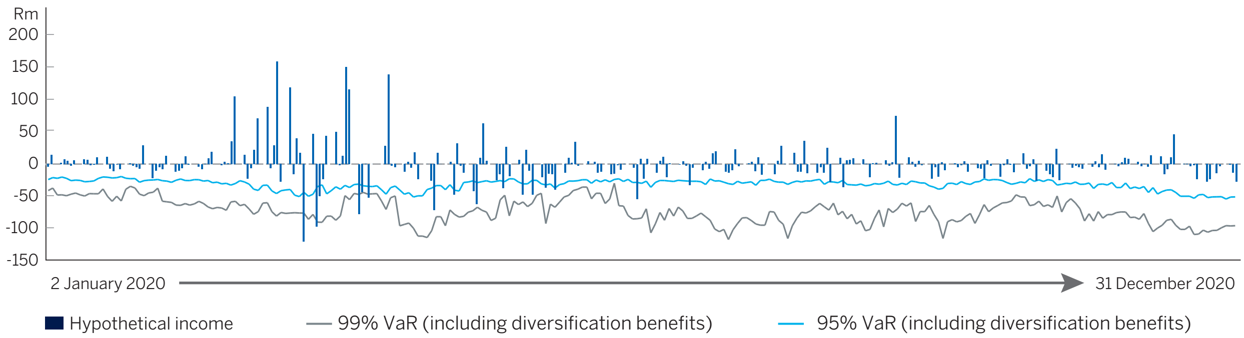
SBSA FUNDING-RELATED LIABILITIES COMPOSITION[1]

	2020 Rbn	2019 Rbn
Corporate funding	**306**	275
Retail deposits[2]	**295**	264
Institutional funding	**353**	317
Interbank	**134**	137
Government and parastatals	**134**	89
Senior debt	**58**	62
Term loan funding	**39**	34
Subordinated debt issued	**22**	21
Other liabilities to the public		7
Total funding-related liabilities	**1 341**	1 206

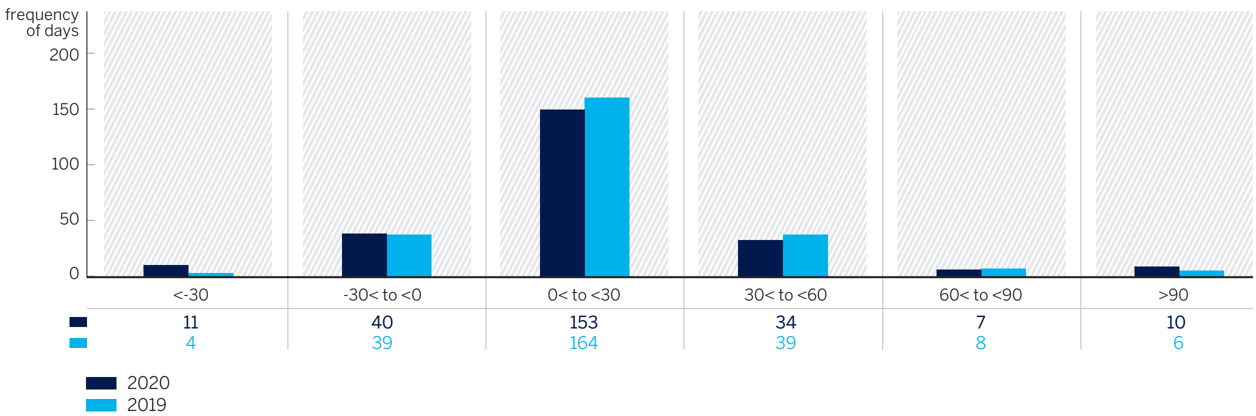
[1] Composition aligned to Basel III liquidity classifications.
[2] Comprises individual and small business customers.

MARKET RISK

MR4: SBSA BACKTESTING – COMPARISON OF VAR AND HYPOTHETICAL INCOME OF TRADING UNITS

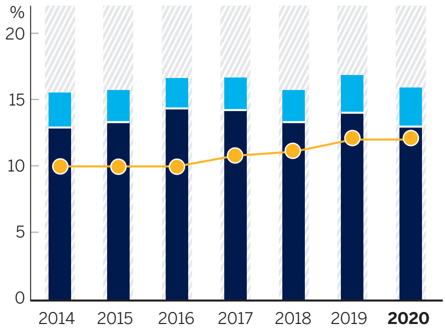


SBSA DISTRIBUTION OF DAILY TRADING INCOME (Rm)



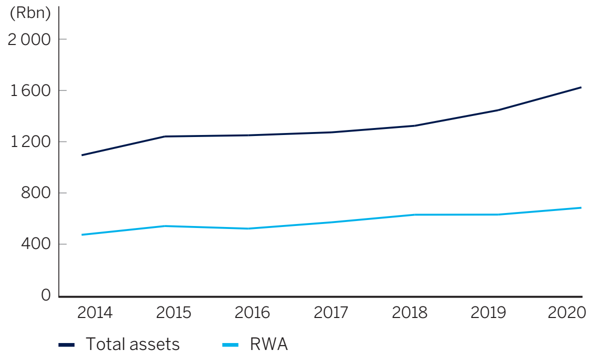
CAPITAL MANAGEMENT

SBSA CAPITAL – ADEQUACY[1]



1 The SBSA group CET I capital, including unappropriated profits, was R87.4 billion as at 31 December 2020 (2019: R88.6 billion). Tier I capital, including unappropriated profits, was R94.4 billion as at 31 December 2020 (2019: R94.1 billion) and total capital, including unappropriated profits was R115.8 billion as at 31 December 2020 (2019: R112.8 billion).

SBSA RWA HISTORY[1]



1 Banking activities and other banking interests.

SBSA QUALIFYING CAPITAL EXCLUDING UNAPPROPRIATED PROFITS

	2020 Rm	2019 Rm
IFRS ordinary shareholders' equity	**49 313**	45 248
Retained earnings	**48 241**	55 086
Other reserves	**798**	841
Less: regulatory adjustments	**(10 934)**	(12 588)
Goodwill	**(42)**	(42)
Other intangible assets	**(10 511)**	(13 561)
Deferred tax assets	**(551)**	(1)
Other adjustments including IFRS 9 phase-in	**170**	1 016
Less: regulatory exclusions	**(3 742)**	(9 912)
CET I capital	**83 676**	78 675
Qualifying other equity instruments	**6 944**	5 475
Tier I capital	**90 620**	84 150
Qualifying tier II subordinated debt	**21 569**	20 431
General allowance for credit impairments	**2 418**	852
Less: regulatory adjustments – investment in tier II instruments in other banks	**(2 538)**	(2 557)
Tier II capital	**21 449**	18 726
Total regulatory capital	**112 069**	102 876
Total capital requirement	**90 351**	77 145
Total RWA	**722 809**	669 571

OV1: SBSA BASEL RWA AND ASSOCIATED CAPITAL REQUIREMENTS

		RWA		Minimum capital requirements[1]
		2020	2019	2020
Credit risk (excluding CCR)		525 139	482 537	65 642
Of which: standardised approach[2]	CR4	37 393	45 673	4 674
Of which: IRB approach	CR6, CR7, CR8	487 746	436 864	60 968
CCR	CCR1, CCR2	40 290	25 430	5 036
Of which: standardised approach for CCR		1 845	11 370	231
Of which: IRB approach		22 162	14 060	2 770
Of which: credit valuation adjustments		16 283	9 093	2 035
Equity positions in banking book under market-based approach	CR10	3 189	2 327	399
Securitisation exposures in banking book		704	463	88
Of which: IRB approach	SEC3	491	463	61
Of which: IRB supervisory formula approach	SEC3	213		27
Market risk		41 537	46 770	5 192
Of which: standardised approach	MR1	25 685	32 182	3 211
Of which: IMA	MR2	15 852	14 588	1 981
Operational risk		97 069	99 434	12 134
Of which: standardised approach		16 000	22 705	2 000
Of which: AMA		81 069	76 729	10 134
Amounts below the thresholds for deduction (subject to 250% risk-weight)		14 881	12 610	1 860
Total		722 809	669 571	90 351

1 Measured at 12.0% (2019: 11.5%) and excludes any bank-specific capital requirements. Pillar 2A buffer requirements have been temporarily removed in response to the Covid-19 pandemic. The group's D-SIB buffer requirement, which is required to be disclosed from 1 September 2020 amounts to 1.5%, of which 1.0% is required to be held in CET I. There is currently no requirement for the countercyclical buffer add-on in South Africa or in other jurisdictions in which we have significant exposures.

2 Portfolios on the standardised approach relate to Africa Regions and portfolios for which application to adopt the internal model approach has not been submitted, or for which an application has been submitted but approval has not been granted.

SBSA CAPITAL ADEQUACY RATIOS (PHASED-IN)[1]

	2020 SARB minimum regulatory requirement[2] %	Internal target ratios[3] %	Including unappropriated profits		Excluding unappropriated profits	
			2020 %	2019 %	2020 %	2019 %
Total capital adequacy ratio	12.5	>14.0	**16.0**	16.8	**15.5**	15.4
Tier I capital adequacy ratio	10.0	>11.0	**13.1**	14.0	**12.5**	12.6
CET I capital adequacy ratio	8.0	10.0 – 11.5	**12.1**	13.2	**11.6**	11.7

1 Capital adequacy ratios based on the SARB IFRS 9 phased-in approach.
2 Excluding confidential bank-specific requirements. Pillar 2A buffer requirements temporarily removed in response to the Covid-19 pandemic.
3 Including unappropriated profit. Recalibrated in line with the temporary removal of pillar 2A buffer requirements by the PA.

SBSA CAPITAL ADEQUACY RATIOS (FULLY LOADED)[1]

	2020 SARB minimum regulatory requirement[2] %	Internal target ratios[3] %	Including unappropriated profits		Excluding unappropriated profits	
			2020 %	2019 %	2020 %	2019 %
Total capital adequacy ratio	12.5	>14.0	**16.0**	16.8	**15.5**	15.4
Tier I capital adequacy ratio	10.0	>11.0	**13.0**	13.8	**12.4**	12.4
CET I capital adequacy ratio	8.0	10.0-11.5	**12.0**	13.0	**11.5**	11.5

1 Capital adequacy ratios based on the inclusion of the full IFRS 9 transition impact.
2 Excluding confidential bank-specific requirements. Pillar 2A buffer requirements temporarily removed in response to the Covid-19 pandemic.
3 Including unappropriated profit. Recalibrated in line with the temporary removal of pillar 2A buffer requirements by the PA.

LR1: SBSA SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE

	2020 Rm	2019 Rm
Total consolidated assets as per published financial statements	**1 658 686**	1 480 748
Adjustment for derivative financial instruments	**(48 607)**	(12 761)
Adjustments for securities financing transactions (i.e. repos and similar securities lending)	**1 609**	1 634
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet)	**111 337**	97 262
Other adjustments	**23 386**	26 644
Leverage ratio exposure	**1 746 411**	1 593 527

LR2: SBSA LEVERAGE RATIO COMMON DISCLOSURE TABLE

	2020 Rm	2019 Rm
On-balance sheet exposures (excluding derivatives and SFT)	**1 440 785**	1 376 033
On-balance sheet exposures (excluding derivatives and SFT, but including collateral)	**1 451 719**	1 388 621
Less: asset amounts deducted in determining Basel III tier I capital	**(10 934)**	(12 588)
Derivatives exposures	**61 743**	53 630
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**30 212**	14 008
Add-on amounts for PFE associated with all derivatives transactions	**73 347**	49 675
Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	**(27 355)**	(7 449)
Less: exempted CCP leg of client-cleared trade exposures	**(30 553)**	(16 998)
Adjusted effective notional amount of written credit derivatives	**16 092**	14 394
SFT exposures	**132 546**	66 602
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**130 937**	64 968
Less: netted amounts of cash payables and cash receivables of gross SFT assets		
CCR exposure for SFT assets	**1 609**	1 634
Agent transaction exposures		
Other off-balance sheet exposures	**111 337**	97 262
Off-balance sheet exposure at gross notional amount	**333 235**	295 157
Less: adjustments for conversion to credit equivalent amounts	**(221 898)**	(197 895)
Capital and total exposures		
Tier I capital[1]	**90 620**	84 150
Total exposures	**1 746 411**	1 593 527
Leverage ratio		
Basel III leverage ratio	**5.2**	5.3
Basel III leverage ratio (including unappropriated profits)	**5.4**	5.9

[1] Excludes unappropriated profits

SBSA RECONCILIATION WITH AFS

	2020 Rm	2019 Rm
Total consolidated assets per AFS	**1 658 686**	1 480 748
Derivative assets as per balance sheet	**(110 350)**	(66 392)
Security financing transactions per the balance sheet	**(130 937)**	(64 968)
Total consolidated assets per AFS (excluding derivative and SFT assets)	**1 417 399**	1 349 388
Gross-up for cash management schemes	**34 400**	39 233
Total on-balance sheet items	**1 451 799**	1 388 621

SBSA ECONOMIC CAPITAL BY RISK TYPE

	2020 Rm	2019 Rm
Credit risk	**72 610**	60 823
Equity risk	**2 789**	3 266
Market risk	**1 332**	906
Operational risk	**8 642**	8 039
Business risk	**2 504**	2 474
IRRBB	**965**	1 157
Economic capital requirement	**88 842**	76 665
Available financial resources	**116 824**	111 883
Economic capital coverage ratio (times)	**1.31**	1.46

CC1: SBSA COMPOSITION OF REGULATORY CAPITAL

	2020 Basel III Rm	2019 Basel III Rm
CET I capital	**83 676**	78 675
Instruments and reserves		
CET I capital before regulatory adjustments	**94 610**	91 263
Directly issued qualifying common share capital plus related stock surplus	**49 313**	45 248
Retained earnings	**44 499**	45 174
Accumulated other comprehensive income (and other reserves)	**798**	841
Directly issued capital subject to phase-out from CET I (only applicable to non-joint stock companies)		
Public sector capital injections grandfathered until 1 January 2018		
Common share capital issued by subsidiaries and held by third-parties (amount allowed in group CET I)		
Regulatory adjustments		
Less: total regulatory adjustments to CET I	**(10 934)**	(12 588)
Prudential valuation adjustments	**618**	1 294
Goodwill (net of related tax liability)	**(42)**	(42)
Other intangibles other than mortgage-servicing rights (net of related tax liability)	**(10 511)**	(13 561)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(551)**	(1)
Cash-flow hedge reserve	**(27)**	(15)
Shortfall of provisions to expected losses		
Securitisation gain on sale		
Gains and losses due to changes in own credit risk on fair valued liabilities	**(15)**	(21)
Defined-benefit pension fund net assets	**(406)**	(242)
Investments in own shares (if not already netted of paid-in capital on reported balance sheet)		
Reciprocal cross-holdings in common equity		
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)		
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)		
Mortgage-servicing rights (amount above 10% threshold)		
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
Amount exceeding the 15% threshold, relating to:		
Significant investments in the common stock of financials		
Mortgage servicing rights		
Deferred tax assets arising from temporary differences		
National-specific regulatory adjustments		
Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment		
Regulatory adjustments applied to CET I due to insufficient AT I and tier II to cover deductions		

	2020 Basel III Rm	2019 Basel III Rm
AT I capital		
Instruments		
AT I capital before regulatory adjustments	**7 025**	5 486
Directly issued qualifying AT I instruments plus related stock surplus, classified as:	**7 025**	5 486
Equity under applicable accounting standards	**7 025**	5 486
Liabilities under applicable accounting standards		
Directly issued capital instruments subject to phase-out from AT I		
AT I instruments (and CET I instruments not included in common share capital) issued by subsidiaries and held by third-parties (amount allowed in group AT I), including:		
Instruments issued by subsidiaries subject to phase-out		
Regulatory adjustments		
Total regulatory adjustments to AT I capital	**(81)**	(11)
Investments in own AT I instruments	**(81)**	(11)
Reciprocal cross-holdings in AT I instruments		
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)		
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)		
National-specific regulatory adjustments:		
Regulatory adjustments applied to CET I in respect of amounts subject to pre-Basel III treatment		
Regulatory adjustments applied to AT I due to insufficient AT I due to insufficient tier II to cover deductions		
Tier I capital	**90 620**	84 150
Capital and provisions		
Tier II capital before regulatory adjustments	**23 987**	21 283
Directly issued qualifying tier II instruments plus related stock surplus	**21 569**	20 431
Directly issued capital instruments subject to phase-out from tier II		3 500
Tier II instruments (and CET I and AT I instruments not included in common share capital and AT I instruments) issued by subsidiaries and held by third-parties (amount allowed in group tier II), including:		
Instruments issued by subsidiaries subject to phase-out		
Provisions	**2 418**	852
Regulatory adjustments		
Total regulatory adjustments to tier II capital	**(2 538)**	(2 557)
Investments in own tier II instruments	**(69)**	(49)
Reciprocal cross-holdings in tier II instruments		
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)	**(2 469)**	(2 508)
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
National-specific regulatory adjustments		
Regulatory adjustments applied to tier II in respect of amounts subject to pre-Basel III treatment		
Tier II capital	**21 449**	18 726
Total capital	**112 069**	102 876

	2020 Basel III Rm	2019 Basel III Rm	
Total RWA	**722 809**	669 571	OV1
RWA in respect of amounts subject to pre-Basel III treatment			
Capital ratios and buffers			
CET I (as a % of RWA)	**11.6**	11.7	
Tier I (as a % of RWA)	**12.5**	12.6	
Total capital (as a % of RWA)	**15.5**	15.4	
Institution specific buffer requirement (minimum CET I requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a % of RWA)	**7.0**	7.5	
Capital conservation buffer requirement (%)	**2.5**		
Bank specific countercyclical buffer requirement (%)			
G-SIB buffer requirement (%)	**1.0**		
CET I available to meet buffers (as a % of RWA)	**4.6**	4.2	
National minima (if different from Basel III)			
National CET I minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB (%)	**7.0**	7.5	
National tier I minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB	**8.5**	9.3	
National total capital minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB	**10.5**	11.5	
Amounts below the threshold for deductions (before risk-weighting)			
Non-significant investments in the capital of other financials	**282**	292	
Significant investments in the common stock of financials	**482**	486	
Mortgage-servicing rights (net of related tax liability)			
Deferred tax assets arising from temporary differences (net of related tax liability)	**5470**	4 558	
Applicable caps on the inclusion of provisions in tier II			
Provisions eligible for inclusion in tier II in respect of exposures subject to standardised approach (prior to application of cap)	**805**	713	
Cap on inclusion of provisions in tier II under standardised approach	**193**	249	
Provisions eligible for inclusion in tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**2 877**	2 462	
Cap for inclusion of provisions in tier II under IRB approach	**2 225**	603	
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
Current cap on CET I instruments subject to phase-out arrangements			
Amount excluded from CET I due to cap (excess over cap after redemptions and maturities)			
Current cap on AT I instruments subject to phase-out arrangements			
Amount excluded from AT I due to cap (excess over cap after redemptions and maturities)			
Current cap on tier II instruments subject to phase-out arrangements			
Amount excluded from tier II due to cap (excess over cap after redemptions and maturities)			

Annexure H – regulatory and legislative updates impacting the group

Our regulatory approach

We continually take a strategic view of emerging regulations to ensure readiness and proactive positioning from a business, risk and financial perspective. This is achieved through the development and evolution of relevant frameworks, policies and systems.

As a banking group headquartered in a G20 country, we adopt the regulatory standards of the global FSB and other international standard setting bodies such as the BCBS, International Association of Insurance Supervisors and International Organization of Securities Commission. At the onset of 2020 there was a continued focus by the international standard setting bodies international standard setting on the implementation and impact assessment of the post-crisis reforms, environmental risk, benchmark rate reforms and fintech regulatory developments. Since March 2020 however, the focus of standard setting bodies and regulators shifted to provide guidance and policy decisions to mitigate the impact of Covid-19 on financial stability.

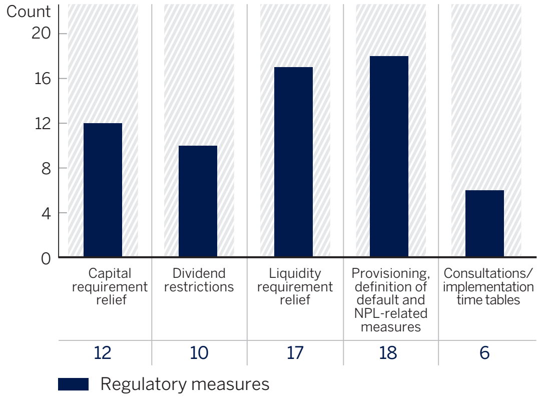
The global banking system entered the Covid-19 crisis with high levels of capital and liquidity due to the Basel reforms adopted subsequent to the 2008 global financial crisis. The challenge is however considerable in terms of sustaining the flow of credit amidst declining economic growth while managing heightened risks. Governments, central banks and regulators responded swiftly during 2020 by introducing monetary, fiscal and prudential policy relief to stabilise economies and assist those most affected by the pandemic.

Numerous fiscal interventions were adopted in support of both businesses and individuals. The most common fiscal measures in the SBG jurisdictions were the implementation of credit funds and guarantees for businesses, payment holidays for individuals, SMEs and corporates, incentives for digital payments, social grants and various forms of tax relief.

Monetary and prudential actions in group jurisdictions focused on ensuring the sustainability of financial systems and the provision of additional liquidity and capacity to the banks for lending and anticipated future credit losses. Our jurisdictions are on different Basel regimes and have provided relief in line with their current approaches. Delaying the increase of capital adequacy requirements and permission to utilise capital buffers have widely been noted. Reducing cash reserving requirements and lowering of the LCR requirement were measures adopted by many central banks. Restrictions on payment of dividends and bonus payments to executive officers were also common.

The following graph reflects the number of Covid-19 prudential regulatory measures that were adopted across group jurisdictions by central banks to mitigate the impact of Covid-19.

COVID-19 PRUDENTIAL REGULATORY MEASURES ACROSS GROUP JURISDICTIONS



In addition to the monetary, fiscal and prudential measures taken by local authorities, support provided by the World Bank, International Monetary Fund and Multilateral Development Banks were also critical for emerging markets and developing economies globally.

Other regulatory developments still remain a focus and are being addressed by the bank. The table that follows provides a high-level view of the expected areas of focus going forward.

The regulatory environment

Banking global	• Basel III finalisation • Fundamental review of the trading book • Fintech regulations • Central bank digital Currencies • Global stablecoins • Cybersecurity	• Climate related risk • Resolvability • Total loss absorbing capacity • AML and CFT enhancements	• Coherence of new standard • Proportionality in banking regulation • Egregious behaviour penalties and redress
Banking South Africa	• South African resolution framework • Depositor insurance scheme • First loss after capital • Licensing of holding companies • Financial conglomerate supervision	• Systemically important financial institution – banks within South African context • Conduct of Financial Institutions bill • Cybercrimes and cybersecurity bill • Fintech regulations • Central bank digital currencies	• Financial systemic risk management • Impact of conduct on stability, market integrity and customer fairness • Sustainable finance, including climate change, financial inclusion and transformation
Banking Africa Regions	• Recovery and resolution planning • Health and safety (Covid-19-related) • Reducing/containing bank fees and cost of credit (e.g. through interest rate caps) • Foreign exchange regulations • Adoption of progressive Basel regimes	• Strengthening of AML and CFT regulations • Financial inclusion • Enhancing consumer protection measures and fair market practices • Corporate governance guidelines • Fintech regulations	• Adoption of global standards • Protectionist policies • Cybercrime
Insurance/asset management	• Solvency assessment management • Conduct of Financial Institutions bill • Systemically important financial institution – insurers with South African context • Third-party cell captives • IFRS 17 insurance contracts	• Conduct of business returns (under Long-term Insurance Act) • FAIS conduct of business report • Components of retail distribution review	• Global capital framework and Insurance Capital Standards • Financial stability • Recovery and resolution • Enhanced conduct supervision • Sustainable finance, including climate change, financial inclusion and transformation

RESOLVABILITY: ending too-big-to-fail

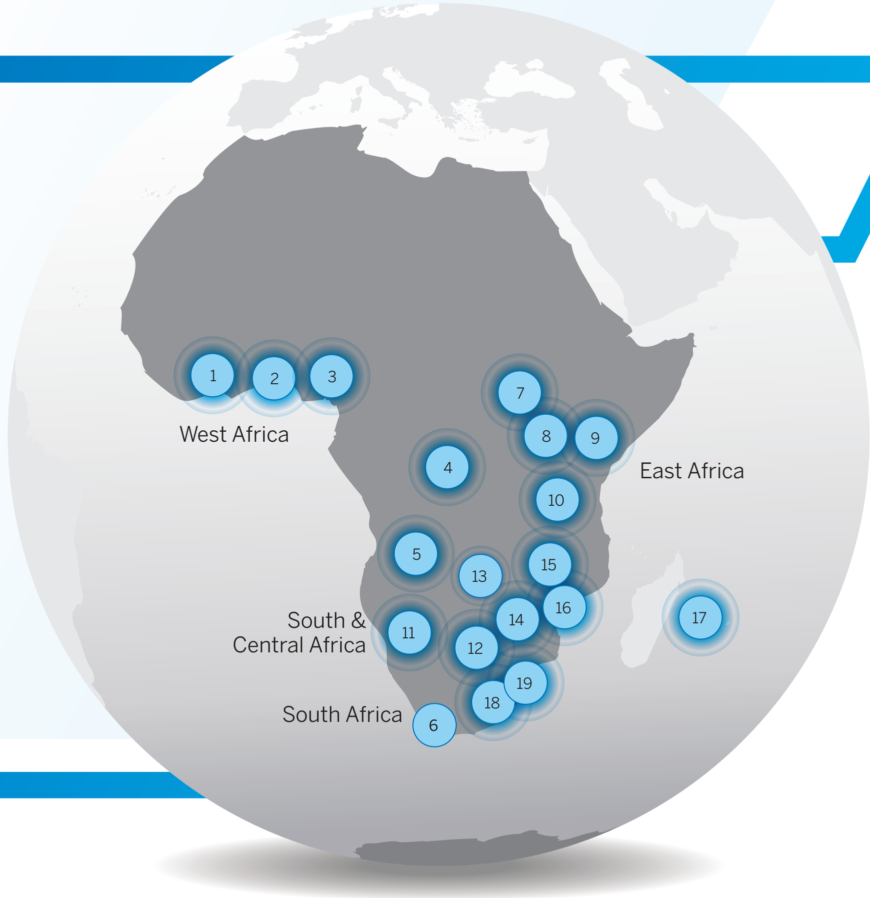
The SARB will receive the mandate of the South African Resolution Authority when the Financial Sectors Laws Amendment Bills is promulgated. It is anticipated that the Corporation for Depositor Insurance will subsequently be established and the South African Resolution Framework adopted. SBSA has been actively implementing measures that will enable it to meet the requirements as proposed by the regulator.

The SARB released a number of discussion documents underpinning the proposed South African Resolution Framework, including on the identification of resolution entities within a banking group. Papers also included a proposed methodology to determine which insurers are systemically important within the South African context.

Internationally, Resolution preparedness remains a key priority. The "2020 Resolution Report: Be prepared" published by the Financial Stability Board on 18 November 2020 found that the Covid-19 crisis proved banks to be more resilient than during the 2008 crisis due to higher levels of regulatory capital and were operationally more resilient. However, more work is required to improve resolvability and resolution preparedness.

During 2020, the FSB concluded the peer review of South Africa. A key finding was that the resolution regime is broadly aligned to the FSB key attributes and that an implementation roadmap, (including the identification and sequencing of key policies), timelines for delivery and resource requirements are still to be finalised.

Key aspects per subsidiary



West Africa

1. Côte d'Ivoire ▲■●
2. Ghana ▲■●
3. Nigeria ▲■●
4. DRC ▲■●
5. Angola ▲■●

6. **South Africa** ▲■●

East Africa

7. South Sudan ▲■●
8. Uganda ▲■●
9. Kenya ▲■●
10. Tanzania ▲■●

South & Central Africa

11. Namibia ▲■●
12. Botswana ▲■●
13. Zambia ▲■●
14. Zimbabwe ▲■●
15. Malawi ▲■●
16. Mozambique ▲■●
17. Mauritius ▲■●
18. Lesotho ▲■●
19. eSwatini ▲■●

International financial services

- Isle of Man ▲■●
- Jersey ▲■●

Legend			
▬ (blue)	Adopted by regulator	▲	Recovery planning
▬ (yellow)	Under construction	■	Depositor insurance
▬ (grey)	Not in place in jurisdiction/no information	●	D-SIB buffer

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