Standard Bank Group

RISK AND CAPITAL MANAGEMENT REPORT

for the year ended 31 December 2021

Standard Bank IT CAN BE™

Also trading as Stanbic Bank

Our reporting suite

Our full suite of reports caters for the diverse needs of our stakeholders. As the central connection point of our reporting suite and the primary report to our stakeholders, the integrated report contextualises the information in our other reports. Our remaining reports provide additional disclosure on our performance for the year and satisfy various compliance reporting requirements.

Our annual integrated report

Provides an outline of our ability to create and preserve value, and guard against value erosion in the short, medium and long term.

Governance and remuneration report

Discusses the group's governance approach and priorities, and includes our remuneration policy and implementation report.

Environmental, social and governance (ESG) report

Provides an overview of the group's processes and governance structures as they relate to social and environmental matters.

Annual financial statements

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

Risk and capital management report

Sets out the group's approach to risk management.

Report to society (RTS)

An assessment of our social and environmental impacts in the seven areas in which we believe we have the greatest impact and opportunity.

Climate-related financial disclosures (TCFD aligned reporting)

Discusses how the group is managing the risks and responding to the opportunities presented by climate change, aligned to task force on climate-related financial disclosures (TCFD) reporting.

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 public disclosure framework		✓	✓			
CDP (previously Carbon Disclosure Project)					✓	
The Financial Stability Board's TCFD					✓	
United Nations (UN) Sustainable Development Goals (SDGs)						✓

* Also known as the King Code and King IV. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

Subsidiary annual reports

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

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

Our reporting portal

All our reports and latest results presentations, booklets and SENS announcements are available at https://reporting.standardbank.com/.

A glossary of financial terms, other definitions, acronyms and abbreviations used in our reports is also available on this webpage.

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

Contents

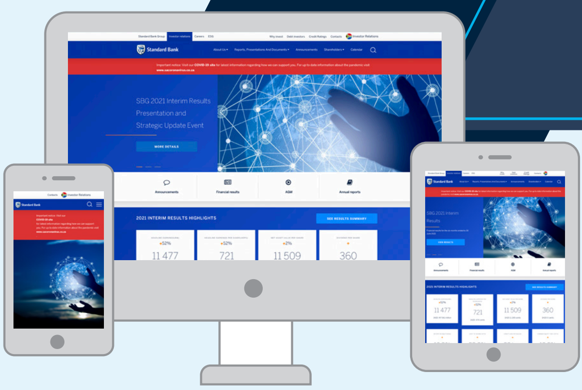
How to navigate our reports

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.

Refers to a committee.



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 2021 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.

Basel Committee on Banking Supervision (BCBS) pillar 3 requirements only apply to banking and investment activities.

GOV REM REMA – Remuneration policy **page 57 – 70**.

GOV REM REM1 – Remuneration awarded during the financial year **page 125**.

GOV REM REM2 – Special payments **page 125**.

GOV REM REM3 – Deferred remuneration **page 126**.

All amounts are in rand millions unless otherwise stated.

- 2021 refers to the 12 months ended 31 December 2021
- 3Q21 refers to the nine months ended 30 September 2021
- 1H21 refers to the six months ended 30 June 2021
- 1Q21 refers to the three months ended 31 March 2021
- 2020 refers to the 12 months ended 31 December 2020.

Risk-related IFRS disclosure are in annexure C of the group and the Standard Bank of South Africa Limited's (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 appetite 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

David Hodnett
Chief risk and corporate affairs officer

Our environment

Economic

The continent and world has grappled with multiple Covid-19 waves and variants leading to inconsistent economic recovery across our presence countries. Economic recovery was dampened by severe infection rates despite high vaccination rates in some countries – particularly in Europe, as well as recent surges in infections among younger people, which was a cause for concern among Africa's youthful population. The Omicron variant with its seemingly mild symptoms has provided a glimmer of hope for a return to normality. Recovery continues with some central banks allowing inflation to exceed targeted ranges, in an effort to promote growth. The increased liquidity from the Covid-19 pandemic has kept sovereign debt levels high posing significant risk to the banking sector and credit ratings. 2021 saw the unprecedented growth of at-home trading, particularly in cryptocurrencies, and against Wall Street elites, which briefly turned markets upside down, ushering in what could be considered as a new era of technology-driven crowd-sourced trading. Growth continued to favour digital and technological businesses while conventional businesses have been slower to recover. With the growing number of opened borders, lifting Covid-19 restrictions and the availability of vaccine passports, economic recovery remains promising.

GDP GROWTH

	2021* **%**	2022 projections* %	2023 projections* %
World	**5.9**	4.4	3.8
Sub-Saharan Africa	**4.0**	3.7	4.0
Nigeria	**3.0**	2.7	2.7
South Africa	**4.6**	1.9	1.4

* Source: International Monetary Fund (Jan 2022)

Politics and geopolitics

Nationalistic sentiment has been a recurring theme following the retreat of global leaders through Brexit, the initial international response to Omicron variant detection in Africa, conflict-related migration into Europe, the US retreat from Afghanistan, Chinese influence on Taiwan and Hong Kong and the Russian invasion of Ukraine. This sentiment had filtered to developing nations as a result of the enduring cost of Covid-19 and elusive growth opportunities. In 2021, sub-Saharan Africa suffered from social unrest in several countries affecting investor confidence. Protests in support of former President Zuma in South Africa led to violence and significant damage to infrastructure; Ethiopian conflict with the Tigray people has led to the death of thousands, and displacement and risk of starvation for thousands more; pro-democracy protests in Eswatini among others; and the extremist violence in northern Mozambique affecting gas exploration interests. Following the recent coups in Sudan, Guinea and Chad, Burkina Faso is the latest government to fall after soldiers ousted President Kabore due to his government's failure to tackle Islamist insurgency that has destabilised Mali, Niger and others.

We are actively monitoring the volatile and changing situation in Russia and Ukraine, ensuring that we manage our risk exposures and that we are compliant with all local and international laws and guidelines.

As we enter the third year of a 1-in-100-year event, we reflect on 2021 and our performance as a financial services organisation in, for and across Africa. Our operating environment in 2021 made it clear that evolution in risk management is not negotiable, and that organisations who continue to evolve are those who continue to thrive.

Technology

While communication has improved between the US and China, geopolitical tensions on tariffs and national security concerns over technology companies still exist that could affect cooperation and possibly lead to technological incompatibility. US and European regulators have also been increasing their competition oversight into BigTech. At the same time, the global chip shortage has had a profound effect on technological development. This however has not affected the growth of the non-fungible token asset class that is becoming increasingly mainstream though unregulated and speculative.

The group remains in heightened state of readiness as a result of cyber-attacks emanating as a result of the Russian invasion into Ukraine.

Related 2022 enterprise risks

- Threat posed from major and emerging technology companies (refer to **page 11**)
- Technology and data skills scarcity and talent war (refer to **page 12**)
- Ransomware attacks (refer to **page 12**)
- Technology instability (refer to **page 11**)
- Fraud via digital channels (refer to **page 11**)
- Regulatory constraints related to digital transformation (refer to **page 12**)

Environment and social

Africa is being disproportionately negatively impacted by climate change, despite contributing a very small percentage of global emissions. The continent faces significantly increased risk of drought and floods, declining mean precipitation in already-dry regions, inundation of coastal zones and deltas, lower crop yields and loss of biodiversity, impacting public health, labour productivity and food production, and increasing instability and migration. The group recognises the crucial role of the financial sector in addressing the climate crisis and we have pledged to achieve net zero carbon emissions by 2050.

The pandemic has brought with it many social consequences including the progress lost in addressing poverty, increasing already high unemployment, worsening inequality and specifically digital inequality, and more recently, vaccine hesitancy despite increasing availability of vaccines. Social unrest remains a concern as a consequence of this disillusionment and from political dynamics.

Related 2022 enterprise risks

- Psychological effects of Covid-19 (refer to **page 11**)
- Back-to-back extreme weather events (refer to **page 12**)
- Resourcing ESG risk management (refer to **page 11**)

How we managed risk in 2021

Despite high levels of uncertainty, we continued to manage our risks effectively during 2021. Our three-pronged operational strategy of (a) respond (business continuity, health and safety protocols); (b) recover (improve business resilience) and (c) reimagine (adapting to a new environment), coupled with a robust risk management system helped us withstand the multiple shocks experienced as a result of the Covid-19 pandemic.

We enhanced our annual enterprise risk identification process to enable a clearer understanding of those risks that impact the traditional business and those that impact the platform organisation. This enables us to allocate appropriate resources and determine mitigation strategies to effectively manage the risks.

A key focus area during the year was to simplify the role of risk management in the client journey, particularly non-financial risk management. We prioritised the implementation of the Risk Market Place to enable this simplification and to support management decisions with insights from integrated non-financial risk data.

We integrated our approach to conduct and ethics, allowing us to develop a more robust approach to managing conduct risk and to enhance our code of ethics.

ESG risk and impacts remains a focus for the group, and a key consideration in our strategy. We placed effort on understanding our ESG environment, our targets and our ESG focus areas. We digitised the ESG risk management system. We integrated ESG risk into non-financial risk management frameworks, which also includes the management of new risks presented by a platform organisation. We developed a climate policy, which sets out our climate-related commitments and targets. We identified an initial set of client sectors in our lending portfolio that present significant climate risk and opportunity, and developed strategies and targets to manage risk and maximise opportunity.

We reorganised the risk architecture to ensure we remain relevant, continue to manage our risks effectively and foster a culture of conscious risk taking that enables our strategic ambitions.

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.

RISK METRICS

Common equity tier I ratio (CET I):

a measure of solvency that assesses capital strength against our risk-weighted assets (RWA).

CET I RATIO

↑ 13.8%

2020: 13.3%

Liquidity coverage ratio (LCR):

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

LCR

↑ 144.3%

2020: 134.8%

Net stable funding ratio (NSFR):

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

NSFR

↓ 122.0%

2020: 124.8%

2021 performance update

The group maintained strong capital adequacy ratios supported by a 13% increase in net asset value and increasing additional tier I (AT I) and tier II contributions.

In 2021 the group successfully raised Basel III compliant AT I and tier II capital bonds of R3.5 billion and R3.2 billion respectively, the proceeds of which were invested as AT I and tier II capital in SBSA.

2021 performance update

We maintained the LCR and the NSFR in excess of minimum regulatory requirements throughout 2021. 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.

Credit loss ratio (CLR)

CLR GROUP	CLR SBSA
↓ 0.73%	↓ 0.68%
2020: 1.51%	2020: 1.48%

2021 performance update

The group's gross loans and advances to customers increased by 9%, driven by improved operating conditions and lower interest rates, which led to strong growth in the consumer segment, in particular the vehicle and asset finance, home loans and personal unsecured loans portfolio.

The group's credit impairment charges were significantly lower in 2021 than they were in 2020, down 52% to R9.9 billion from R20.6 billion. Improved collections in many portfolios, coupled with improved customer risk profiles and adjusted forward-looking assumptions for expected impairments, were all contributing factors to the lower provisions.

In 2020, R130 billion in client relief was extended to consumer and hight net worth (CHNW) and business and commercial clients (BCC) customers. By the end of 2021, the CHNW active client relief portfolio had reduced to R225 million and the expired client relief portfolio performed well, with more than 85% making full or partial payment. The BCC active client relief portfolio reduced to R434 million and the expired portfolio performed in line with expectations.

CHNW benefited from lower than average interest rates across a number of presence countries as well as less restrictive lockdown restrictions in 2021, which in turn boosted economic activity and supported higher demand for credit. Gross loans and advances to customers of CHNW grew 9% to R611 billion (2020: R559 billion) driven by 9% growth in lending for home services (up to R434 billion) and the vehicle and asset finance portfolio (up 12% to R111 billion). CHNW's CLR improved to 137bps from 231bps as impairments declined to R7.9 billion from R12.4 billion in 2020.

BCC's gross loans and advances book grew by 16% from R169 billion to R196 billion at the end of 2021, with strong growth reported in business lending and commercial asset financing which benefited from improved operating conditions, higher commodity prices and generally more positive business confidence than in the prior year. BCC's CLR improved from 216bps in 2020 to 124bps in 2021, driven mainly by the non-recurrence of the large Covid-19 related impairments raised in 2020.

Corporate and Investment Banking's (CIB) customer loans and advances portfolio grew by 6% to end 2021 at R462 billion. Loan originations in investment banking, including for sustainable finance, and also an improved performance in real estate finance, were some of the contributors to CIB's solid book growth. Credit impairments on loans and advances to customers declined by 11% from R8.7 billion in 2020 to R7.7 billion for 2021, supported by a positive release in impairments of R311 million for the year, as well as successful restructuring of distressed loans and no new material defaults for the year.

Looking ahead

Risk management will continue to evolve to keep pace with global advancements and to enable the group's 2025 ambition. Effective risk management is central to leveraging new opportunities in our chosen ecosystems and with partners.

We will support the group's strategy by ensuring that our digital, technology and data-led strategies align and evolve in sophistication.

The world continues to evolve at a rapid pace, and we ensure that risk management can keep up with that evolution. As the group transitions into a platform organisation, we will continue to make enhancements to our risk management system to facilitate that transition.

We will continue to leverage opportunities for improving lending to green and sustainable projects and ventures. We will publish our climate risk strategy and climate policy in March 2022.

To ensure we remain relevant and maintain a strong awareness and understanding of our risk landscape, we identify our enterprise risks annually. Our top enterprise risks for 2022 are discussed on page 10.

Refer to our integrated report for information on our 2025 ambition **online**.

How we manage risk

GROUP STRATEGY

ORGANISATIONAL DESIGN

RISK MANAGEMENT PROGRAMME

Our risk management approach ensures consistent and effective management of risk and provides for appropriate accountability and oversight. Risk management is enterprise wide, 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 financial services business. We organise these into strategic, financial and non-financial risk categories and annually identify key enterprise risks. These top enterprise risks require focused management because they represent 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 whistle-blowing programmes, our employees are empowered to act with confidence, drive meaningful behavioural changes and place the client at the centre of everything they do.

RISK GOVERNANCE DOCUMENTS

Governance frameworks, standards and policies

PROCESS

Identify

Assess & measure

Treat

Monitor & report

Enterprise risks identification process

STRUCTURE

STANDARD BANK GROUP BOARD

Board committees

- Group risk and capital management committee
- Group engineering committee
- Group large exposure credit committee
- Group audit committee
- Group model approval committee
- Group remuneration committee
- Group social and ethics committee

Chief executive officer

- Group leadership council
  - Group risk oversight committee (GROC)
  - Group asset and liability committee (ALCO)
  - Social and ethics management committee

Group model approval committee:

- CIB model approval committee
- CHNW, BCC and client solutions model approval committee
- Group risk and treasury and capital management model approval committee

RISK UNIVERSE

Non-financial risks

Business disruption risks	ESG risks	Legal risks	Tax risks
Compliance risks	Financial accounting risks	Model risks	Technology risks
Conduct risks	Financial crime risks	People risks	Third-party risks
Cyber risks	Information risks	Physical assets, safety and security risks	Transaction processing risks

Risk reporting

Risks are reported and discussed in the risk governance structures and executive management committees. Risk reports are prepared for the board committees, the regulator and other stakeholders on a regular basis.

Risk culture

Our risk culture reflects our vision, mission and ethics. The board and executive team have set a tone of doing the right business, the right way, and ensuring we earn the trust of customers and stakeholders with every decision we make.

GOVERNANCE: THREE LINES OF DEFENCE

RISK OWNERSHIP: CLIENT SEGMENT 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 client segments 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 risks
- Country risks
- Market risks
- Insurance risks
- Funding and liquidity risks

Strategic risks

- Strategy position risks
- Strategy execution risks
- Reputation risks

Top enterprise risks

- Fitness to execute our strategy
- Competitiveness of our customer value proposition
- Psychological effects of Covid-19
- Technology instability
- Fraud via digital channels
- Ability to manage large-scale changes
- Threat posed from major and emerging technology companies
- Resourcing for ESG risk management
- Operational dependence on third-parties
- Technology and data skills scarcity and talent war
- Regulatory constraints related to digital transformation
- Ransomware attacks
- Back-to-back extreme weather events

Risk reporting page 17.

Capital management page 52.

Risk appetite page 15.

Stress testing page 16.

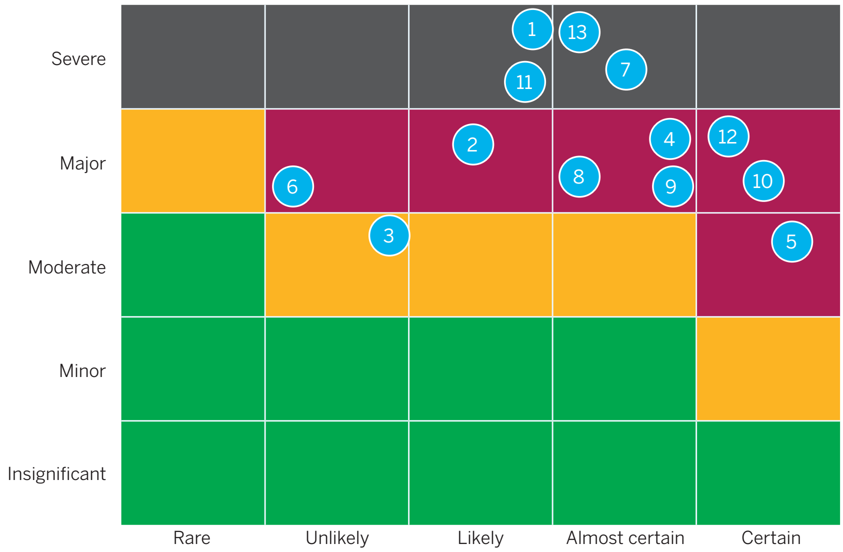
Recovery and resolution planning page 17.

Enterprise risks

Our enterprise risk 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, and 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 13 MEDIUM-TERM ENTERPRISE RISKS

1. Fitness to execute our strategy (S)
2. Competitiveness of our customer value proposition (S)
3. Psychological effects of Covid-19 (NF)
4. Technology instability (NF)
5. Fraud via digital channels (NF)
6. Ability to manage large-scale changes (S)
7. Threat posed from major and emerging technology companies (S)
8. Resourcing for ESG risk management (NF)
9. Operational dependence on third-parties (NF)
10. Technology and data skills scarcity and talent war (NF)
11. Regulatory constraints related to digital transformation (NF)
12. Ransomware attacks (NF)
13. Back-to-back extreme weather events (NF)



Legend

- S Strategic risk
- F Financial risk
- NF Non-financial risk

2022 TOP ENTERPRISE RISKS

1 Fitness to execute our strategy

Prevalent | Strategy execution
(2021: not a top enterprise risk)

A lack of appropriate infrastructure (funding, organisational processes, technology and leadership and operating skills) in the group may hinder execution of the platform business strategy, delay or prevent transformation of the way we operate, while increasing operating and governance costs.

Risk mitigation:

- change management programmes
- leadership transformation
- decision tree reviews and mandate refreshes
- data collection and analysis on planned cost reduction

2 Competitiveness of our customer value proposition

Emerging | Strategy execution
(2021: not a top enterprise risk)

The risk of new customer solutions offering a mediocre value proposition that is generic and easily substitutable due to poor research and development, resulting in loss of market share, loss of brand loyalty and sustainability concerns from investors.

Risk mitigation:

- in-depth research and analysis of customer journeys

3 Psychological effects of Covid-19

Emerging | People
(2021: #11)

Employees, customers, partners and third-parties experiencing post pandemic stress that results in low productivity, misconduct, debt defaults and business closures.

Risk mitigation:

- assistance programmes for employees and immediate family
- employee wellbeing initiatives
- third-party risk management
- fraud detection and prevention tools

4 Technology instability

Prevalent | Technology
(2021: not a top enterprise risk)

The risk of recurring unavailable digital services, eroding our customers' trust in the always on, always secure promise that is core to our platform business value proposition.

Risk mitigation:

- change approval boards for formal IT change control processes
- IT landscape simplification initiatives
- business resilience capability improvement with regular disaster recovery testing
- data analysis to better understand and mitigate direct and indirect customer impacts
- service status subscription service to customers

5 Fraud via digital channels

Prevalent | Financial crime
(2021: #9)

Clients are defrauded in mass by external threat actors on the digital channel to which they have been pushed as part of the digital strategy, resulting in customer frustration and loss, financial loss and damage to reputation.

Risk mitigation:

- DigiME, our customer authentication solution
- device profiling and registration
- sim-card age monitoring
- fraud rules transaction monitoring
- customer education and awareness campaigns

6 Ability to manage large-scale changes

Prevalent | Strategy execution
(2021: not a top enterprise risk)

Introducing new change initiatives before completion or closure and realisation of benefits from previous change initiatives resulting in change resistance, resource strain and poor delivery.

Risk mitigation:

- data collection and analysis on change initiatives, impact on productivity and performance metrics
- highly skilled market research team
- additional segmentation for change initiatives by tenure

7 Threat posed from major and emerging technology companies

Prevalent | Strategy position
(2021: #1)

BigTech and FinTech offer simple, efficient and affordable banking and other financial services through existing and familiar platforms. Competitors have limited or no regulations restricting them from innovating. Incumbent banks are not fast enough to innovate, resulting in material market share loss, revenue reduction, company value reduction and employee downsizing.

Risk mitigation:

- strategic partnering with BigTech, FinTech and other competitors to build a platform organisation
- highly skilled market research and solution development team
- IT landscape simplification initiatives
- proactive policy advocation
- regulation development monitoring and influence

8 Resourcing for ESG risk management

Prevalent | ESG
(2021: not a top enterprise risk)

Lack of dedicated resources to lead the organisation in the management of ESG risks combined with limited customer ESG data sources results in the inability to demonstrate our commitment to sustainable financing.

Risk mitigation:

- climate policy and target definition
- increased board focus on ESG related issues, with climate change on the agenda of all strategy sessions
- secondments, dual roles, and deliverables-based accountability allocation
- close collaboration between business and our dedicated sustainable finance team
- first line business and product development to be trained on ESG

9 Operational dependence on third-parties

Prevalent | Third-party
(2021: #27)
The volume of third-parties that enable critical services to our customers may result in the loss of internal process intellectual property or know-how. Inadequate internal skills/capacity to continue operating the critical services maintained by third-parties.

Risk treatment:

- third-party risk management framework
- operational resilience initiatives in CIB and CHNW
- perform regular business continuity management exercises and disaster recovery testing
- master service agreements that include the group business resilience clause, and service level agreements
- data collection and analysis on third-parties to determine risk exposures.
- cross-skilling of employees as subject matter experts

10 Technology and data skills scarcity and talent war

Prevalent | People
(2021: #10)
The inability to attract and retain talent and the global shortage of future skills (IT engineering, data science, artificial intelligence, robotics, quantum computing) may prevent the successful and timely delivery of strategic IT dependent initiatives and increase salary and consulting costs.

Risk treatment:

- employee referral programmes
- internal talent pipeline
- future ready skills development
- compelling employee value proposition
- extended notice periods for limited skills

11 Regulatory constraints related to digital transformation

Prevalent | Compliance
(2021: not a top enterprise risk)
The platform transition has regulators uncertain on regulating this environment, resulting in elevated attention as regulations have not kept up to date with technology. Regulations in some jurisdictions are impeding progress and allowing unregulated competitors to progress faster.

Risk treatment:

- legal entity engagement with regulators to share strategy and regulatory constraints or implications
- internal tools to facilitate proactive engagement with regulators on topics such as digital platforms and open banking
- SBG FinTech framework to leverage skills and experience across the group and ensure awareness of our approach to mitigating risk when deploying solutions
- proactive engagement and collaboration with regulators on strategy and initiatives to test new technologies
- active involvement in industry forums engaging with regulators

12 Ransomware attacks

Prevalent | Cyber
(2021: #2)
Criminals could implant the latest malware to infect the group's network and hold our systems and data hostage to disrupt critical customer services. This may also result in large scale data privacy breaches.

Risk treatment:

- cyber security operations centre and cyber security incident response teams are available 24/7
- regular penetration testing
- cyber resilience framework
- IT simplification initiatives
- cyber insurance so that we can have quick access to services to investigate and limit impact
- business continuity plans

13 Back-to-back extreme weather events

Prevalent | ESG
(2021: #3)
Repeat and severe extreme weather events deplete resources, leaving little capacity for multiple recoveries. The impact of drought or flooding on agriculture reliant economies may be devastating and result in climate refugees.

Risk treatment:

- natural disaster insurance
- diversified country and sector investment portfolio
- credit loss provision
- multi-event scenario resilience plans
- community resilience development projects
- business continuity management
- country and environmental risk research and analysis

Risk governance

Our risk management system is governed by appropriately mandated governance committees and fit-for-purpose 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 engineering committee (GEC), the group model approval committee (GMAC), the group remuneration committee (REMCO), the group large exposure credit committee (GLECC) and the group social and ethics committee (GSEC).

GRCMC comprises the chairman of the board and chairs of seven other board subcommittees. This common membership provides an enterprise-wide 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 five independent non-executive directors, including the GEC 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.

In 2021, in line with the group's future ready transformation, the group technology and information committee was reconstituted as the GEC. This reconstitution expands the board committee's oversight responsibilities to focus more specifically on the particular components of the group's strategic platform initiatives, engineering and technology partnerships, as well as data and technology-related innovation initiatives and strategies. While the committee continues to oversee the governance of technology and information in accordance with the requirements of the King IV Code of Corporate Governance and assist the other board committees with oversight of relevant technical issues, this is not the committee's main area of focus.

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

- ensuring the establishment of effective engineering capability functions at a group level, the heads of which act as the reference point for all aspects relating to engineering capability management within the group
- actively engaging, advising and shaping the engineering capability's strategic priorities in support of enabling the group's strategic ambitions
- considering and monitoring the alignment to and implementation of the engineering capability's strategic priorities in support of the strategic outcomes sought by the group.

GMAC comprises independent non-executive directors, two executive directors, the chief executive of BCC, the chief executive of CHNW, the chief risk officer of BCC, the chief executive of CIB 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 five independent non-executive directors. 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 five independent non-executive directors, one non-executive director, and two executive directors. Their responsibilities include:

- ensuring the development of appropriate policies and being the social conscience of the group, 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.

GLECC was established for the approval of large exposures in accordance with regulatory requirements. In this regard, the committee:

- oversees compliance with relevant regulatory requirements in respect of large exposures to the extent and on the basis as set out in its mandate
- reviews and approves any investments with or loans, advances or other credit to, any person where the aggregate amounts exceeds 10% of the group's capital and reserves, as prescribed.

It comprises four independent non-executive directors, the group chief executive officer, group finance and value management officer, group chief risk and corporate affairs officer, chief executive officer of CIB, chief risk officer of CIB and the head of credit and equity risk, CIB.

Management committees

GROC, group ALCO and the social and ethics management committee 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 non-financial 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
- group portfolio risk management committee
- BCC, CHNW and client solutions credit committees
- CIB credit committees

Together with its sub-committees, group ALCO is responsible for all matters relating to capital, funding, liquidity, interest rate risk of the banking book (IRRBB) and market risk for 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 assists GSEC with oversight over conduct and culture.

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 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 culture

We leverage the three lines of defence model to build and maintain a strong risk culture. We focus on multiple drivers to enhance our risk culture and emphasise doing the right business the right way.

We educate our people on risk management principles throughout the year via our dedicated learning platforms and through initiatives such as our non-financial risk academy and masterclasses. Our values and ethics are embedded through policies, compliance training and whistle-blowing programmes. We have a policy in place to address any risks associated with the introduction or amendment of our products or services, including business processes, initiatives and partnerships.

Employees are empowered to act with confidence and drive meaningful behavioural changes that place the client at the centre of everything they do.

Our risk management platform is available across the organisation and enables anyone to proactively identify, manage and monitor their risks. Responsible risk taking is recognised and incentivised through our performance management processes.

As an important institution within our economy, the deep obligation to develop our society is entrenched in our business practices, including compliance with laws and regulations. We promote and reward responsible risk-taking that results in sustainable growth. Each business is responsible for monitoring behaviour that is contrary to our ethos and taking disciplinary action in line with our conduct risk management standards. Inappropriate risk decisions are monitored as part of performance management and escalated to REMCO.

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 client segments, 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 earnings 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.

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, client segment 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 portfolio risk management committee

Stress testing programme of work

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

Our stress testing programme of work 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 buffers. 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. It 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, client segment, 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 client segment.

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

Internal activities

A fit-for-purpose stress testing programme ensures the appropriate coverage of various key strategic risks identified by the organisation.

Pre-existing global and local vulnerabilities in many cases continued to be exacerbated by the effects of the pandemic. These included:

- rising geopolitical tensions leading to an increased risk of broadening trade wars globally
- commodity price shocks
- surge in private and public debt creating a crisis in financial markets with knock-on effects for growth, ratings, policy etc.
- a surge in protectionism/nationalism due to the strains of Covid-19 having damaging effects on productive potential, financial wellbeing and security. Countries are fighting hard to ensure the security of supplies (vaccines, food, natural resources and more).
- fragmented political ties between countries leading to a breakdown in global coordination.

- increased sovereign debt stress in some African and European countries
- the unsettled social and political environment
- threats to the stability of the financial sector in both South Africa and across the African continent
- weak economic growth and a lack of fiscal consolidation and/or growth reform in South Africa
- the ongoing threat of cybercrime
- vastly changing competitive landscape in the financial sector resulting in business and digital disruption
- climate change risk including physical risks with extreme weather events taking place across the African continent
- emerging risks in certain aspects of the real estate sector and vehicle asset finance portfolio as well as specific vulnerabilities identified in the discretionary consumer reliance' sector.

During 2021 the Covid-19 pandemic continued to have a material impact on our operating environment and therefore formed the basis for many of our stress testing scenarios.

External activities

In November 2020 the stress testing division of the South African Reserve Bank (SARB) initiated the 2021 common scenario stress test exercise for all Systemically Important Financial Institutions within the South African banking sector. The common scenario stress test is designed to assess the impact of an extreme yet plausible adverse macroeconomic scenario on the solvency position and liquidity profile of SIFIs within the South African banking sector. In 2021, an additional add-on climate drought stress was included in the common scenario stress test exercise.

Recovery and resolution planning

Recovery and resolution planning is a global regulatory reform introduced by the Financial Stability 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 combine both operational and financial frameworks. Since 2012, and in line with international developments, 13 out of 20 host country regulators have issued requirements to develop recovery plans. In order to strengthen our defences, we continue to roll out recovery planning to all group subsidiaries irrespective of whether or not it is a regulatory requirement in country.

We have an integrated recovery platform monitoring framework which includes the key components required in order to establish the position of the group and its subsidiaries, positioned in terms of levels of stress due to internal and/or external factors. Monitoring and analysing the trends of a set of identified predictive metrics removes subjective judgement and provides a formalised trigger and escalation framework, enabling management to take actions to avoid or mitigate severe conditions. The integrated recovery platform monitoring framework also defines required reporting and communication actions, including communication to the board as well as the respective regulators. During the past year, we reviewed the integrated recovery platform monitoring framework and enhanced it based on Covid-19 learnings. We also rolled out an automated integrated recovery platform monitoring tool housing the early warning indicators to all of our banking subsidiaries.

Risk reporting

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

Risk management reports comply with the 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.

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 the period under review, R1.1 billion of net claims were recovered across various policies.

Strategic risks

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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.

2021 and beyond

In addition to the top strategic risks on page 10, we are also managing other strategic risks, including those related to changing technologies and other areas of growth. The group maintains a strong and mutually beneficial relationship with our cloud providers, has robust contracts and monitors technology trends to mitigate this risk.

We also monitor more long term threats to ensure visibility and early action. These include the threat of rapid adoption of central bank digital currencies. We have noted developments in several countries of operation. Another threat on the horizon is that of globalisation setbacks which could affect intra-African trade and the ambitions of the Africa Continental Free Trade Agreements.

Approach to managing strategic risks

The transition from business risk management to a more holistic strategic risk management continued in 2021 with key strategic risks being identified through the annual enterprise risk process, and being monitored on an ongoing basis. Our top strategic risks are the accountability of specific members of the group leadership council to ensure the appropriate level of accountability. An economic capital and enterprise value quantification model is also under exploration to improve decision-making.

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.

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 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

Strategic choices like value proposition, product, consumer segment and channel that result in unexpected variability of earnings and other business value drivers. This includes:

- 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

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

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.

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

Non-financial risks

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This category covers operational risks from inadequate or failed processes, people and systems as a result of internal or external factors. Non-financial risks are managed separately from financial risks and currently exclude strategic risks. Non-financial risks are complex, and difficult to anticipate and to quantify. They evolve rapidly with significant overlap across risk types and could have financial and non-financial implications.

2021 and beyond

Risks associated with Covid-19 continued to dominate our focus in 2021. Management continued to prioritise the safety of staff and provision of critical customer services in a secure manner. Lessons learnt from social unrest incidents in various countries, including the July 2021 unrest in South Africa, will guide our 2022 activities to strengthen the health and safety of our people.

In pursuit of our strategy to become a digital organisation and grow through partnerships in our chosen ecosystems, technology, cyber and third-party risks also grew in number and landscape.

We navigated these risks as they evolved and ensured that our control environment remains stable to support consistent customer experience. We re-prioritised key IT projects and re-direct resources to initiatives that optimise security (always secure), IT systems stability and resilience (always on) and tools used to assess and monitor key risks. A risk management academy and a series of masterclasses were launched in 2021 to equip our people with risk management skills that support our digital transformation ambition. We expanded the utilisation of our third-party management solution that enables third-party risk management best practice.

In 2022 we will continue advancing the data intelligence of our new tools and cultivate new workforce skills to raise the bar of non-financial risk management services in line with the group's digital and data led transformation strategy.

We received regulatory fines in a number of our Africa Regions entities, but operational losses remained below our risk appetite limit and we maintained a group-wide focus on compliance with changing laws and regulations.

ESG issues remain topical and we are committed to contribute towards sustainability goals of our presence countries and ecosystems, while driving growth for our clients and the group. We will continue to comply with all codes of conduct applicable to environmental and social legislation and internationally accepted practices that apply to specific sectors.

Approach to managing non-financial risks

We follow fit-for-purpose risk management processes that are underpinned by well-established governance structures with comprehensive reporting and escalation as detailed in the how we manage risk section on page 8. Risk management information and digital tools enable management to understand their risks and control environment and potential risk exposure associated with different business opportunities.

The non-financial risk types that were a high priority for the group in 2021, are explored further in this section.

Business disruption

The inability to effectively respond to a disruptive event, resulting in failure to continue the provision of services.

The social and economic unrest in countries of operation was a key risk in 2021 under this risk type. The looting, intimidation, and disrupted services we experienced resulted in damaged assets and negatively impacted customer experience. We responded with a consistent control posture to secure safety of our people, quickly restore services and minimise financial losses across impacted areas. We achieved this by successfully deploying planned and tested business continuity protocols.

Planned power outages continues to be a key risk in South Africa. We minimise this risk with innovative workaround or alternative processes, cross skilling of key staff, outages schedule monitoring and activation of key sites with alternate power under strict Covid-19 protocols.

Unexpected failure of technology services that disrupt the provision of critical services to customers is a prevalent risk that we continue to mitigate through various business resilience optimisation initiatives.

Compliance

Legal or regulatory sanction, financial loss or damage to reputation that we may suffer as a result of failure to comply with laws, regulations, codes of conduct, internal policies, and standards of good practice applicable to our financial services activities.

The complex regulatory environment across geographies in which we operate is a prevalent risk under this risk type. The expansion of our digital capabilities, integrated with our service and product offerings, requires us to scale rapidly while ensuring compliance. In 2021 we focused on further integrating compliance teams in the product and service development processes to proactively guide the design of controls to reduce this risk exposure.

Conduct

Inappropriate execution of business activities resulting in adverse impacts to our clients, markets, or the group itself.

The tough economic conditions and flexible work arrangements in 2021 created a fertile environment for unethical behaviour, information leakages, internal fraud and risky business practices. We did not experience any material incidents from these potential risks.

In 2022, we plan to redesign conduct risk management tools by aligning conduct and reputation management processes to our ethics framework. We will refine our conduct risk monitoring metrics and provide management with key insights and analytics in our Risk Market Place tools.

Cyber

Potential digital attack on our systems resulting in disrupted services, reputational damage, or financial losses.

The financial services industry globally experienced an increase of ransomware and cyber-attack incidents in 2021. To reduce the impact on our customers, we continued to strengthen our cyber security posture against ransomware, spear-phishing and other cyber threats.

We invested in next generation behaviour-based malware detection capabilities. We implemented network access control across the group and enhanced our cyber incident response management resources. Key security capabilities are focused on internet aware management models to enhance our cyber defenses.

ESG

The inability to achieve our strategy arising from our direct and indirect impact on the environment, society, and governance.

The pandemic continues to impact our clients across the continent. All businesses have had to make serious adjustments to align with Covid-19 restrictions, while operating in an environment of reduced consumer spending power. Under these challenging conditions, we remained committed to working with clients to understand their needs and develop appropriate interventions to support them. This support included flexible funding for cashflow, service fee waivers, loan repayment holidays and information resources and solutions to help businesses navigate the strictest lockdown restrictions. In South Africa we partnered with both the public and private sector to provide funding to establish 32 vaccination sites across the country, enabling hire of medical personnel and purchase of appropriate equipment.

We observed increased focus from shareholders, activists and civil society groups on our lending activities related to fossil fuel financing, and the advisory role in relation to the East Africa crude oil pipeline. We continued to engage with our stakeholders on these issues, while following our robust internal risk assessment and due diligence processes.

We continued to enhance our understanding of ESG risk management. We developed a climate policy with measurable commitments that were approved by the board. The policy and associated targets were published in March 2022.

The self-assessment and monitoring of our indirect ESG risks is now enabled by a digital solution which will be deployed across the group in 2022.

Financial crime

Money laundering, sanctions violation, bribery and corruption, facilitation of tax evasion and perpetration of fraud.

Fraud remains a prevalent risk under this risk type. Fraud incidents and unsuccessful fraud attempts increased by 8% in 2021 compared to 2020. We further enhanced our fraud security rules for our online, card and transacting services. We upgraded the card fraud system and witnessed a wide take-up of the DigiMe login solution that was implemented to strengthen customer authentication. Our online fingerprint verification system, external fraud awareness campaigns across multiple channels, reduction of the number of customer facing websites and shutdown of detected phishing sites also contributed in our efforts to combat fraud. We intend to continue expanding and optimising our fraud monitoring and detection capabilities.

Non-compliance to anti-money laundering and combating the financing of terrorism (AML/CFT) regulations resulted in fines in a number of our Africa Regions entities. In response to these incidents, a programme was established in 2021 to optimise and support Africa Regions AML/CFT controls execution during the new client onboarding, client risk review and correspondent banking relationship management processes. This programme will continue in 2022.

Information

Accidental or intentional unauthorised use, access, modification, disclosure, dissemination or destruction of information resources, that compromises the confidentiality, integrity and availability of information.

2021 saw a growing severity of cyber incidents on third-parties, increasing the risk of exposing sensitive data and records. Mitigating initiatives implemented centred around identification and ongoing review of high-risk third-parties processing sensitive information and ensuring that agreements are in place. Throughout the year, we continued to focus on actively managing third-party risks relating to cyber and information breaches to limit the adverse impact.

As regulatory changes come into effect, focus is given to compliance with the South African Protection of Personal Information Act legislation while also maintaining alignment and compliance to other country-specific legislation.
We ensured that the rights to privacy as a fundamental component to our client centric strategy is fully embedded into our business processes. Groupwide and country-specific privacy programmes were implemented to educate and enhance the regulatory privacy landscape.

Model

Fundamental errors in models that may produce inaccurate outputs when viewed against the design objective and intended business uses, and the incorrect or inappropriate use of a model.

Though no material incidents transpired in 2021, a risk-based model risk governance and materiality framework was developed and implemented to mitigate model risks. The validation process is enabled by the Risk Market Place and it determines the level of validation and formal governance required by each model based on its potential risk level.

People

Inability to attract, develop, manage and retain the required talent; and unintentional breaches of employment legislation; and mismanaging employee relations.

Covid-19 continues to impact the health, safety and wellbeing of our employees. We provide regular information, guidance, and support to employees as our countries of operation moved through successive waves of infections, and as vaccination programmes became available.

Hybrid ways of working remain in place for our employees across multiple locations. We continue to observe all health and safety standards introduced in 2020, including enhanced hygiene and cleaning protocols across premises. A steering committee is in place to enable agile responses to changing environment.

We have taken the decision to introduce a Covid-19 vaccination policy, which requires all employees of the group who work from our premises to be vaccinated against Covid-19. We will make every reasonable attempt to accommodate employees who have valid reasons for not being vaccinated. The policy will be implemented in South Africa in the first instance and will come into effect on 4 April 2022. Having due regard to local circumstances and laws, we will aim to establish similar requirements in all our Africa Regions as soon as possible.

As we transition to a platform organisation, where success is highly dependent on people with specialised skills, we are aware that there may be a shortage of these skills within the group. We have commenced programmes of work with exit interviews and analysis to inform and adjust our value proposition and inform our retention strategies. These retention and talent strategies will be deployed to ensure that we have the necessary critical skills.

Technology

Failure to leverage emerging technologies and ineffective implementation, maintenance, or operation of technology assets resulting in reduced competitiveness, operational disruption and inefficiencies.

The impact on customers due to technology failure service disruptions was proactively managed throughout the year. Our always-on and other key initiatives to address system end of life and IT security issues made good progress in 2021. We enhanced oversight that enforce minimum standards for resilient technology design, build, testing and maintenance. Management also focused on system monitoring, incident and problem management, capacity management, learning of new skills and collaboration across teams. These interventions all contributed to a lower number of priority 1 incidents and a comparable level of priority 2 incidents.

In 2022, we will continue leveraging technology and operations control teams to drive system disciplines and mastery of basics while we operationalise and grow our application programming interface marketplace.

We have developed a future ready skills development and people retention plan in line with our strategic workforce requirement, to address concerns about potential IT skills deficit.

Third-party

Ineffective management of third-party relationships and the risks inherited through the association or services provided to the group.

Leakage of confidential or private customer data was a key risk in 2021 due to inadequate information security management practices at our third-parties. We initiated a groupwide third-party risk assessment to identify third parties that have significant gaps in their control environment, and to support them to improve their security posture. In 2022, due diligence activities that we perform, such as sanction and adverse media screening, will be automated.

Other risk types managed under the non-financial risks category are:

Financial accounting

The risk of misstatement of financial statements.

Standards and systems of internal controls are designed, implemented and monitored by management to provide reasonable assurance of the integrity and reliability of the annual financial statements. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Legal

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.

Physical assets, safety and security

Damage to the organisation's physical assets, client assets, or public assets for which the organisation is liable, and (criminal) injury to the organisation's employees or affiliates.

Tax

Failing to meet statutory reporting and tax payments/filing requirements.

Transaction processing

Failure to process, manage and execute transactions and/or other processes (such as change programmes) correctly and or appropriately.

Governance

Non-financial risk management relies on proactive risk identification and mitigation by client segments as well incident reporting, all of which is enabled by the Risk Market Place tools and escalated through their governance committees that report to the group non-financial risk committee and group compliance committee.

Financial risks

Credit risk

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.

2021 and beyond

The performance of the group's credit portfolio through 2021 continued to be influenced by a number of macro-related events, including the ongoing Covid-19 related supply chain and general economic disruption across our presence countries, heightened political risk in some jurisdictions, increased ESG-related pressures on sovereigns and corporates, and the civil unrest in South Africa in July. Opportunities for improving lending to green and sustainable projects and ventures are increasing, while the efficiencies of the work done to date in digitising and automating a range of processes across the credit-decisioning cycle are starting to materialise.

The economic impacts of Covid-19 continued to place some strain on our retail, business and corporate clients, particularly in South Africa, though all portfolios reported an improved performance on 2020 results. Our focus through the end of 2020 and in 2021 remained serving our clients, supporting our employees and assisting our clients to navigate the risks brought about by the pandemic. We dynamically adjusted our forward-looking view of customer risk to reflect the impact of the pandemic on our economic environment. Informed by this, we made changes to portfolio risk appetites and reassessed early warning triggers 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. We recalibrated previous assumptions underlying our impairment and regulatory capital models, including the updating of forward-looking expected loss factors, driven by adjusted macro variables brought on by the pandemic. Our model validation process supported these changes throughout.

Scenarios defining possible pathways for the group's operational and financial performance through the pandemic have been used extensively to adjust expected earnings-at-risk forecasts, modify risk appetites and inform strategic decision making. We continue to support our clients to manage the economic impacts of the pandemic. We participated in the Covid-19 term loan guarantee scheme supporting business owners with funding to cover operational expenses and we set up an enterprise development fund to grant micro-businesses nano-loans. We have continued to support businesses with access to funding into 2021 by improving our lending origination processes and offering more lending options on digital channels, making it quick and convenient to get a business loan.

In July 2021, protests and looting in the South African provinces of KwaZulu Natal and Gauteng led to multiple deaths, the looting of approximately 3,000 stores, and extensive damage to 161 malls. From an economic perspective, these events have weighed down on levels of private sector fixed investment, curbing potential growth and adding to inflationary pressure. While CHNW's clients were most impacted by the closure of our branches, clients from other business segments were most impacted financially by the protests. Relief measures implemented included capital and interest moratoriums, increased working capital facilities to qualifying borrowers, payment holidays and credit restructures to eligible exposures, support for customers on their insurance claims for political unrest, premium relief on business insurance policies, and the establishment of a ring-fenced business recovery fund.

As governments seek to stimulate growth across all African presence countries in response to COVID-related restrictions on trade and economic activity, the weak fiscal positions of a number of sovereigns has necessitated the raising of further debt which has contributed to weak sovereign ratings in the CIB portfolio, although the risk of short-term downgrades remains moderately low.

The increased importance of ESG risk factors for investors, clients and other stakeholders has exposed some potential vulnerabilities for a range of our clients. Examples include the impact on CIB's sovereign and corporate clients in northern Mozambique and Nigeria, where recent insurgencies have increased instability and uncertainty. In Uganda and Tanzania the potential for investment in new oil and gas resources to alleviate energy deficiencies in the region, has to be balanced with possible environmental damage and the risk of stranded assets over the long term. To address these risks, we are expanding our sustainable finance offering in support of our vision to drive Africa's growth. We continue to fund the development of critical infrastructure to support Africa's development, while seeking to manage and mitigate climate change risks and support a just transition to a low carbon future.

BCC's credit portfolio has recorded an increase in credit boundary events (losses related to both operational and credit risks). This is partially driven by the digitisation and automation of critical lending processes, critical to the group's future-ready transformation to a platform organisation, but which also increases the risk of capacity and capability imbalance between current business-as-usual practices and future-ready processes and systems. In addressing these challenges, BCC has focused on a change programme that prioritises the sourcing of key critical skills and their alignment with future role development, as well as the enhancement of controls across the business to minimise the risk of operational and credit losses. Other key 2022 strategic priorities for BCC include digitising lending solutions for our enterprise banking segment and driving the model development to support this; building out trade finance capabilities in collaboration with CIB to deliver enterprise-wide trade solutions to our customers across the continent; and investing in our risk professionals through targeted training.

CHNW's focus on the digitisation of its processes and operations yielded successes in the scored lending implementation of digital solutions across Africa Regions and further refining of data science and machine learning capabilities in South Africa. Further efficiencies and an increased client focus were realised in the alignment of policy rules across unsecured products, the establishment of customer-level collections departments and increased automation of the high value loans credit cycle, significantly improving customer experiences in this area. The high degree of operational dependency on a large number of third-parties that help to enable critical service delivery to CHNW's customers, as well as having the right level of skills and capacity to manage this dependency, has been identified as a key risk. Consequently CHNW's attention to third-party risk management will remain a priority activity for 2022. Key strategies for 2022 and beyond include extracting further process efficiencies and driving innovative collections strategies. The focus for CHNW in 2022 will remain on transforming customer experience, enhancing client level risk management, building on risk capabilities and scaling automated decision-making.

BANKING AND INVESTMENT ACTIVITIES

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 equity risk committee (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 client segments in all significant risk matters.

CIB credit committees | CHNW, BCC and CS credit committees | ERC | intragroup exposure committee | GMAC | BCC, CHNW and CS 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 rating-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 SERVICE	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 South African 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 (CCF)

We apply a regulatory-approved 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 (SME) 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 SME, 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

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 group-wide 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.

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 assets and financial liabilities on a contractual discounted basis.

CRB(h): RESTRUCTURED EXPOSURES SPLIT BETWEEN IMPAIRED AND NOT IMPAIRED[1]

	2021		2020	
	Not impaired Rm	**Impaired Rm**	Not impaired Rm	Impaired Rm
Advances	**17 112**	**1 063**	20 902	8 446
Total	**17 112**	**1063**	20 902	8 446

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.

COUNTERPARTY CREDIT RISK

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.

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 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 group-wide 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 risk 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. Mitigation and adaptation strategies required to address this risk 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.

We have adopted a phased and progressive approach to understanding our climate risk exposures and setting appropriate targets to reduce exposure and maximise opportunity. We have identified four sectors that have elevated levels of climate risk, and have developed risk management strategies in respect of each of these (agriculture, gas, oil, thermal coal). Sector targets have been set, and will inform portfolio management going forward. We will undertake in-depth analysis and target setting for additional sectors going forward. We will review our climate policy on a regular basis, taking into consideration technological changes, policy and regulatory changes and developments in climate science. Progress will be reviewed on an annual basis, and targets and commitments on a three-year cycle.

Environmental screening for new transactions for both new and existing customers includes assessment of climate risk. Where applicable, reference is made to the group's climate policy to establish whether new transactions meet eligibility criteria.

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 2021 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.

- 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)

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), intragroup 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 Investors Service 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 ACTIVITIES

Refer to Liberty's risk management report, available on their website.

Country risk

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.

2021 and beyond

In 2021, African sovereigns continued pandemic-related restrictions leading to constrained economic activities and sovereign debt conditions tightening further. The Debt Service Suspension Initiative (DSSI), a multilateral mechanism to support the sovereigns of 73 eligible low-income countries, ended in December 2021. Only 42 countries accepted the offer for the temporary suspension of debt-service payments owed to their official bilateral creditors. Relief totalling USD12.7 billion was extended, significantly less than the USD20 billion envisaged. The take-up of this initiative was low as the DSSI participation threatened sovereign's market access and failed to account for the changed nature of debt in emerging markets in the past 20 years, namely the rise of Chinese bilateral debt and the commensurate decline of multilateral concessional debt.

The DSSI's successor scheme is the G20 Common Framework, which obliges participating countries to first agree terms with bilateral creditors and the IMF, and then secure the same debt relief from private creditors. However, the spectre of losing market access remains, in addition to Chinese bilateral (concessional and commercial) loans being sometimes exempt from plural debt restructurings. Only Ethiopia, Zambia, and Chad have applied, and negotiations have shown little sign of progress.

Concurrent to the pandemic policy responses, African sovereigns are rapidly required to respond to the global energy transition, driven primarily by developed market policy responses and changing supply dynamics in the oil, gas and electricity sectors.

Several African Region sovereigns remain heavily dependent on the export of fossil fuels with little scope to diversify their economies in the short to medium term. Some sovereigns hoping to become oil and gas exporters (Uganda, Mozambique, Tanzania) will face challenges due to environmental and climate change concerns. African sovereigns will need to balance these concerns with pursuing sustainable economic growth plans in the context of limited per capita energy access.

Africa Region countries endowed with minerals critical to battery technology will benefit from the global shift to a lower-carbon economy. The availability of climate finance and transition finance will be key to delivering on enhanced nationally determined contributions.

Insecurity has been a constant theme in 2021 with insurgency escalations in northern Mozambique and the Middle Belt in Nigeria. The civil war in Ethiopia threatened the country's economic progress and risked sparking a regional conflagration. South Africa's KwaZulu Natal and Gauteng provinces experienced violent community unrest in July 2021. Pro-democracy protests in Eswatini continue.

Security risks combined with high food-price inflation, and increasing unemployment will continue to erode the social fabric and trust in state institutions. Increasing climate change impacts will exacerbate food insecurity and social unrest, presenting further downside risk to social cohesion in South Africa and Africa Regions.

In 2022, fiscal space is expected to continue to shrink, with stress due to foreign currency debt repayment increases. This position is exacerbated by the expectation that global monetary conditions will tighten this year, making it more expensive to refinance existing debts. Africa Regions sovereigns' policy responses may heighten the risk of the imposition of capital controls, by stealth. Ratings downgrades are likely in this scenario.

Leading up to the United Nations Climate Change Conference 27 in Egypt in 2022, managing climate change impacts and enabling adaptation will be crucial issues key to longer term country sustainability.

The country risk portfolio is managed with ongoing monitoring of vulnerable sovereigns, particularly sovereigns dealing with security flashpoints or upcoming debt repayments.

In addition to the annual review, we will continue to deliver pro-active country and sovereign risk assessments to enable the management of emerging risks in the cross-border portfolio.

Approach to managing country risk

Countries to which we are exposed are reviewed 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 franchise network, country visits and external information sources. These sovereign, jurisdiction, and transfer and convertibility ratings are key inputs into SBG's credit rating models. There is an ongoing focus on improving the efficiency of country risk assessments utilising the local in-country team knowledge whilst leveraging the group-wide risk knowledge.

The country risk model inputs are 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 from SB01 to SB25, with three gradients of default. 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.

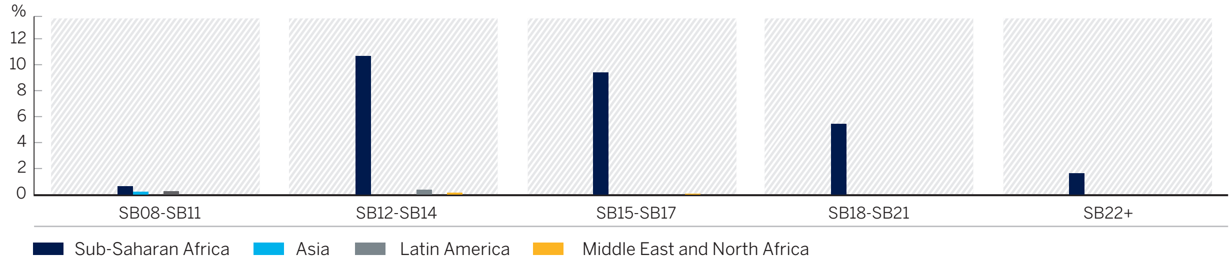
Country risk portfolio characteristics and metrics

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

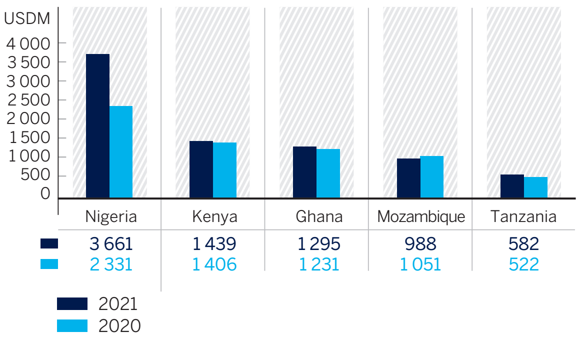
	Sub-Saharan Africa %	Asia %	Australasia %	Europe %	Latin America %	Middle East and North Africa %	North America %
2021							
Risk grade							
SB01-SB07	**1.38**	**12.97**	**0.76**	**40.87**		**2.73**	**12.00**
SB08-SB11	**0.65**	**0.21**		**0.25**			
SB12-SB14	**10.85**				**0.39**	**0.14**	
SB15-SB17	**9.55**					**0.07**	
SB18-SB21	**5.53**						
SB22+	**1.65**						
2020							
Risk grade							
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						

MEDIUM- AND HIGH-RISK COUNTRY EXPOSURE BY REGION



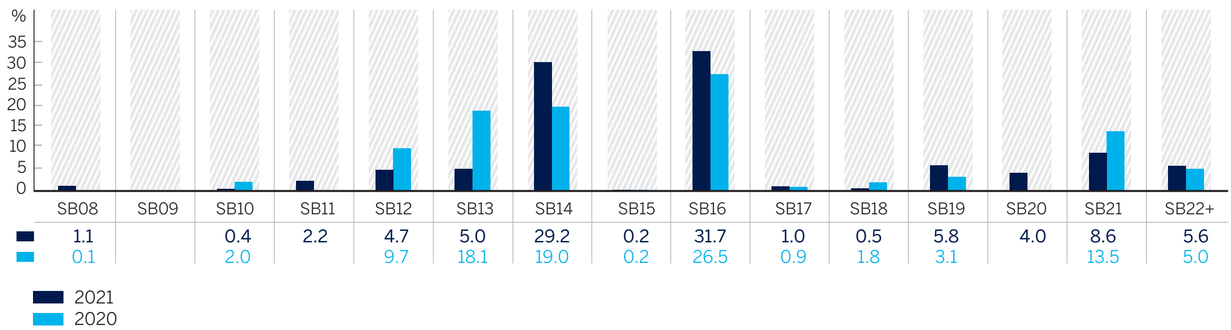
The top five medium- and high-risk countries remain the same as 2020, albeit with higher exposures. In Nigeria, the increase in exposure is due to currency swaps with the central bank.

TOP FIVE MEDIUM- AND HIGH-RISK COUNTRY EAD



By country ceiling and EAD concentration, the highest exposure is to Nigeria at 31.7% followed by South Africa at 29.2%.

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



Funding and liquidity risk

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.

2021 and beyond

The group's liquidity position remained strong throughout 2021, supported by elevated transactional account balances combined with limited net growth in client term lending balances. The South African market has remained open to senior and subordinated bond issuances while issuance of negotiable certificate of deposits (NCDs) normalised following the marked reduction in issuance observed during 2020 caused in part by elevated household deposit balances. Longer-term funding increased by R26.4 billion through the issuance of NCDs, senior debt and syndicated loans. SBSA issued its debut R2.0 billion social bond, followed by a R1.5 billion tap, during the third and fourth quarters of 2021 in the form of 3- and 5-year notes listed on the Sustainability Segment of the JSE. Funding demand has increased during the year but remains below pre-pandemic levels.

Contingent funding plans, stress testing assumptions as well as early warning indicators continue to be reassessed for appropriateness considering learnings from the pandemic. We fully migrated the liquidity risk management system for all Africa Regions balance sheets to the cloud during 2021, enabling scale and cost efficiency.

Risks remain with respect to the access to and cost of foreign currency term liquidity, driven by global market volatility and a worsening global inflation outlook as well as the potential for further ratings downgrades in respect of the countries in which the group operates. Cloud functionality will support enhanced data quality and process efficiency while we continue to develop integrated forecasting models, permitting further integrated optimisation of financial resources.

BANKING AND INVESTMENT ACTIVITIES

OVERVIEW OF FUNDING AND LIQUIDITY METRICS

	2021	2020
Total contingent liquidity (Rbn)	**553.0**	521.9
Eligible Basel III LCR high-quality liquid assets (HQLA) (Rbn)	**360.6**	355.7
Managed liquidity (Rbn)	**192.4**	166.2
Total contingent liquidity as a % of funding related liabilities (%)	**30.4**	31.3
Single depositor (%)	**3.1**	4.0
Top 10 depositors (%)	**9.6**	11.2
Basel III LCR (quarterly average %)	**144.3**	134.8
Minimum regulatory LCR requirement (%)	**80.0**	80.0
Basel III NSFR (%)	**122.0**	124.8
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 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 the corporate, consumer high net worth, and business and commercial client sectors to ensure that payment obligations can be met by our legal entities under both normal and stressed conditions within our risk appetite framework and that regulatory minimum requirements are always met. 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 always support its asset base.

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 the forecast period, 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 the contingent liquidity 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 liquidity buffers 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. Financial markets have however largely normalised with bank wholesale funding markets continuing to show stability post market fragility in early 2020. As a consequence, the relief measure granted will be withdrawn in a phased approach with 90% and 100% minimum regulatory requirements becoming effective from 1 January 2022 and 1 April 2022 respectively.

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 2021 for the majority of our balance sheet and a simple average of the three month-end data points for certain Africa Regions banking entities which are not yet reported daily. The average LCR of 144.3% exceeded the reduced 80% minimum regulatory requirement for 2021 (2020: 134.8%).

A LCR 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 marketable and liquid instruments as at 31 December 2021 and 31 December 2020. 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 assets other than eligible Basel III LCR HQLA which would be able to provide sources of liquidity in a stress scenario.

TOTAL CONTINGENT LIQUIDITY

	2021 Rbn	2020 Rbn
Eligible LCR HQLA[1] comprising:	**360.6**	355.7
Notes and coins	**20.9**	19.2
Balances with central banks	**35.6**	35.8
Government bonds and bills	**285.8**	265.2
Other eligible assets	**18.3**	35.5
Managed liquidity	**192.4**	166.2
Total contingent liquidity	**553.0**	521.9
Total contingent liquidity as a % of funding-related liabilities	**30.4**	31.3

1 Eligible LCR HQLA considers any liquid transfer restrictions that will inhibit the 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 appetite 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 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.

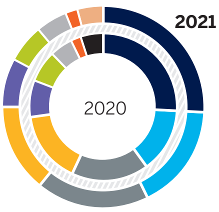
Only banking and/or deposit taking entities are included and the pillar 3 disclosure for the NSFR represents a consolidation of the relevant individual assets, liabilities and off-balance sheet items. We successfully managed the balance sheet structure and maintained NSFR compliance in excess of the 100% regulatory and risk appetite requirements at 31 December 2021 and 30 September 2021 of 122.0% and 124.6% 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 leverage and focus on building our deposit base as a key component of our funding mix to ensure we have the appropriate amount, tenor and diversification of funding to support our current and forecast funding requirements while minimising funding costs. Deposits sourced from South Africa and presence countries in Africa Regions, as well as from Isle of Man and Jersey provide diversity of stable funding sources for the group.

Primary funding sources are in the form of deposits across a spectrum of consumer high net worth, business and commercial and wholesale clients, as well as loan and debt capital markets across the group. Total funding-related liabilities increased from R1 665 billion in 2020 to R1 822 billion in 2021.

FUNDING DIVERSIFICATION BY PRODUCT



	2021 %	2020 %
Call deposits	**26**	26
Term deposits	**17**	14
Current accounts	**18**	17
Cash management deposits	**14**	16
Deposits from banks and central banks	**8**	8
NCDs	**6**	7
Senior and subordinated debt	**5**	5
Savings accounts	**2**	2
Other	**4**	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]

	2021 Rbn	2020 Rbn
Corporate funding	**555**	504
Retail deposits[2]	**482**	448
Institutional funding	**397**	347
Interbank funding	**108**	86
Government and parastatals	**157**	147
Senior debt	**58**	60
Term loan funding	**35**	46
Subordinated debt issued	**25**	23
Other liabilities to the public	**5**	4
Total funding-related liabilities	**1 822**	1 665

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

DEPOSITOR CONCENTRATION

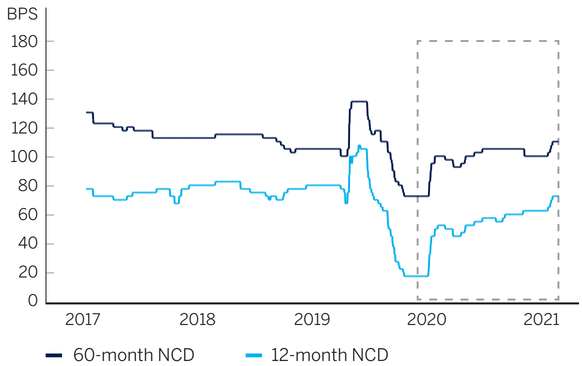
	2021 %	2020 %
Single depositor (limit 10%)	**3.1**	4.0
Top 10 depositors (limit 20%)	**9.6**	11.2

Part 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 maintained sufficient long-term funding in excess of 12 months, raising R26.4 billion through the issuance of NCDs, senior debt and syndicated loans. In addition, we issued R3.2 billion tier II and R3.5 billion AT I notes during 2021, 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 above the prevailing reference rate, namely three-month JIBAR. 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 increased by 20bps and 12.5bps respectively during 2021. While asset growth remained relatively subdued post the market impacts of Covid-19 in 2021, the increase was driven by demand for wholesale funding to support asset growth in consumer and high net worth, commercial and business and corporate sectors in the fourth quarter, as well as higher spreads on government bonds.

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- outlook stable
SBSA foreign currency issuer default rating	BB- outlook stable
RSA sovereign foreign currency issuer default rating	BB- outlook stable

	Moody's
Group foreign currency issuer rating	Ba3 outlook negative
SBSA foreign currency deposit rating	Ba2 outlook negative
RSA sovereign foreign currency rating	Ba2 outlook negative

Credit ratings for SBSA are dependent on multiple factors, including the South African 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 South African 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.

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 R2.6 billion in 2021 (2020: R2.7 billion), remains undrawn.

The liquidity risk associated with this facility is managed within our overall liquidity position and represents less than 1% of our total liquidity (2020: 1%). The liquidity facility is included in our balance sheet as well as in liquidity risk stress testing.

INSURANCE ACTIVITIES

Life insurance

Refer to Liberty's risk management report, available on their **website**.

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

Adverse movement in market variables resulting in a change in market value, actual or effective earnings or future cashflows of a portfolio of financial instruments, including commodities

2021 and beyond

Markets experienced some economic rebound from the deep contraction seen in 2020 with new Covid variants and further waves causing further disruption and volatility this year. The July unrest in South Africa and further Eskom load shedding also impacted investor sentiment in South Africa.

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. Engagements continued 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.

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 AND INVESTMENT ACTIVITIES

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 the group's 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 South Africa 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 VaR (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 R13.3 billion (2020: R11.8 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 E: 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 (2020: green). two exceptions occurred in 2021 (2020: 14) for 95% VaR and zero exceptions (2020: one) 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

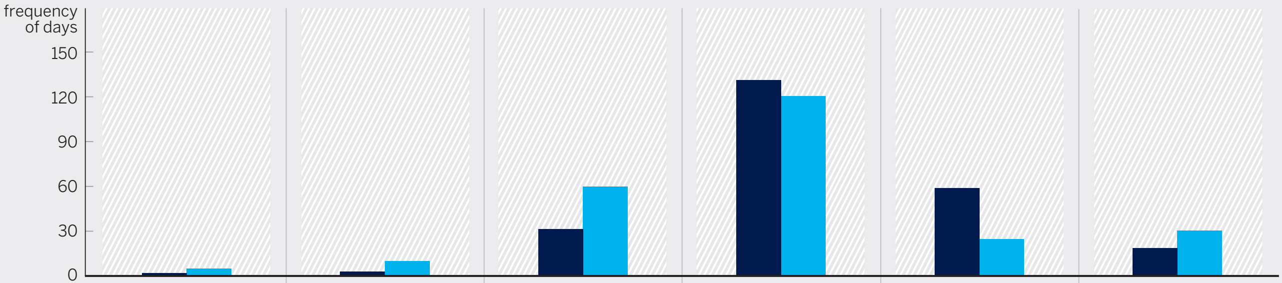
Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for our own account. In general, our trading desks have run increased levels of market risk throughout 2021 when compared to 2020 aggregate normal VaR, and aggregate SVaR.

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 240 out of 245 days (2020: 194 out of 255 days) on an aggregated global basis.

DISTRIBUTION OF DAILY TRADING INCOME



	<-30	-30< to <0	0< to <30	30< to <60	60< to <90	>90
2021	2	3	32	134	60	19
2020	5	10	61	123	25	31

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 ACTIVITIES

Life insurance

Refer to Liberty's risk management report, available on their **website**.

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 a significantly larger portion of investments is in cash and cash-equivalent 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 liability management and investment committee.

Insurance risk

Actual future underwriting, policyholder behaviour and expense experience differs from that assumed in measuring policyholder contract values and in pricing products.

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, retrenchment, 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

2021 and beyond

Liberty's resilience continued to be tested in 2021 in the face of the Covid-19 pandemic. In many instances the pandemic has exacerbated the long-term challenges being faced, but it has also provided an opportunity to reimagine methods of execution supported by accelerated digital adoption across all areas of the business. Progress continues to be made on the delivery of these strategic goals. Our client-centric response to Covid-19 has been demonstrated through the continued timely payment of death and disability benefits due under contracts with customers, as well as making provision for those economically hurt by the pandemic to adjust their premiums. The establishment of the pandemic reserve, while maintaining a strong capital ratio gives clients comfort that the business will continue to deliver on its promises in the future.

The impact of the pandemic has been substantial, with significant market volatility and a large number of cases reported, but the effects so far have not been outside the levels envisaged by Liberty's risk management system. The spread of Covid-19 continued during 2021 with many countries experiencing third and fourth waves of infections. With only a fraction of the South African population being fully vaccinated, there is a risk that the impact of future waves may still be relatively severe, and focus has now shifted from vaccine procurement and logistics to encouraging vaccine hesitant individuals to get vaccinated. The pandemic reserve initially established in 2020 to cater for the financial impact of the pandemic is regularly reassessed. The longer duration of the third wave resulted in the mortality component of this reserve being depleted and a top up has been required for the fourth wave.

Refinements to underwriting procedures in the context of Covid-19 have continued to evolve in 2021 as further Covid-19 information has emerged. The Covid-19 refinements include more restrictive limitations on the level of cover provided, revised loadings on contributions charged and increased decline or deferment decisions for lives identified in the underwriting process as having co-morbidities that appear to impact Covid-19 outcomes, the inclusion of a Covid-19 diagnosis and symptoms as an underwriting factor, as well as the placement of more business with reinsurers where the risk is currently not within Liberty's risk appetite. The group is currently in the process of incorporating vaccination status into the underwriting process with expected implementation in the first quarter of 2022.

For institutional life benefits, careful consideration is given to the proportionately different impact Covid-19 is expected to have across various industries in establishing the terms and conditions when annual premium reviews occur.

Significant risk selection changes were incorporated into product pricing in the second half of 2020 that appear to have improved the new business mix and are expected to manage new business experience within long-term expectations.

The human toll of the crisis has been widespread and virtually all people have been affected to some extent. Despite the individual challenges faced, Liberty has continued to manage the challenges and continues to deliver on its commitments to customers. Liberty's management continues to focus on regular communication and interacting with heightened levels of empathy.

Life insurance risk subtypes

The insurance risks with the greatest impact on the financial position and comprehensive income are covered in more detail.

Policyholder behaviour risk

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 and 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 that terminations would be likely to increase significantly. 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 the business of granting customers the above premium relief options were considered to be lower than the costs associated with the likely higher levels of policy terminations in the absence of these measures. The residual experience in 2021 from these 2020 premium relief options suggests these have had the desired effect.

In December 2018, the group entered into a reinsurance contract expected to cover in part the losses incurred under certain catastrophic termination events (i.e. a severe termination event that occurs over a period of 12 months). This catastrophe cover has continued to be rolled forward and in December 2021 the group has entered into further such reinsurance cover. Although the indirect policyholder behaviour impact of Covid-19 in 2020 and 2021 were insufficient to trigger this reinsurance, should terminations unexpectedly spike in future, this catastrophe cover may prove beneficial.

Underwriting risks

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 their 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 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

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 set up at 31 December 2020 and this reserve has required an increase in 2021. In addition, in recognition of the risk that Covid-19 may have become endemic in the long-term, some long-term mortality assumptions have been increased accordingly. 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. The proportion of customers to be infected/reinfected with Covid-19, the future severity of current and new circulating variants on death, the level of vaccination take-up, and the efficacy of vaccine and natural immunity over time are all areas giving rise to uncertainty and risk.

For the long-term, there is a risk that ongoing excess deaths exceed the additional allowance made for Covid-19 in the long-term assumptions. This risk is not only that there are more deaths directly from Covid-19, but that there are additional deaths from the long-term consequences of surviving Covid-19 or from other causes of death arising from indirect economic or societal changes because of Covid-19.

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

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. There is a risk that this is not the case. However, policy terms allow Liberty to review contributions at certain points in time which can be used to mitigate potential long-term loss.

Retrenchment risk

Retrenchment related claims exceeding expectation.

Although retrenchment claim experience has been elevated in 2021 compared to pre-pandemic levels, the level of retrenchment claims has been significantly less than was assumed in the pandemic reserve set up at 31 December 2020.

On Embedded Bancassurance business, retrenchment cover remained open to new business throughout the pandemic but with contribution increases implemented at the start of 2021, together with more stringent credit worthiness checks on much of this business. Claims were expected to be, and have been, well within the contribution levels.

Although retrenchment claim experience is expected to revert to long-term assumption, given the significant level of uncertainty of the current economic environment, the specific retrenchment cover and retrenchment waiver benefits on Lifestyle Protector have remained closed to new business since March 2020. However, retrenchment cover backing loans was reopened in October 2021 with the expectation that this experience has reverted to acceptable levels given current pricing terms.

The group will continue to re-evaluate its retrenchment expectations and associated appetite in deciding whether to open or close retrenchment to new business and on what terms to offer it, if applicable.

Longevity risk

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 appears to have resulted in, and is likely to continue to result in, the earlier than expected 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. Consistent with the experience on mortality benefits, with the impact of Covid-19 mortality having been worse than that anticipated in the pandemic reserve allowance, the reduction from the annuitants has been more than what was anticipated. With older lives having higher vaccination levels and earlier access to vaccinations, this relative reduction has and is still expected to reduce.

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 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

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.

Given the lower than expected new business volumes over the period of the pandemic and the higher than expected terminations, the actual acquisition and maintenance costs per policy have been increasing at a rate higher than expected.

This has resulted in acquisition and maintenance cost overruns in the short-term.

The additional once-off costs expected to be incurred and maintenance costs per policy increases expected over the short-term were allowed for in the pandemic reserve. Apart from the costs provided for in 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 targeted expense saving initiatives, 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

2021 and beyond

One of the key risks for the period related to the declining policy base particularly within the personal lines book which is not conducive to sustainable growth and value. New business remained a challenge during 2021, although up from prior year.

The business benefited from the boom in the housing market emanating from lower interest rates which was evident in the increase in income growth in the homeowners comprehensive portfolio, although this was largely driven by renewal optimisation. However, the homeowners comprehensive portfolio continues to be impacted by early settlements, term-ends, sale of properties and repossessions evidenced by high cancellations metrics.

We have experienced issues pertaining to rigid and unstable legacy systems which has constrained our ability to enhance the customer value proposition, as well as low client digital enablement which has the potential to impact customer experience and further exacerbate this risk.

In an effort to mitigate these risks, we have undertaken several initiatives. Scripting changes have been implemented for certain portfolios and we have adopted a test and learn approach in order to inform strategic decision-making for betterment of performance in the next reporting period. We have also turned to retention strategies as a form of mitigation. A retentions capability has been established within insurance to drive the retention of clients.

With respect to portfolios that are young and on a growth trajectory the focus is on driving growth through different lead providers that enables a diversity of client profiles. The business strategy further seeks to diversify distribution by means of the third-party distribution strategy, and alternative call centre onboarding. Finally, actions have been taken to enhance digital efficiencies, and to implement a single system which should improve the customer experience and the risk exposure going forward.

There were no catastrophes experienced during the reporting period. However, catastrophe risk remains an inherently high risk for the business. In addition to catastrophe risk, large losses remain topical for the business, and the resultant poor claims experience has the potential to impact loss ratios and headline earnings. To note, climate change has featured greatly on the business risk registers during the period, this is primarily because of the exposure to extreme weather events.

In response to these risks and issues, the insurance business has budgeted for two catastrophes as part of annual financial planning processes and has a reinsurance programme in place which has been deemed adequate by appropriate external parties. These mitigants, in addition to minimising exposure to catastrophe risk, support the reduction in net climate physical risk exposure.

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.

Key risk indicators are used to enhance the monitoring and mitigation of risks and facilitate risk reporting.

As part of the risk management system the business undertakes an own risk and 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 and 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.

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

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

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

Fluctuations in the timing and amount of claim settlements relative to what was expected.

Emerging risks and threats

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.

New business risk

Adverse financial impact due to the actual volume and/or quality of new business deviating from the expected volume and/or quality.

Expense risk

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.

Catastrophe risk

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.

Reinsurance credit risk

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

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.

Capital management

2021 and beyond

The group's capital adequacy remains strong and provides the financial resources to continue to support our clients and drive our growth aspirations.

During 2021, we successfully raised Basel III compliant AT I and tier II capital bonds of R3.5 billion and R3.2 billion respectively, the proceeds of which were invested as AT I and tier II capital in SBSA.

On 15 July 2021 the group announced a firm intention to make an offer to acquire all of Liberty ordinary shares not owned by the group. The acquisition of the minority interest in Liberty in 2022 will have no material impact on the group's capital adequacy ratios.

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 Prudential Authority (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 planning 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 in 2020. The PA announced the reinstatement of the pillar 2A capital requirement effective from 1 January 2022 in Directive 5/2021.

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 includes the maximum potential domestic systemically important bank (D-SIB) requirement of 2.5%.

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. The transition period ended on 1 January 2021 and all metrics presented here are based on the inclusion of the full IFRS 9 transition impact.

The Basel III post-crisis reform proposals 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 and investment activities

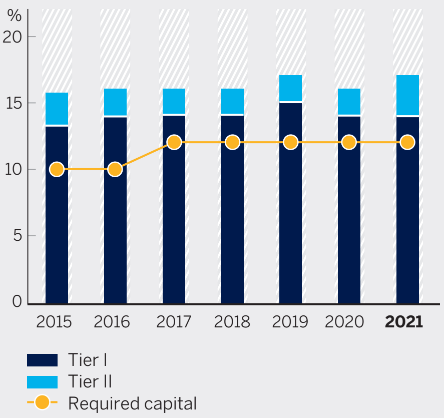
Regulatory capital adequacy is measured through the following three risk-based ratios:

- **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.

CAPITAL ADEQUACY[1]

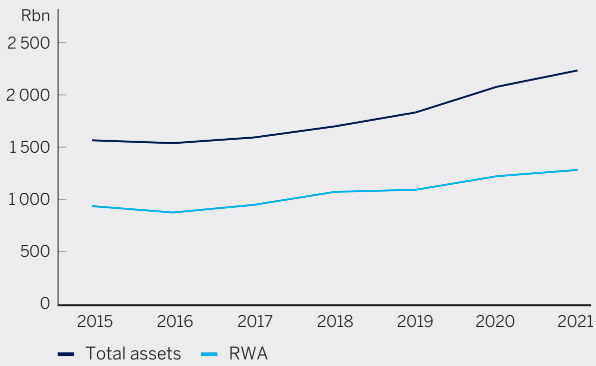


1 Group, including Liberty.

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

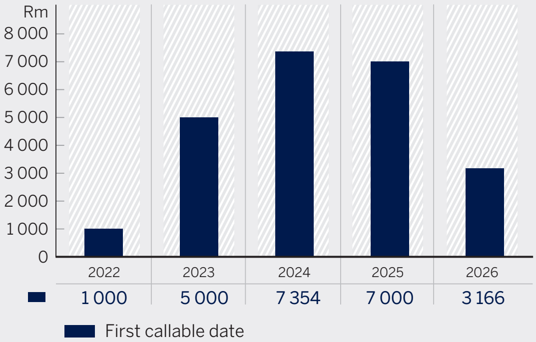
Our CET I capital, including unappropriated profits, was R188.0 billion as at 31 December 2021 (2020: R163.6 billion). Our tier I capital, including unappropriated profits, was R200.2 billion as at 31 December 2021 (2020: R172.5 billion) and total capital, including unappropriated profits was R229.9 billion as at 31 December 2021 (2020: R198.4 billion).

RWA HISTORY[1]



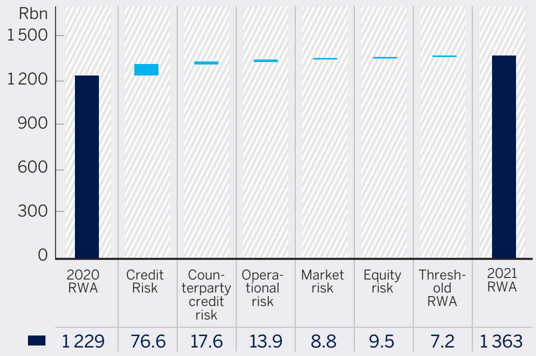
1 Banking activities and other banking interests.

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



1 Instruments issued in non-ZAR are converted to ZAR at the month-end rate for the reporting period ending 31 December 2021.

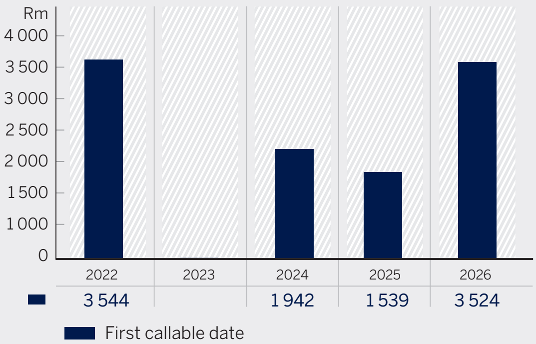
RWA MOVEMENT



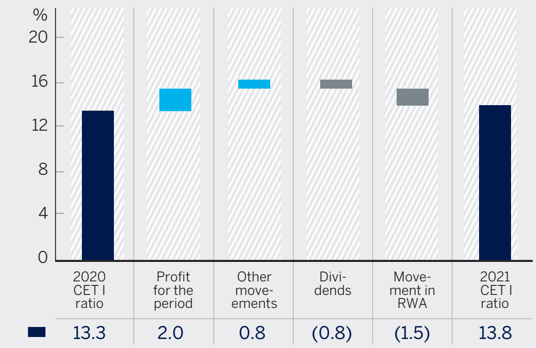
QUALIFYING REGULATORY CAPITAL EXCLUDING UNAPPROPRIATED PROFITS

Refer to **page 72** of our **2021 Annual Results Booklet** for the group's qualifying regulatory capital excluding unappropriated profits.

MATURITY PROFILE OF SBG'S QUALIFYING AT I INSTRUMENTS



CET I CAPITAL ADEQUACY RATIO MOVEMENT



CAPITAL ADEQUACY RATIOS

Refer to **page 72** of our **2021 Annual Results Booklet** for the group's capital adequacy ratios.

CAPITAL ADEQUACY RATIOS OF LEGAL ENTITIES

Refer to **page 74** of our **2021 Annual Results Booklet** for the group's capital adequacy ratios per legal entity.

The PA has not activated a countercyclical buffer (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 PA 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 jurisdictions 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 PA adopted the leverage framework that was issued by the BCBS in January 2014 with the minimum leverage ratio being set at 4% by the PA.

The non-risk-based leverage measure is designed to complement the Basel III risk-based capital framework. Our leverage ratio, including unappropriated profits, is 7.9% as at 31 December 2021 (2020: 7.8%).

Annexure F: Capital management.

Insurance activities

LIBERTY GROUP LIMITED SOLVENCY CAPITAL REQUIREMENTS (SCR)

	2021	2020
Available statutory capital (Rm)	**29 601**	30 275
SCR (Rm)	**17 254**	16 703
SCR coverage ratio (times)	**1.72**	1.81

In terms of the Insurance Act 2017, which came into effect on 1 July 2018, the PA prescribed updated methodology for South African insurers to use in calculating their available capital and SCR.

SIL SOLVENCY CAPITAL REQUIREMENTS

	2021	2020
Own funds eligible to meet SCR (Rm)	**2 112**	1 895
SCR (Rm)	**736**	703
SCR coverage ratio (times)	**2.87**	3.00

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

	2021 Rm	2020 Rm
Credit risk	**119 350**	107 182
Equity risk	**6 505**	5 557
Market risk	**998**	1 512
Operational risk	**17 251**	15 960
Business risk	**4 387**	4 139
Interest rate risk in the banking book	**6 164**	4 016
Economic capital requirement	**154 655**	138 366
Available financial resources	**221 112**	189 870
Economic capital coverage ratio (times)	**1.43**	1.37

The economic capital requirement of R 154.7 billion as at 31 December 2021 (2020: R138.4 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 activities

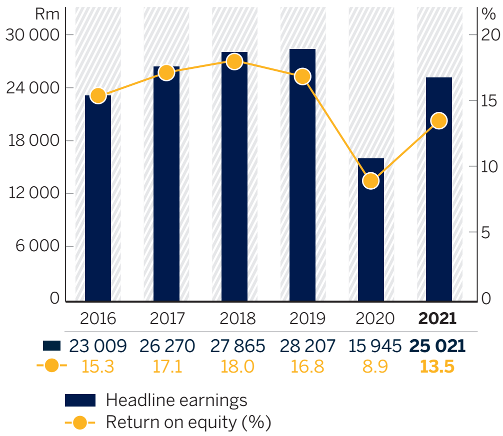
As prescribed under the regulatory regime implemented on 1 July 2018, the assessment of capital will be on an economic basis for South African insurance entities. This applies to Liberty Group Limited and SIL. The regulatory capital is the amount of financial resources required to protect against economic 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 ROE. Business units are held accountable for achieving their RAPM targets. RAPM is calculated on both regulatory and economic capital measures.

Return on ordinary equity

HEADLINE EARNINGS AND RETURN ON EQUITY



Cost of equity

Our rand-based cost of equity (COE) is estimated using the capital asset pricing model applying estimates of a risk-free rate at 9.6% (2020: 9.3%), equity risk premium of 6.0% (2020: 6.1%) and a beta factor of 85.9% (2020: 83.6%). The beta factor for banking activities is estimated at 86.2% (2020: 84.2%). Our average COE as at 31 December 2021 is 14.7% (2020: 14.4%).

Annexures

Annexure A – Key metrics

KM1: SBG KEY METRICS

		2021	3Q21	1H21	1Q21	2020
	Available capital[1] (Rm)					
1	CET I	**174 390**	165 322	157 853	154 395	155 079
1a	Fully loaded expected credit losses (ECL) accounting model CET I	**174 390**	165 322	157 853	154 395	153 276
2	Tier I	**186 577**	175 915	168 345	165 129	163 945
2a	Fully loaded ECL accounting model tier I	**186 577**	175 915	168 345	165 129	162 141
3	Total capital	**216 301**	203 468	195 313	192 102	189 848
3a	Fully loaded ECL accounting model total capital	**216 301**	203 468	195 313	192 102	188 991
	RWA (Rm)					
4	Total RWA	**1 363 036**	1 313 993	1 259 249	1 257 306	1 229 478
	Risk-based capital ratios as a percentage of RWA[2]					
5	CET I ratio (%)	**12.8**	12.6	12.5	12.3	12.6
5a	Fully loaded ECL accounting model CET I (%)	**12.8**	12.6	12.5	12.3	12.5
6	Tier I ratio (%)	**13.7**	13.4	13.4	13.1	13.3
6a	Fully loaded ECL accounting model tier I ratio (%)	**13.7**	13.4	13.4	13.1	13.2
7	Total capital ratio (%)	**15.9**	15.5	15.5	15.3	15.4
7a	Fully loaded ECL accounting model total capital ratio (%)	**15.9**	15.5	15.5	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	CCyB requirement (%)					
10	D-SIB additional requirements (%)	**1.0**	1.0	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	3.5	3.5
12	CET I available after meeting the bank's minimum capital requirements (%)	**3.9**	3.5	3.3	3.3	3.4
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure (Rm)	**2 453 379**	2 340 444	2 257 043	2 255 616	2 210 449
14	Basel III leverage ratio (%) (row 2/row 13)	**7.6**	7.5	7.5	7.3	7.4
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	**7.6**	7.5	7.5	7.3	7.3
	LCR					
15	HQLA (Rm)	**369 682**	330 552	317 914	346 110	349 104
16	Total net cash outflow (Rm)	**256 264**	226 741	224 909	245 047	259 065
17	LCR (%)	**144.3**	145.8	141.3	141.2	134.8
	NSFR					
18	Total ASF (Rm)	**1 413 366**	1 371 848	1 315 599	1 305 320	1 298 314
19	Total RSF (Rm)	**1 158 216**	1 100 892	1 055 577	1 058 512	1 040 433
20	NSFR (%)	**122.0**	124.6	124.6	123.3	124.8

1 The IFRS9 transition period provided for in SARB directive 5/2017 concluded on 1 January 2021. 2020 metrics are on the basis of applying the transitional arrangements with the exception of those metrics referred to as fully loaded.
2 Excludes unappropriated profits.

Annexure B – linkages between financial statements and regulatory exposures

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

	a	b	c	d	e	f	g
			Carrying value of items				
	Carrying value as reported in the published financial statements[2] Rm	Under scope of regulatory consolidation Rm	Credit risk framework Rm	CCR framework Rm	Securitisation 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	91 169	91 169	91 169				
Derivative assets	63 688	55 786		55 786		55 786	
Trading assets	285 020	281 244		52 508		281 244	
Pledged assets	14 178	10 318		10 318			
Financial investments	724 700	299 545	259 370	40 085	90		
Current tax assets	709	462	462				
Disposal group assets held for sale	1025	489	489				
Loans and advances	1 424 328	1 424 259	1 258 492	165 767			
Policyholders' assets	2 868						
Other assets	36 432	29 158	29 158				
Interest in associates and joint ventures	7 280	18 057	14 104				3 953
Investment property	29 985	1 101	1 101				
Property and equipment	20 619	19 525	19 525				
Goodwill and other intangible assets	16 913	16 390					16 390
Deferred tax assets	6 903	6 902	6 645				257
Total assets	2 725 817	2 254 406	1 680 516	324 464	90	337 030	20 600
Liabilities							
Derivative liabilities	67 259	60 602		60 602		60 602	
Trading liabilities	81 484	80 433				80 433	
Current tax liabilities	7 557	7 551					7 551
Deposits and debt funding	1 776 615	1 799 961		53 957			
Policyholders' liabilities	363 023						
Subordinated debt	30 430	24 852					24 852
Disposal group liabilities held for sale	96	96					
Provisions and other liabilities	153 784	54 542					54 542
Deferred tax liabilities	2 720						
Total liabilities	2 482 968	2 028 036		114 559		141 035	86 945

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.

	a	b	c	d	e
		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	2 233 806	1 680 516	324 464	90	337 030
Liabilities carrying value amount under scope of regulatory consolidation	316 196		114 559		141 035
Total net amount under regulatory scope of consolidation	**1 917 610**	**1 680 516**	**209 905**	**90**	**195 995**
Off-balance amounts[1]	480 589	192 963	34 430	3 681	
Differences in valuations			11 472		
Differences due to netting (including PFE)[2]	(2 697)		(2 697)		
Differences due to the impact of collateral[3]	(196 926)		(196 926)		
Differences due to PFE[4]	20 225		20 226		
Differences due to considerations of provisions[5]	52 305	52 305			
Exposure amounts considered for regulatory purposes	**2 271 106**	**1 925 784**	**76 410**	**3 771**	**195 995**
Amounts included as follows:					
Standardised approach	CR4, CR5	580 244	22 064	CCR3	
IRB approach	CR6	1 343 469	54 346	CCR4	
Equity risk	CR10	2 071			
Total					

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.

PV1: SBG PRUDENTIAL VALUATION ADJUSTMENTS

	Equity Rm	Interest rates Rm	FX Rm	Credit Rm	Total Rm	Of which in the trading book Rm	Of which in the banking book Rm
Closeout uncertainty, of which							
Mid market value		179 881	2 687	72 872	255 440	137 219	118 221
Future administrative costs	5 403			1 386	6 789	1 386	5 403
Total adjustment	**5 403**	**179 881**	**2 687**	**74 258**	**262 229**	**138 605**	**123 624**

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
2021					
Loans[1]	**69 915**	**1 341 064**	**1 410 979**	**51 398**	**1 359 581**
Debt securities and other investments	**342**	**223 302**	**223 644**	**38**	**223 606**
On-balance sheet exposures	**70 257**	**1 564 366**	**1 634 623**	**51 436**	**1 583 187**
Off-balance sheet exposures	**149**	**431 602**	**431 751**	**588**	**431 163**
Total	**70 406**	**1 995 968**	**2 066 374**	**52 024**	**2 014 350**
	CR2			AFS	
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	

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 for 2018 exclude interest in suspense.

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

	2021 Rm	2020 Rm
Defaulted loans and debt securities at beginning of period	**70 568**	43 585
Loans and debt securities that have defaulted since the last reporting period	**32 959**	49 346
Returned to non-defaulted status	**(27 807)**	(6 446)
Amounts written off[1]	**(13 318)**	(8 616)
Other changes	**8 004**	(7 301)
Defaulted loans and debt securities at end of period	**70 406**	70 568
	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**
2021					
Corporate	**1 234**	**27**	**2 383**	**10 822**	**14 466**
SME corporate	**908**	**100**	**103**	**2 931**	**4 042**
Public sector entities				**753**	**753**
Local governments and municipalities			**3**		**3**
Sovereign	**58**			**731**	**789**
Banks					
Securities firms					
Retail mortgage advances	**13 502**	**6 007**	**6 242**	**23 327**	**49 078**
Retail revolving credit	**3 407**	**982**	**2 169**	**9 015**	**15 573**
SME retail	**2 580**	**555**	**1 158**	**4 790**	**9 083**
Other retail	**4 099**	**1 381**	**4 896**	**7 248**	**17 624**
Total	**25 788**	**9 052**	**16 954**	**59 617**	**111 411**
2020					
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	5043	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	Exposures secured by credit derivatives Rm	Exposures secured by credit derivatives, of which; secured amount Rm
2021									
Loans	**712 926**	**646 655**	**1 359 581**	**624 222**	**444 387**	**22 433**	**16 582**		
Debt securities	**210 752**	**12 854**	**223 606**	**11 732**	**11 732**	**1 122**	**1 122**		
Off-balance sheet exposures	**352 891**	**78 272**	**431 163**	**73 915**	**51 702**	**4 357**	**3 905**		
Total	**1 276 569**	**737 781**	**2 014 350**	**709 869**	**507 821**	**27 912**	**21 609**		
Of which defaulted	**14 515**	**19 711**	**34 226**	**19 700**	**9 044**	**11**			
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		

[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 %**
2021						
Corporate	**141 108**	**76 998**	**138 940**	**20 779**	**170 304**	**107**
SME corporate	**13 603**	**3 238**	**12 538**	**1 273**	**14 222**	**103**
Public sector entities	**2 283**	**2 322**	**2 283**	**408**	**1 340**	**50**
Local governments and municipalities	**46**	**27**	**46**	**10**	**51**	**91**
Sovereign	**185 102**	**152**	**185 102**	**49**	**150 996**	**82**
Banks	**40 676**	**16 011**	**40 676**	**9 477**	**19 772**	**39**
Retail mortgage advances	**30 857**	**1 491**	**30 857**	**746**	**16 805**	**53**
Retail revolving credit	**6 939**	**832**	**6 939**		**6 425**	**93**
SME retail	**11 882**	**6 213**	**11 810**	**1 613**	**12 735**	**95**
Other retail	**31 500**	**1 046**	**31 190**	**330**	**28 082**	**89**
Other assets	**85 158**		**85 158**		**36 802**	**43**
Total	**549 154**	**108 330**	**545 539**	**34 685**	**457 534**	**79**
Sum of exposures post-CCF and CRM			**580 224**			
			LI2 CR5		OV1	
2020						
Corporate	120 434	61 057	117 729	21 716	133 801	96
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	

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

	Risk-weights								
	0 %	20 %	35 %	40 %	50 %	75 %	100 %	150 %	Total credit exposures amount (post CCF and post CRM)
2021									
Asset classes									
Corporate					**430**		**137 691**	**21 598**	**159 719**
SME corporate							**12 989**	**822**	**13 811**
Public sector entities		**18**			**2 673**				**2 691**
Local governments and municipalities					**10**		**46**		**56**
Sovereign	**48 498**	**3 698**			**2 307**		**93 738**	**36 910**	**185 151**
Banks	**1 064**	**30 099**			**11 141**		**7 183**	**666**	**50 153**
Retail mortgage advances			**27 056**		**301**	**1 576**	**2 417**	**253**	**31 603**
Retail revolving credit					**10**	**6 820**	**3**	**106**	**6 939**
SME retail					**57**	**12 520**	**153**	**693**	**13 423**
Other retail					**90**	**30 706**	**363**	**361**	**31 520**
Securitisation and re-securitisation exposure									
Other assets	**45 690**	**3 333**					**36 135**		**85 158**
Total	**95 252**	**37 148**	**27 056**		**17 019**	**51 622**	**290 718**	**61 409**	**580 224**

CR4/LI2

	0 %	20 %	35 %	40 %	50 %	75 %	100 %	150 %	Total credit exposures amount (post CCF and post CRM)
2020									
Asset classes									
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
Securitisation and re-securitisation exposure									
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

CR6: SBG IRB -CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE TOTAL (ALL PORTFOLIOS)

Total

PD scales	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 %
2021					
0.00 to < 0.15	**198 953**	**81 755**	**61.57**	**250 099**	**0.07**
0.15 to < 0.25	**62 372**	**58 126**	**54.27**	**94 206**	**0.20**
0.25 to < 0.50	**192 047**	**66 762**	**48.01**	**224 132**	**0.39**
0.50 to < 0.75	**144 178**	**28 154**	**48.13**	**157 730**	**0.63**
0.75 to < 2.50	**333 102**	**69 618**	**48.51**	**367 124**	**1.35**
2.50 to < 10.00	**140 203**	**14 394**	**47.41**	**147 028**	**4.51**
10.00 to < 100.00	**44 530**	**4 463**	**74.05**	**47 834**	**26.46**
100.00 (default)	**55 242**	**149**	**49.13**	**55 316**	**100.00**
Total	**1 170 627**	**323 421**	**53.05**	**1 343 469**	**6.09**
				LI2	
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	47.82	1 218 502	6.73
				LI2	

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 scales	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 %
2021					
0.00 to < 0.15	**41 363**	**53 213**	**65.07**	**75 961**	**0.09**
0.15 to < 0.25	**19 757**	**40 510**	**53.18**	**41 630**	**0.19**
0.25 to < 0.50	**64 544**	**48 749**	**42.94**	**85 540**	**0.40**
0.50 to < 0.75	**57 652**	**15 867**	**46.88**	**65 091**	**0.64**
0.75 to < 2.50	**83 094**	**28 480**	**50.66**	**97 833**	**1.31**
2.50 to < 10.00	**18 612**	**3 863**	**50.27**	**20 554**	**3.97**
10.00 to < 100.00	**1 195**	**668**	**48.12**	**1 516**	**12.05**
100.00 (default)	**6 266**	**144**	**49.10**	**6 338**	**100.00**
Subtotal	**292 483**	**191 494**	**52.88**	**394 463**	**2.41**
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

	Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
	248 106	**33.80**	**1.3**	**31 216**	**12.48**	**56**	
	436 553	**28.83**	**1.6**	**19 553**	**20.76**	**53**	
	786 696	**22.70**	**2.1**	**51 530**	**22.99**	**195**	
	568 806	**24.23**	**2.0**	**51 779**	**32.83**	**241**	
	3 633 731	**27.82**	**2.3**	**171 606**	**46.74**	**1 446**	
	4 502 831	**37.10**	**2.2**	**103 004**	**70.06**	**2 469**	
	1 421 928	**33.53**	**1.4**	**53 836**	**112.55**	**4 274**	
	1 064 375	**35.87**	**2.5**	**22 330**	**40.37**	**29 374**	
	12 661 971	**29.28**	**1.9**	**504 854**	**37.58**	**38 108**	**42 675**
				OV1 CR7			
	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			

	Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
	181	**37.73**	**1.5**	**14 138**	**18.61**	**26**	
	175	**35.39**	**1.6**	**12 269**	**29.47**	**28**	
	1 162	**27.98**	**2.1**	**32 377**	**37.85**	**94**	
	764	**30.22**	**1.7**	**31 792**	**48.84**	**126**	
	16 343	**27.43**	**2.2**	**66 337**	**67.94**	**362**	
	596	**34.12**	**2.2**	**22 319**	**108.59**	**275**	
	45	**56.95**	**1.3**	**3 738**	**246.47**	**95**	
	209	**47.28**	**2.5**	**9 080**	**143.28**	**3 657**	
	18 903	**31.61**	**1.9**	**192 050**	**48.69**	**4 663**	**6 259**
	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

Special lending – HVCRS

PD scales	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 %
2021					
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	**151**			**151**	**1.81**
2.50 to < 10.00					
10.00 to < 100.00					
100.00 (default)					
Subtotal	**151**			**151**	**1.81**
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

Special lending – IPRE

PD scales	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 %
2021					
0.00 to < 0.15	**2**			**2**	**0.11**
0.15 to < 0.25	**277**		**65.00**	**277**	**0.19**
0.25 to < 0.50	**2 094**			**2 094**	**0.43**
0.50 to < 0.75	**5 564**	**2**	**71.00**	**5 565**	**0.64**
0.75 to < 2.50	**10 332**	**5**	**69.99**	**10 336**	**1.15**
2.50 to < 10.00	**840**	**11**	**50.00**	**845**	**3.66**
10.00 to < 100.00	**154**			**154**	**11.68**
100.00 (default)	**295**			**295**	**100.00**
Subtotal	**19 558**	**18**	**58.06**	**19 568**	**2.60**
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

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
1	**20.87**	**1.1**	**79**	**52.63**	**1**	
1	**20.87**	**1.1**	**79**	**52.63**	**1**	**1**
1	36.26	1.0	164	89.85	1	
1	36.26	1.0	164	89.85	1	2

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
6	**5.00**	**1.8**		**3.14**		
42	**12.44**	**3.2**	**42**	**15.04**		
165	**12.00**	**2.3**	**326**	**15.59**	**1**	
199	**13.35**	**2.0**	**1 216**	**21.85**	**5**	
215	**16.11**	**2.1**	**3 300**	**31.92**	**20**	
44	**23.32**	**2.0**	**535**	**63.24**	**7**	
28	**13.07**	**3.9**	**88**	**57.51**	**2**	
17	**19.62**	**2.8**	**734**	**249.07**	**3**	
703	**15.17**	**2.1**	**6 241**	**31.89**	**38**	**50**
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

Special lending – project finance

PD scales	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 %
2021					
0.00 to < 0.15					
0.15 to < 0.25	**698**			**698**	**0.25**
0.25 to < 0.50					
0.50 to < 0.75	**8 415**	**687**	**82.18**	**8 980**	**0.64**
0.75 to < 2.50	**5 964**	**418**	**49.11**	**6 169**	**1.06**
2.50 to < 10.00	**1 298**	**537**	**85.72**	**1 758**	**3.22**
10.00 to < 100.00					
100.00 (default)	**216**			**216**	**100.00**
Subtotal	**16 591**	**1 642**	**74.93**	**17 821**	**2.23**
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	4101	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

SME corporate

PD scales	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 %
2021					
0.00 to < 0.15	**869**	**124**	**72.32**	**959**	**0.01**
0.15 to < 0.25	**627**	**139**	**80.28**	**739**	**0.21**
0.25 to < 0.50	**4 938**	**1 374**	**71.30**	**5 854**	**0.41**
0.50 to < 0.75	**4 271**	**627**	**86.08**	**4 811**	**0.64**
0.75 to < 2.50	**30 371**	**2 491**	**73.72**	**32 090**	**1.50**
2.50 to < 10.00	**5 332**	**431**	**74.06**	**5 652**	**3.77**
10.00 to < 100.00	**691**	**27**	**74.79**	**711**	**25.78**
100.00 (default)	**1 653**	**5**	**50.00**	**1 655**	**100.00**
Subtotal	**48 752**	**5 218**	**74.72**	**52 471**	**4.93**
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

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
1	**33.18**	**5.0**	**402**	**57.54**	**1**	
20	**27.06**	**3.8**	**5 269**	**58.67**	**16**	
16	**31.01**	**4.2**	**5 199**	**84.28**	**18**	
8	**26.06**	**3.0**	**1 358**	**77.23**	**15**	
1	**36.72**	**5.0**			**225**	
46	**28.69**	**3.9**	**12 228**	**68.61**	**275**	**292**
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

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
158	**26.35**	**4.6**	**15**	**1.56**		
60	**32.91**	**2.6**	**234**	**31.63**	**1**	
1 310	**26.45**	**2.3**	**1 736**	**29.66**	**6**	
291	**17.14**	**2.4**	**1 230**	**25.56**	**5**	
9 364	**19.05**	**2.7**	**12 821**	**39.95**	**91**	
1 017	**23.53**	**2.6**	**3 530**	**62.46**	**51**	
45	**30.72**	**2.2**	**943**	**132.67**	**52**	
166	**24.04**	**2.6**	**48**	**2.89**	**774**	
11 963	**20.83**	**2.6**	**20 557**	**39.18**	**980**	**1 081**
217	26.27	3.9	202	10.22		
227	26.46	2.9	248	25.1	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

Securities firm

PD scales	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 %
2021					
0.00 to < 0.15	11	14	50.00	21	0.07
0.15 to < 0.25				7	0.16
0.25 to < 0.50					0.45
0.50 to < 0.75	1	633	78.53	498	0.64
0.75 to < 2.50		1	25.51	1	0.96
2.50 to < 10.00					
10.00 to < 100.00					
100.00 (default)					
Subtotal	12	648	77.85	527	0.61
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

Sovereign

PD scales	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 %
2021					
0.00 to < 0.15	10 2630	224	41.39	104 481	0.05
0.15 to < 0.25	50				
0.25 to < 0.50			10.07		0.41
0.50 to < 0.75		3	9.08		0.62
0.75 to < 2.50	10 170	338	42.51	10 369	0.91
2.50 to < 10.00	99	5	35.61	101	5.05
10.00 to < 100.00					15.06
100.00 (default)	541			541	100.00
Subtotal	113 490	570	41.55	115 492	0.60
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	0	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

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
10	**42.06**	**1.2**	**4**	**21.48**		
3	**42.84**	**1.4**	**4**	**57.14**		
1	**40.16**	**2.1**				
3	**15.01**	**1.0**	**116**	**23.31**		
3	**41.74**	**1.0**	**1**	**120.01**		
17	**16.49**	**1.0**	**125**	**24.12**		**5**
5	40.74	1.0	16	20.62		
1	42.84	3.4	81	63.26		
1	40.09	1.0	4	61.18		
3	40.09	1.0	49	85.03		
10	41.58	2.1	150	55.69		7

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
54	**28.43**	**1.3**	**8 866**	**8.49**	**15**	
8	**32.43**	**1.0**		**35.47**		
7	**32.15**	**1.0**		**44.22**		
20	**34.13**	**1.3**	**6 197**	**60.09**	**32**	
9	**38.58**	**1.8**	**130**	**129.14**	**2**	
2	**22.82**					
10	**29.21**	**1.0**			**271**	
108	**28.96**	**1.3**	**15 193**	**13.16**	**320**	**427**
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

Public sector entities

PD scales	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 %
2021					
0.00 to < 0.15	**17 175**	**1 368**	**47.75**	**12 997**	**0.03**
0.15 to < 0.25					**0.16**
0.25 to < 0.50	**1 716**	**1 516**	**39.47**	**2 315**	**0.45**
0.50 to < 0.75		**500**	**39.50**	**198**	**0.64**
0.75 to < 2.50	**7 351**	**6 593**	**79.15**	**12 568**	**1.39**
2.50 to < 10.00		**431**	**39.46**	**170**	**2.56**
10.00 to < 100.00	**23**	**909**	**39.61**	**383**	**10.24**
100.00 (default)	**753**			**753**	**100.00**
Subtotal	**27 018**	**11 317**	**65.12**	**29 384**	**3.36**
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

Local governments and municipalities

PD scales	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 %
2021					
0.00 to < 0.15		**1**	**54.00**	**1**	**0.06**
0.15 to < 0.25					**0.20**
0.25 to < 0.50	**5**			**5**	**0.45**
0.50 to < 0.75	**574**			**574**	**0.64**
0.75 to < 2.50	**1 124**	**1**	**11.50**	**1 123**	**1.22**
2.50 to < 10.00	**214**		**12.29**	**214**	**7.24**
10.00 to < 100.00					
100.00 (default)					
Subtotal	**1 917**	**2**	**28.68**	**1 917**	**1.71**
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

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
9	**35.66**	**1.4**	**1 521**	**11.71**	**2**	
1	**40.09**	**1.0**		**32.84**		
6	**40.11**	**1.9**	**1 311**	**56.63**	**4**	
2	**26.29**	**1.0**	**73**	**36.77**		
12	**30.20**	**2.1**	**9 297**	**73.97**	**57**	
2	**51.24**	**1.0**	**263**	**154.65**	**2**	
10	**26.29**	**1.1**	**419**	**109.45**	**10**	
24	**48.02**	**1.0**	**978**	**129.86**	**288**	
62	**33.90**	**1.7**	**13 862**	**47.17**	**363**	**393**
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	52.8	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

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
3	**29.34**	**1.0**		**8.52**		
2	**25.00**					
76	**24.96**	**1.3**	**1**	**31.04**		
56	**24.96**	**3.5**	**302**	**52.49**	**1**	
597	**24.97**	**3.7**	**743**	**66.14**	**4**	
6	**20.99**	**2.5**	**181**	**84.70**	**3**	
731	**24.53**	**3.5**	**1 227**	**64.01**	**8**	**10**
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

Banks

PD scales	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 %
2021					
0.00 to < 0.15	**25 052**	**6 543**	**42.12**	**31 713**	**0.06**
0.15 to < 0.25	**9 279**	**63**	**41.03**	**9 305**	**0.20**
0.25 to < 0.50	**1 447**	**501**	**49.97**	**1 728**	**0.32**
0.50 to < 0.75		**1**	**20.00**		**0.64**
0.75 to < 2.50	**6 897**	**2 987**	**20.38**	**7 509**	**1.61**
2.50 to < 10.00	**1 979**	**350**	**32.04**	**2 091**	**3.46**
10.00 to < 100.00	**32**	**1 938**	**99.67**	**1 964**	**40.96**
100.00 (default)					
Subtotal	**44 686**	**12 383**	**45.75**	**54 310**	**1.92**
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

Retail mortgages

PD scales	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 %
2021					
0.00 to < 0.15	**5 495**	**11 388**	**37.76**	**9 795**	**0.13**
0.15 to < 0.25	**29 180**	**13 348**	**44.00**	**35 053**	**0.20**
0.25 to < 0.50	**110 176**	**9 906**	**50.02**	**115 132**	**0.38**
0.50 to < 0.75	**60 042**	**2 786**	**49.94**	**61 434**	**0.61**
0.75 to < 2.50	**111 656**	**2 891**	**50.54**	**113 116**	**1.26**
2.50 to < 10.00	**41 184**	**163**	**90.22**	**41 331**	**4.71**
10.00 to < 100.00	**24 156**	**10**	**58.95**	**24 161**	**25.47**
100.00 (default)	**25 434**			**25 434**	**100.00**
Subtotal	**407 323**	**40 492**	**44.78**	**425 456**	**8.43**
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

	Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
	356	**39.55**	**1.0**	**5 404**	**17.43**	**7**	
	18	**43.53**	**1.4**	**3 674**	**39.49**	**8**	
	14	**44.94**	**2.1**	**995**	**58.60**	**2**	
	3	**47.04**	**1.0**		**85.40**		
	72	**49.59**	**1.0**	**7 942**	**105.83**	**61**	
	25	**52.13**	**1.0**	**2 960**	**141.53**	**38**	
	3	**9.49**	**1.0**	**1 002**	**51.02**	**76**	
	487	**41.19**	**1.2**	**21 977**	**41.02**	**192**	**276**
	332	39.04	1.1	3 862	15.81	5	
	27	43.8	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

	Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
	46 510	**12.03**		**355**	**3.63**	**1**	
	119 712	**12.66**		**1 894**	**5.40**	**9**	
	302 564	**15.54**		**12 131**	**10.54**	**68**	
	173 074	**15.05**		**8 761**	**14.26**	**56**	
	294 834	**15.48**		**26 533**	**23.46**	**223**	
	121 654	**15.97**		**21 622**	**52.31**	**308**	
	75 312	**16.27**		**21 939**	**90.80**	**1 019**	
	66 520	**18.47**				**11 216**	
	1 200 180	**15.39**		**93 235**	**21.91**	**12 900**	**13 471**
	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

QRRE

PD scales	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 %
2021					
0.00 to < 0.15	**85**	**2 143**	**111.22**	**2 469**	**0.12**
0.15 to < 0.25	**416**	**2 180**	**112.93**	**2 877**	**0.19**
0.25 to < 0.50	**1 163**	**1 935**	**114.01**	**3 369**	**0.36**
0.50 to < 0.75	**1 535**	**5 556**	**35.31**	**3 496**	**0.67**
0.75 to < 2.50	**23 775**	**22 392**	**36.42**	**31 932**	**1.57**
2.50 to < 10.00	**29 924**	**5 498**	**48.30**	**32 580**	**4.39**
10.00 to < 100.00	**7 282**	**658**	**83.49**	**7 831**	**27.89**
100.00 (default)	**9 655**			**9 655**	**100.00**
Subtotal	**73 835**	**40 362**	**50.48**	**94 209**	**14.67**
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

Retail other

PD scales	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 %
2021					
0.00 to < 0.15	**5**	**38**	**103.54**	**45**	**0.13**
0.15 to < 0.25	**221**	**35**	**104.42**	**258**	**0.17**
0.25 to < 0.50	**696**	**49**	**107.46**	**749**	**0.32**
0.50 to < 0.75	**839**	**38**	**57.07**	**861**	**0.62**
0.75 to < 2.50	**21 883**	**91**	**35.39**	**21 915**	**1.66**
2.50 to < 10.00	**31 888**	**54**	**47.20**	**31 913**	**5.00**
10.00 to < 100.00	**7 126**	**4**	**60.65**	**7 129**	**29.54**
100.00 (default)	**6 040**			**6 040**	**100.00**
Subtotal	**68 698**	**309**	**68.44**	**68 910**	**14.68**
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

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
151 072	**61.35**		**116**	**4.70**	**2**	
299 104	**61.81**		**195**	**6.77**	**3**	
254 206	**62.12**		**379**	**11.24**	**8**	
309 052	**63.77**		**662**	**18.95**	**15**	
2 782 630	**67.05**		**12 102**	**37.90**	**339**	
3 360 954	**66.62**		**25 065**	**76.93**	**949**	
860 790	**66.28**		**13 396**	**171.06**	**1 452**	
848 874	**66.52**		**6 220**	**64.42**	**6 318**	
8 866 682	**66.18**		**58 135**	**61.71**	**9 086**	**10 217**
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

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
360	**40.23**		**6**	**12.65**		
2 310	**10.83**		**12**	**4.51**		
2 871	**29.88**		**132**	**17.63**	**1**	
9 249	**29.72**		**218**	**25.33**	**2**	
226 547	**28.69**		**8 129**	**37.10**	**110**	
662 007	**36.92**		**18 565**	**58.17**	**628**	
399 073	**52.75**		**8 274**	**116.07**	**1 126**	
110 437	**42.37**		**1 386**	**22.95**	**3 496**	
1 412 854	**36.16**		**36 722**	**53.29**	**5 363**	**6 014**
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

SME retail

PD scales	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 %
2021					
0.00 to < 0.15	**6 266**	**6 699**	**80.45**	**11 655**	**0.05**
0.15 to < 0.25	**1 819**	**1 851**	**80.75**	**3 314**	**0.20**
0.25 to < 0.50	**5 210**	**2 732**	**76.07**	**7 288**	**0.36**
0.50 to < 0.75	**5 285**	**1 454**	**64.44**	**6 222**	**0.60**
0.75 to < 2.50	**19 383**	**2 930**	**57.28**	**21 061**	**1.48**
2.50 to < 10.00	**8 831**	**3 051**	**32.31**	**9 817**	**4.57**
10.00 to < 100.00	**3 871**	**249**	**45.72**	**3 985**	**24.70**
100.00 (default)	**4 047**			**4 047**	**100.00**
Subtotal	**54 712**	**18 966**	**66.84**	**67 389**	**8.71**
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

Equity

PD scales	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 %
2021					
0.00 to < 0.15					**0.06**
0.15 to < 0.25	**48**			**48**	**0.23**
0.25 to < 0.50	**58**			**58**	**0.32**
0.50 to < 0.75					
0.75 to < 2.50	**951**			**951**	**1.47**
2.50 to < 10.00	**2**			**2**	**2.56**
10.00 to < 100.00					
100.00 (default)	**342**			**342**	**100.00**
Subtotal	**1 401**			**1 401**	**25.47**
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	1 166			1 166	10.12

Number of obligors[1]	Average LGD %	Average maturity Years	RWA Rm	RWA density %	EL Rm	Impairment provisions Rm
49 386	**51.58**		**791**	**6.79**	**3**	
15 124	**47.61**		**676**	**20.39**	**3**	
224 312	**43.54**		**1 959**	**26.88**	**11**	
76 086	**40.88**		**2 140**	**34.40**	**15**	
303 070	**38.84**		**9 949**	**47.24**	**122**	
356 508	**42.71**		**6 468**	**65.88**	**191**	
86 620	**44.33**		**4 037**	**101.31**	**442**	
38 114	**44.62**		**33**	**0.80**	**3 126**	
1 149 220	**43.41**		**26 053**	**38.66**	**3 913**	**4 179**
53 354	49.29		696	5.52	3	
28 876	45.67		712	19.52	3	
239 598	41.8		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

Number of obligors[1]	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**	**151**	**318.00**		
1	**90.00**	**5.0**	**183**	**318.00**		
7	**90.00**	**5.0**	**2 977**	**313.05**	**6**	
1	**90.00**	**5.0**	**8**	**318.00**		
3	**90.00**	**5.0**	**3 851**	**1 125.00**		
14	**90.00**	**5.0**	**7 170**	**561.56**	**6**	
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		

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

	2021		2020	
	Pre-credit derivatives RWA Rm	**Actual RWA Rm**	Pre-credit derivatives RWA Rm	Actual RWA Rm
Corporate	**192 050**	**192 050**	185 751	185 751
Specialised lending – HVCRE (property development)	**79**	**79**	164	164
Specialised lending – IPRE	**6 241**	**6 241**	6 011	6 011
Specialised lending – project finance	**12 228**	**12 228**	14 085	14 085
SME corporate	**20 557**	**20 557**	23 403	23 403
Securities firms	**125**	**125**	150	150
Sovereign	**15 193**	**15 193**	13 783	13 783
Public sector entities	**13 862**	**13 862**	18 293	18 293
Local governments and municipalities	**1 227**	**1 227**	1 254	1 254
Banks	**21 977**	**21 977**	16 600	16 600
Retail mortgages	**93 235**	**93 235**	85 883	85 883
QRRE	**58 135**	**58 135**	56 391	56 391
Retail – other	**36 722**	**36 722**	35 364	35 364
SME retail	**26 053**	**26 053**	24 494	24 494
Equity	**7 170**	**7 170**	4 529	4 529
Total (all portfolios)	**504 854**	**504 854**	486 155	486 155

[1] For all other asset classes' pre-credit derivatives, RWA is equivalent to actual.

CR8: IRB – RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES

	2021 RWA Rm	2020 RWA Rm
RWA at beginning of period	**486 155**	435 002
Asset size	**72 496**	22 262
Asset quality	**(56 810)**	23 815
Model updates		
Foreign exchange movements	**1 591**	5 386
Other	**1 422**	(310)
RWA at end of period	**504 854**	486 155
	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
2021				
Bank	0.03% to 40.96%	**B+**	**1.36**	**0.34**
Corporate	0.01% to 40.96%	**BBB-/BB+**	**0.76**	**1.01**
Corporate SME	0.01% to 100%	**BB-**	**1.99**	**2.30**
Sovereign	0.01% to 5.12%	**BBB**	**0.25**	**0.27**
Corporate specialised lending	0.11% to 28.96%	**BB+**	**1.07**	**1.33**
HVCRE	1.81% to 1.81%	**BB-**	**1.81**	**1.81**
IPRE	0.11% to 28.96%	**BB**	**1.11**	**1.35**
Project finance	0.25% to 3.62%	**BB+**	**1.03**	**1.25**
Retail mortgages	0.035% to 100%	**B3**	**2.58**	**2.79**
Retail other	0.123% to 100%	**Caa1**	**6.50**	**11.60**
Retail SME	0.030% to 100%	**B3**	**3.10**	**3.98**
QRRE	0.030% to 100%	**Caa1**	**4.92**	**4.41**
2020[2]				
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	11.70
Retail SME	0.030% to 100%	B3	3.17	4.13
QRRE	0.030% to 100%	Caa1	5.00	4.86

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 obligor 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 obligor held at the beginning of the year) is a minimum.

2 Restated. Refer to page 121.

	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 %
	225	**203**			**0.21**
	1 442	**1 409**	**58**	**7**	**0.81**
	6 100	**5 977**	**81**	**74**	**2.26**
	30	**36**			
	545	**540**	**10**	**9**	**0.75**
	1	**1**			**0.51**
	498	**495**	**10**	**9**	**0.81**
	46	**44**			**2.00**
	568 273	**580 470**	**18 001**	**16 024**	**3.77**
	531 023	**705 269**	**53 430**	**48 703**	**10.17**
	567 821	**574 587**	**28 992**	**25 627**	**6.96**
	3 924 156	**3 799 989**	**221 465**	**208 311**	**7.42**
	233	225			0.23
	1 494	1 442	74	13	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

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
2021				
Private equity exposures	**2 071**	**43**	**400**	**8 964**
Other equity exposures				
Total	**2 071**			**8 964**
2020				
Private equity exposures	2 219		400	9 407
Other equity exposures	29		300	93
Total	2 248			9 500
	LI2			OV1

CCR1: SBG ANALYSIS OF CCR EXPOSURE BY APPROACH

	Replacement cost Rm	Potential future exposure Rm	Alpha used for computing regulatory EAD	EAD post-CRM Rm	RWA Rm
2021					
Standardised approach for CCR (for derivatives)	**8 454**	**20 225**	**1.4**	**40 151**	**23 589**
Comprehensive approach for credit risk mitigation (for securities financing transactions (SFT))				**36 258**	**24 385**
Total	**8 454**	**20 225**	**1.4**	**76 409**	**47 974**
CVA from CCR2					**20 168**
CCP and default funds from CCR8					**779**
Total					**68 921**
				CCR3	OV1
2020					
Current exposure method (for derivatives)	120 248	72 450	1.4	54 673	26 457
Comprehensive approach for credit risk mitigation (for SFTs)				16 849	5 213
Total	120 248	72 450	1.4	71 522	31 670
CVA from CCR2					19 061
CCP and default funds from CCR8					599
Total					51 330
				CCR3	OV1

CCR2: SBG CVA CAPITAL CHARGE

	2021		2020	
	EAD post-CRM Rm	**RWA Rm**	EAD post-CRM Rm	RWA Rm
All portfolios subject to the standardised CVA capital charge	**38 233**	**20 168**	41 913	19 061
Total subject to the CVA capital charge	**38 233**	**20 168**	41 913	19 061
		CCR1		CCR1

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

	Risk weights				**Total credit exposure**	
	20%	**50%**	**100%**	**150%**		
2021						
Regulatory portfolios						
Corporate			6 664	116	6 780	
SME corporate			275	7	282	
Public sector entities		64			64	
Local governments and municipalities						
Sovereign	298		7 652	3 446	11 396	
Banks	1 077	1 759	702	4	3 542	
Securities firms						
Retail exposure						
Retail mortgage advances						
Retail revolving credit						
SME retail						
Other retail						
Securitisation and re-securitisation exposure						
Total	1 375	1 823	15 293	3 573	22 064	LI2
EAD					54 346	CCR4/LI2
Total					76 410	CCR1/LI2
2020						
Regulatory portfolios			2328	2	2 330	
Corporate			745	1	746	
SME corporate		41			41	
Public sector entities						
Local governments and municipalities			5 039	962	6 001	
Sovereign	487	772			1 259	
Banks						
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

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

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 %
2021							
0.00 to < 0.15	**26 198**	**0.06**	**82**	**38.62**	**1.2**	**4 590**	**17.52**
0.15 to < 0.25	**2 758**	**0.20**	**56**	**41.85**	**1.8**	**1 242**	**45.03**
0.25 to < 0.50	**3 381**	**0.39**	**163**	**39.91**	**2.0**	**1 936**	**57.26**
0.50 to < 0.75	**4 443**	**0.64**	**102**	**37.13**	**3.5**	**3 950**	**88.90**
0.75 to < 2.50	**16 254**	**1.48**	**174**	**41.26**	**1.9**	**13 222**	**81.35**
2.50 to < 10.00	**1 213**	**4.45**	**56**	**27.27**	**1.9**	**1 057**	**87.14**
10.00 to < 100.00	**99**	**10.24**	**6**	**26.29**	**5.0**	**139**	**140.40**
100.00 (default)		**100.00**	**2**	**44.09**	**1.0**		
Total	**54 346**	**0.67**	**636**	**39.26**	**1.7**	**26 136**	**48.09**
	LI2/CCR3						
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

Corporate

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2021							
0.00 to < 0.15	**485**	**0.10**	**19**	**38.82**	**1.8**	**129**	**26.59**
0.15 to < 0.25	**812**	**0.18**	**45**	**38.94**	**2.7**	**403**	**49.67**
0.25 to < 0.50	**2 738**	**0.40**	**137**	**39.64**	**1.8**	**1 462**	**53.37**
0.50 to < 0.75	**3 533**	**0.64**	**90**	**38.45**	**3.5**	**3 376**	**95.54**
0.75 to < 2.50	**5 029**	**1.18**	**120**	**40.17**	**2.8**	**2 593**	**51.56**
2.50 to < 10.00	**1 131**	**4.50**	**39**	**26.49**	**1.9**	**969**	**85.64**
10.00 to < 100.00		**18.63**	**5**	**55.50**	**1.0**	**1**	**252.25**
100.00 (default)		**100.00**	**1**	**40.09**	**1.0**		
Subtotal	**13 728**	**1.06**	**453**	**38.38**	**2.7**	**8 933**	**65.07**
	LI2						
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

SME corporate

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2021							
0.00 to < 0.15							
0.15 to < 0.25	**121**	**0.23**	**2**	**40.09**	**2.5**	**51**	**42.58**
0.25 to < 0.50	**65**	**0.45**	**14**	**40.22**	**2.1**	**31**	**47.18**
0.50 to < 0.75	**446**	**0.64**	**7**	**32.96**	**3.2**	**263**	**58.95**
0.75 to < 2.50	**428**	**1.17**	**23**	**38.33**	**1.6**	**292**	**67.96**
2.50 to < 10.00	**68**	**3.80**	**13**	**36.37**	**2.8**	**68**	**101.33**
10.00 to < 100.00							
100.00 (default)							
Subtotal	**1 128**	**0.98**	**58**	**36.39**	**2.4**	**705**	**62.48**
	LI2						
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

Securities firm

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2021							
0.00 to < 0.15	**4 975**	**0.08**	**5**	**40.55**	**1.7**	**1 371**	**27.55**
0.15 to < 0.25	**281**	**0.18**	**3**	**41.83**	**1.3**	**115**	**41.13**
0.25 to < 0.50	**372**	**0.32**	**1**	**40.09**	**4.0**	**334**	**89.85**
0.50 to < 0.75	**23**	**0.64**	**1**	**40.09**	**1.0**	**13**	**56.08**
0.75 to < 2.50	**178**	**0.90**	**4**	**40.09**	**0.8**	**119**	**66.60**
2.50 to < 10.00	**8**	**2.56**	**1**	**40.09**	**1.0**	**10**	**121.02**
10.00 to < 100.00							
100.00 (default)							
Subtotal	**5 837**	**0.13**	**15**	**40.56**	**1.8**	**1 962**	**33.61**
	LI2						
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

Sovereign

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2021							
0.00 to < 0.15	**2 297**	**0.06**	**2**	**29.33**	**0.1**	**109**	**4.74**
0.15 to < 0.25							
0.25 to < 0.50							
0.50 to < 0.75	**441**	**0.64**	**1**	**30.57**	**3.8**	**298**	**67.45**
0.75 to < 2.50	**8 638**	**1.81**	**1**	**40.50**	**1.5**	**8 174**	**94.64**
2.50 to < 10.00							
10.00 to < 100.00							
100.00 (default)							
Subtotal	**11 376**	**1.41**	**4**	**37.86**	**1.3**	**8 581**	**75.43**
	LI2						
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
	LI2						

Public sector entities

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2021							
0.00 to < 0.15							
0.15 to < 0.25	**62**	**0.16**	**2**	**40.09**	**4.4**	**43**	**70.08**
0.25 to < 0.50	**76**	**0.45**	**3**	**40.09**	**1.4**	**39**	**51.03**
0.50 to < 0.75		**0.64**	**1**	**40.09**	**1.4**		**60.74**
0.75 to < 2.50	**20**	**1.71**	**3**	**45.82**	**1.0**	**23**	**120.69**
2.50 to < 10.00							
10.00 to < 100.00	**99**	**10.24**	**1**	**26.29**	**5.0**	**138**	**138.48**
100.00 (default)		**100.00**	**1**	**48.09**	**1.0**		**637.19**
Subtotal	**257**	**4.27**	**10**	**35.18**	**3.5**	**243**	**94.78**
	LI2						
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
	LI2						

Banks

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2021							
0.00 to < 0.15	**18 441**	**0.05**	**56**	**39.25**	**1.2**	**2 981**	**16.17**
0.15 to < 0.25	**1 482**	**0.21**	**4**	**43.66**	**1.2**	**630**	**42.50**
0.25 to < 0.50	**130**	**0.32**	**8**	**44.94**	**1.3**	**70**	**53.76**
0.50 to < 0.75		**0.64**	**2**	**47.04**	**1.0**		**83.12**
0.75 to < 2.50	**1 961**	**0.91**	**23**	**48.11**	**1.2**	**2 021**	**103.05**
2.50 to < 10.00	**6**	**4.94**	**3**	**53.19**	**1.0**	**10**	**164.34**
10.00 to < 100.00							
100.00 (default)							
Subtotal	**22 020**	**0.14**	**96**	**40.37**	**1.2**	**5 712**	**25.94**
	LI2						
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
	LI2						

Local governments and municipalities

PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWA Rm	RWA density %
2021							
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							
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

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

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
	Segregated Rm	Unsegregated[2] Rm	Segregated Rm	Unsegregated[2] Rm	Fair value of collateral received Rm	Fair value of posted collateral Rm
2021						
Cash – domestic currency		**36 925**		**28 798**	**41 986**	**30 022**
Cash – other currencies		**11 914**		**9 373**	**3 406**	**155 522**
Domestic sovereign debt		**3 625**			**299**	**28 797**
Other sovereign debt		**6**			**12 657**	**4 416**
Government agency debt						
Corporate bonds					**155 517**	**63 017**
Equity securities					**36 718**	**10 833**
Other collateral		**7 104**			**67**	
Total		**59 568**		**38 171**	**250 650**	**292 607**
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	14 688
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

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

	2021		2020	
	Protection bought Rm	**Protection sold Rm**	Protection bought Rm	Protection sold Rm
Notionals				
Single-name credit default swaps	**15 828**	**22 880**	17 971	31 079
Index credit default swaps	**1 138**	**3 395**	1 049	2 837
Total return swaps	**3 570**	**1 699**	3 218	1 481
Other credit derivatives	**44 256**	**8 210**	43 745	3 526
Total notionals	**64 792**	**36 184**	65 983	38 923
Fair values				
Positive fair value (asset)	**1 073**	**392**	1 484	389
Negative fair value (liability)	**648**	**975**	1 102	1 395

CCR8: SBG EXPOSURES TO CCPs

	2021		2020	
	EAD (post-CRM) Rm	RWA Rm	EAD (post-CRM) Rm	RWA Rm
Exposures to qualifying CCPs (total)	**14 949**	**779**	47 338	599
Exposures for trades at qualifying CCPs (excluding initial margin and default fund contributions) of which:	**6 844**	**220**	25 933	596
OTC derivatives	**4 723**	**177**	5 823	194
Exchange-traded derivatives	**2 121**	**43**	20 110	402
Segregated initial margin				
Non-segregated initial margin	**7 986**	**191**	21 281	
Pre-funded default fund contributions	**119**	**368**	124	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	Sub-total Rm	Traditional Rm	Sub-total Rm	Traditional Rm	Sub-total Rm
2021						
Retail	**47 676**	**47 676**	**3 858**	**3858**	**90**	**90**
Of which residential mortgages	**47 676**	**47 676**	**3 373**	**3373**	**79**	**79**
Of which credit card						
Of which other retail exposures			**485**	**485**	**11**	**11**
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						
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						

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]
2021									
Total exposures	**2 802**	**1 056**		**1 056**	**2 802**	**391**	**208**	**47**	**25**
Traditional securitisation	**2 802**	**1 056**		**1 056**	**2 802**	**391**	**208**	**47**	**25**
Of which securitisation	**2 802**	**1 056**		**1 056**	**2 802**	**391**	**208**	**47**	**25**
Of which retail underlying	**2 802**	**1 056**		**1 056**	**2 802**	**391**	**208**	**47**	**25**
Of which wholesale									
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									

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 SFA	IRB RBA (including IAA)	IRB SFA	IRB RBA (including IAA)	IRB SFA
2021									
Total exposures	**79**	**11**		**11**	**79**	**6**	**6**	**1**	**1**
Traditional securitisation	**79**	**11**		**11**	**79**	**6**	**6**	**1**	**1**
Of which securitisation	**79**	**11**		**11**	**79**	**6**	**6**	**1**	**1**
Of which retail underlying	**79**	**11**		**11**	**79**	**6**	**6**	**1**	**1**
Of which wholesale									
Of which re-securitisation									
Of which senior									
Of which non-senior									
2020									
Total exposures		314	16	1 090		330		209	20
Traditional securitisation		314	16	1 090		330		209	20
Of which securitisation		314	16	1 090		330		209	20
Of which retail underlying		314	16	1 090		330		209	20
Of which wholesale									
Of which re-securitisation									
Of which senior									
Of which non-senior									

Annexure D – funding and liquidity risk

LIQ1: SBG LIQUIDITY COVERAGE RATIO

	4Q21[1]		4Q20[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		**369 682**		349 104
Retail deposits and deposits from small business customers, of which:	**458 446**	**44 765**	422 046	41 158
Stable deposits	**21 598**	**1 080**	20 928	1 046
Less-stable deposits	**436 848**	**43 685**	401 118	40 112
Unsecured wholesale funding, of which:	**891 811**	**449 796**	827 685	427 040
Operational deposits (all counterparties) and deposits in networks of cooperative banks	**252 942**	**63 235**	213 769	53 442
Non-operational deposits (all counterparties)	**636 927**	**384 619**	609 526	369 208
Unsecured debt	**1 942**	**1 942**	4 390	4 390
Secured wholesale funding		**3**		268
Additional requirements	**137 615**	**44 491**	139 113	46 987
Outflows related to derivative exposures and other collateral requirements	**20 915**	**20 915**	25 163	25 163
Outflows related to loss of funding on debt products	**3 688**	**3 688**	3 637	3 637
Credit and liquidity facilities	**113 012**	**19 888**	110 313	18 187
Other contractual funding obligations	**6 122**	**6 122**	5 287	5 287
Other contingent funding obligations	**364 419**	**14 584**	380 797	15 102
Cash outflows		**559 761**		535 842
Secured lending	**109 450**	**99 529**	87 925	81 221
Inflows from fully performing exposures	**205 555**	**178 956**	206 572	182 580
Other cash inflows	**35 813**	**25 012**	19 429	12 976
Cash inflows		**303 497**		276 777

	Total adjusted value[4]	Total adjusted value[4]
Total HQLA	**369 682**	349 104
Total net cash outflows	**256 264**	259 065
LCR (%)	**144.3**	134.8

1 Simple average of 92 days of daily observations over the quarter ended 31 December 2021 and 31 December 2020 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 2021 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 NET STABLE FUNDING RATIO

	Unweighted value by residual maturity				
	No maturity Rm	< 6 months Rm	6 months to < 1 year Rm	≥ 1 year Rm	Weighted value Rm
2021					
ASF item					
Capital:	168 785	1 183		40 533	209 732
Regulatory capital	163 290	1 183		40 533	204 237
Other capital instruments	5 495				5 495
Retail deposits and deposits from small business customers:	262 372	227 973	9 435	14 011	464 937
Stable deposits	20 127	2 360			21 363
Less-stable deposits	242 245	225 613	9 435	14 011	443 574
Wholesale funding:	476 085	631 771	84 678	184 147	665 482
Operational deposits	207 842	52 607			130 224
Other wholesale funding	268 243	579 164	84 678	184 147	535 258
Liabilities with matching interdependent assets					
Other liabilities:	15 564	5 751	509	78 568	73 215
NSFR derivative liabilities			13 688		
All other liabilities and equity not included in the above categories	15 564	5 751	509	78 568	73 215
Total ASF					1 413 366
RSF item					
Total NSFR HQLA					40 997
Deposits held at other financial institutions for operational purposes	2 930	721			556
Performing loans and securities:	28 758	463 818	112 712	980 248	974 594
Performing loans to financial institutions secured by level 1 HQLA		27 811		2 486	5 267
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	5	274 911	16 480	47 338	96 815
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	42	147 171	78 385	502 376	537 792
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		56 849	16 133	112 430	130 030
Performing residential mortgages, of which:		9 693	8 628	374 930	258 440
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		8 952	7 991	347 268	234 196
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	28 711	4 232	9 219	53 118	76 280
Assets with matching interdependent liabilities					
Other assets:	58 878	62 047	10	53 754	118 223
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			3 062		2 603
NSFR derivative assets			9 043		
NSFR derivative liabilities before deduction of variation margin posted			23 606		2 419
All other assets not included in the above categories	58 878	62 047	10	53 754	113 201
Off-balance sheet items			515 058		23 846
Total RSF					1 158 216
NSFR (%)					122.0

	Unweighted value by residual maturity				
	No maturity Rm	< 6 months Rm	6 months to < 1 year Rm	≥ 1 year Rm	Weighted value Rm
3Q21					
ASF item					
Capital:	156 662	1 338	1 069	35 422	193 792
Regulatory capital	151 167	1 338	1 069	35 422	188 297
Other capital instruments	5 495				5 495
Retail deposits and deposits from small business customers:	247 358	223 242	9 173	10 585	443 448
Stable deposits	21 293	36			20 263
Less-stable deposits	226 065	223 206	9 173	10 585	423 185
Wholesale funding:	457 446	569 987	93 245	186 749	654 773
Operational deposits	211 306	56 210			133 758
Other wholesale funding	246 140	513 777	93 245	186 749	521 015
Liabilities with matching interdependent assets					
Other liabilities:	32 285	7 158	478	79 596	79 835
NSFR derivative liabilities		12 469			
All other liabilities and equity not included in the above categories	32 285	7 158	478	79 596	79 835
Total ASF					1 371 848
RSF item					
Total NSFR HQLA					39 465
Deposits held at other financial institutions for operational purposes	1 919	139			357
Performing loans and securities:	28 697	426 035	99 433	923 902	909 086
Performing loans to financial institutions secured by level 1 HQLA		34 254	152	2 130	5 632
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	3	253 545	10 216	38 330	81 470
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	28	124 422	77 710	467 637	498 571
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		48 585	15 887	90 694	109 326
Performing residential mortgages, of which:		9 557	8 163	361 477	249 148
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		8 824	7 656	335 055	226 026
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	28 666	4 257	3 192	54 328	74 265
Assets with matching interdependent liabilities					
Other assets:	64 482	6 141		63 066	132 345
Physical traded commodities, including gold	15				13
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		2 586			2 198
NSFR derivative assets		8 396			
NSFR derivative liabilities before deduction of variation margin posted		19 738			2 014
All other assets not included in the above categories	64 467	6 141		63 066	128 120
Off-balance sheet items		428 807			19 639
Total RSF					1 100 892
NSFR (%)					124.6

Annexure E – market risk

MR1: SBG MARKET RISK UNDER THE STANDARDISED APPROACH

	2021 RWA Rm	2020 RWA Rm
Outright products	**54 247**	44 285
Interest rate risk (general and specific)	**50 264**	42 371
Equity risk (general and specific)	**43**	8
Foreign exchange risk	**3 793**	1 784
Commodity risk	**147**	122
Options	**2 599**	2 906
Simplified approach		
Delta-plus method	**2 599**	2 906
Scenario approach		
Securitisation		
Total	**56 846**	47 191
	OV1	OV1

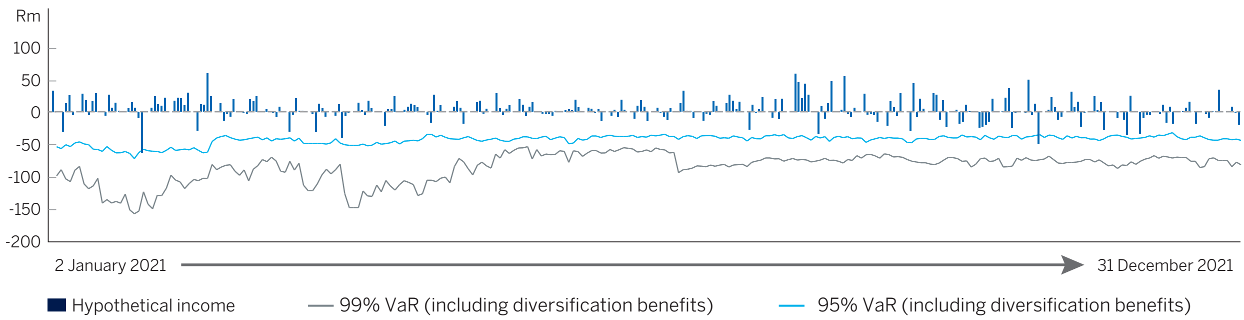
MR2: SBG RWA FLOW STATEMENTS OF MARKET RISK EXPOSURES UNDER IMA

	2021			2020		
	VaR Rm	SVaR Rm	Total RWA Rm	VaR Rm	SVaR Rm	Total RWA Rm
RWA at beginning of reporting period	**8 063**	**7 789**	**15 852**	6 188	8 400	14 588
Movement in risk levels	**(550)**	**(253)**	**(803)**	1 874	(624)	1 250
Model updates/changes	**(11)**	**(45)**	**(56)**	1	13	14
RWA at end of reporting period	**7 502**	**7 491**	**14 993**	8 063	7 789	15 852
			OV1			OV1

MR3: SBG IMA VALUES FOR TRADING PORTFOLIOS

	2021 Rm	2020 Rm
VaR (ten day 99%)		
Maximum value	**98**	102
Average value	**53**	56
Minimum value	**34**	28
Period end	**47**	71
SVaR (ten day 99%)		
Maximum value	**417**	330
Average value	**209**	179
Minimum value	**89**	73
Period end	**146**	123

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 2021	RWA 2020	Minimum capital requirements[1] 2021
Credit risk (excluding CCR)		**889 140**	883 098	**115 486**
Of which standardised approach[2]	CR4	**457 534**	396 943	**54 904**
Of which IRB approach	CR6, CR7, CR8	**504 854**	486 155	**60 528**
CCR	CCR1, CCR2	**68 921**	51 330	**8 270**
Of which standardised approach for CCR		**22 617**	9 940	**2 714**
Of which IRB approach		**26 136**	22 329	**3 136**
Of which credit valuation adjustments		**20 168**	19 061	**2 420**
Equity positions in banking book under market-based approach	CR10	**8 964**	9 500	**1 076**
Equity investment in funds – look through approach[3]		**5 515**		**662**
Equity investment in funds – mandate-based approach[3]		**1 543**		**185**
Equity investment in funds – fall-back approach[3]		**358**		**43**
Securitisation exposures in banking book		**611**	704	**74**
Of which IRB approach	SEC3, SEC4	**397**	491	**48**
Of which IRB supervisory formula approach	SEC3, SEC4	**214**	213	**26**
Market risk		**71 839**	63 043	**8 621**
Of which standardised approach	MR1	**56 846**	47 191	**6 822**
Of which IMA	MR2	**14 993**	15 852	**1 799**
Operational risk		**177 500**	163 648	**21 300**
Of which standardised approach		**93 098**	82 578	**11 172**
Of which advanced measurement approach		**84 402**	81 070	**10 128**
Amounts below the thresholds for deduction (subject to 250% risk weight)		**65 397**	58 155	**7 848**
Total		**1 363 036**	1 229 478	**163 364**

1 Measured at 12% and excludes confidential bank-specific capital requirements and the pillar 2A buffer requirement that has been temporarily removed in response to the Covid-19 pandemic. The group's D-SIB buffer requirement amounts to 1.5% of which 1.0% is required to be held in CETI. 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 the 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.
3 Equity investments in funds disclosure requirements came in to effect on 1 January 2021.

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]

	2021 Rm	2020 Rm
Total consolidated assets as per published financial statements	**2 237 482**	2 080 771
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**13 021**	11 528
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	**(11 169)**	(39 890)
Adjustment for SFT (repos and similar secured lending)	**20 739**	1 582
Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	**178 347**	141 363
Other adjustments	**14 959**	15 095
Leverage ratio exposure	**2 453 379**	2 210 449

1 Group, including Liberty

LR2: SBG LEVERAGE RATIO COMMON DISCLOSURE TABLE

	2021 Rm	2020 Rm
On-balance sheet exposures (excluding derivatives and SFT)	**2 011 145**	1 872 932
On-balance sheet exposures (excluding derivatives and SFTs, but including collateral)	**2 030 346**	1 892 745
Less: asset amounts deducted in determining Basel III tier I capital	**(19 201)**	(19 813)
Derivatives exposures	**39 023**	66 205
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**22 810**	35 119
Add-on amounts for PFE associated with all derivatives transactions	**34 795**	64 653
Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	**(19 479)**	(19 106)
Less: exempted CCP leg of client-cleared trade exposures	**(21 394)**	(30 553)
Adjusted effective notional amount of written credit derivatives	**22 291**	16 092
SFT exposures	**224 864**	129 949
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)	**204 125**	128 367
CCR exposure for SFT assets	**20 739**	1 582
Agent transaction exposures		
Other off-balance sheet exposures	**178 347**	141 363
Off-balance sheet exposure at gross notional amount	**446 020**	397 049
Less: adjustments for conversion to credit equivalent amounts	**(267 673)**	(255 686)
Capital and total exposures		
Tier I capital[1]	**186 577**	163 945
Total exposures	**2 453 379**	2 210 449
Leverage ratio		
Basel III leverage ratio	**7.6**	7.4
Basel III leverage ratio (including unappropriated profits)	**7.9**	7.8
Total exposure	**2 453 379**	2 210 449

1 Excludes unappropriated profits.

SBG RECONCILIATION WITH ANNUAL FINANCIAL STATEMENTS

	2021 Rm	2020 Rm
Total consolidated assets per AFS	**2 237 482**	2 080 771
Derivative assets as per the balance sheet	**(55 786)**	(106 096)
Security financing transactions per the balance sheet	**(204 125)**	(128 367)
Total consolidated assets per AFS (excluding derivative and SFT assets)	**1 977 515**	1 846 308
Gross-up for cash management schemes	**39 729**	35 034
Adjustment for share of consolidated insurance assets	**13 046**	11 528
Total on-balance sheet items	**2 030 346**	1 892 870

CC1: SBG COMPOSITION OF REGULATORY REGULATORY CAPITAL[1]

	2021 Basel III Rm	2020[2] Basel III Rm
CET I capital	**174 390**	155 077
Instruments and reserves		
CET I capital before regulatory adjustments	**193 591**	174 892
Directly issued qualifying common share capital plus related stock surplus	**18 021**	18 017
Retained earnings	**165 324**	154 547
Accumulated other comprehensive income (and other reserves)	**1 856**	(4 711)
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)	**8 390**	7039
Regulatory adjustments		
Less: total regulatory adjustments to CET I	**(19 201)**	(19 815)
Prudential valuation adjustments	**(262)**	1 457
Goodwill (net of related tax liability)	**(2 195)**	(2 207)
Other intangibles other than mortgage-servicing rights (net of related tax liability)	**(12 653)**	(13 797)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(233)**	(787)
Cash-flow hedge reserve	**(24)**	(107)
Shortfall of provisions to expected losses		
Securitisation gain on sale		
Gains and losses due to changes in own credit risk on fair valued liabilities	**(128)**	(15)
Defined-benefit pension fund net assets	**(573)**	(406)
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)	**(3 133)**	(3 953)
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		

	2021 Basel III Rm	2020[2] Basel III Rm
AT I capital		
Instruments		
AT I capital before regulatory adjustments	**12 187**	8 866
Directly issued qualifying AT I instruments plus related stock surplus, classified as:	**11 099**	8 124
Equity under applicable accounting standards	**11 098**	8 124
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 additional tier I), including:	**1 134**	823
Instruments issued by subsidiaries subject to phase out		
Regulatory adjustments		
Total regulatory adjustments to AT I capital	**(46)**	(81)
Investments in own AT I instruments	**(46)**	(81)
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	**186 577**	163 943
Capital and provisions		
Tier II capital before regulatory adjustments	**29 850**	26 320
Directly issued qualifying tier II instruments plus related stock surplus	**23 520**	21 569
Directly issued capital instruments subject to phase out from tier II		
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	**6 330**	4 751
Regulatory adjustments		
Total regulatory adjustments to tier II capital	**(126)**	(417)
Investments in own tier II instruments	**(126)**	(69)
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)
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	**29 724**	25 903
Total capital	**216 301**	189 846
Total RWA	**1 363 035**	1 229 478

	2021 Basel III Rm	2020[2] Basel III Rm
RWA in respect of amounts subject to pre-Basel III treatment		
Capital ratios and buffers		
CET I (as a % of RWA)	**12.8**	12.6
Tier I (as a % of RWA)	**13.7**	13.3
Total capital (as a % of RWA)	**15.9**	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**	7.0
Capital conservation buffer requirement (%)	**2.5**	2.5
Bank specific countercyclical buffer requirement (%)		
Global systemically important bank (G-SIB) buffer requirement (%)	**1.0**	1.0
CET I available to meet buffers (as a % of RWA)	**5.8**	5.6
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**	7.0
National tier I minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB	**8.5**	8.5
National total capital minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB	**10.5**	10.5
Amounts below the threshold for deductions (before risk weighting)		
Non-significant investments in the capital of other financials	**118**	919
Significant investments in the common stock of financials	**17 770**	15 750
Mortgage servicing rights (net of related tax liability)		
Deferred tax assets arising from temporary differences (net of related tax liability)	**8 612**	7 373
Applicable caps on the 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)	**3 324**	2 821
Cap on inclusion of provisions in tier II under standardised approach	**7 074**	5 681
Provisions eligible for inclusion in tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)[2]	**2 532**	2 639
Cap for inclusion of provisions in tier II under internal ratings-based approach	**3 006**	1 931
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 2021.
2 Based on IFRS 9 phased-in approach in 2020.

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
2021		
Assets		
Cash and balances with central banks	91 169	91 169
Derivative assets	63 688	55 786
Trading assets	285 020	281 244
Pledged assets	14 178	10 318
Financial investments	724 700	299 545
Current tax assets	709	462
Disposal group assets held for sale	1 025	489
Loans and advances	1 424 328	1 424 259
Policyholders' assets	2 868	
Other assets	36 432	29 158
Of which defined-benefit pension fund net assets		1 288
Interest in associates and joint ventures	7 280	18 057
Of which CET I capital deductions		3 133
Investment property	29 985	1 101
Property and equipment	20 619	19 525
Goodwill and other intangible assets	16 913	16 390
Of which goodwill		2 195
Of which other intangibles		12 653
Deferred tax assets (DTA)	6 903	6 902
Of which deferred tax liabilities (DTL) other intangible assets (CET I deduction)		2 320
Of which DTA that relies on future profitability (CET I deduction)		233
Of which DTL defined-benefit pension fund net assets (CET I deduction)		(223)
Total assets	**2 725 817**	**2 254 406**
Liabilities		
Derivative liabilities	68 259	60 602
Trading liabilities	81 484	80 433
Current tax liabilities	7 557	7 551
Deposits and debt funding	1 776 615	1 799 961
Policyholders' liabilities	363 023	
Subordinated debt	30 430	24 852
Of which tier II capital		29 724
Disposal group liabilities held for sale	96	96
Provisions and other liabilities	153 784	54 542
Of which defined-benefit pension fund net assets		492
Deferred tax liabilities	2 720	
Of which DTLs related to other intangible assets		214
Total liabilities	**2 483 968**	**2 028 036**
Shareholder's equity	198 832	198 832
Paid-in share capital	29 168	29 168
Of which amount eligible for CET I		29 168
Retained earnings and other reserves	169 664	169 664
Of which amount eligible for CET I		167 180
Equity attributable to other equity instrument holders	16 052	16 052
Of which AT I capital		11 099
Equity attributable to non-controlling interest	27 965	27 965
Of which CET I capital		8 390
Of which AT I capital		1 134
Total shareholders' equity	**242 849**	**242 849**

Annexure G – The Standard Bank of South Africa

The sections that follow present the quantitative disclosure SBSA being our largest banking subsidiary.

KM1: SBSA KEY METRICS

		2021	3Q21	1H21	1Q21	2020
	Available capital[1] (Rm)					
1	CET I	**89 030**	85 646	84 478	83 778	83 676
1a	Fully loaded ECL accounting model	**89 030**	85 646	84 478	83 778	82 984
2	Tier I	**99 532**	94 424	93 206	92 519	90 620
2a	Fully loaded ECL accounting model tier I	**99 532**	94 424	93 206	92 519	89 927
3	Total capital	**123 390**	116 698	115 189	114 697	112 069
3a	Fully loaded ECL accounting model total capital	**123 390**	116 698	115 189	114 697	112 029
	RWA (Rm)					
4	Total RWA	**772 054**	749 472	736 840	745 499	722 809
	Risk-based capital ratios as a percentage of RWA[2]					
5	CET I ratio (%)	**11.5**	11.4	11.5	11.2	11.6
5a	Fully loaded ECL accounting model CET I (%)	**11.5**	11.4	11.5	11.2	11.5
6	Tier I ratio (%)	**12.9**	12.6	12.6	12.4	12.5
6a	Fully loaded ECL accounting model tier I ratio (%)	**12.9**	12.6	12.6	12.4	12.4
7	Total capital ratio (%)	**16.0**	15.6	15.6	15.4	15.5
7a	Fully loaded ECL accounting model total capital ratio (%)	**16.0**	15.6	15.6	15.4	15.5
	Additional CET I buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (%)	**2.5**	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)					
10	Bank G-SIB and/or D-SIB additional requirements (%)	**1.0**	1.0	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	3.5	3.5
12	CET I available after meeting the bank's minimum capital requirements (%)	**3.4**	3.1	2.9	2.9	3.0
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure (Rm)	**1 860 945**	1 746 411	1 737 930	1 743 278	1 746 411
14	Basel III leverage ratio (%) (row 2/row 13)	**5.3**	5.4	5.4	5.3	5.2
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/row 13)	**5.3**	5.4	5.4	5.3	5.1
	LCR					
15	HQLA (Rm)	**226 643**	199 470	198 719	224 656	229 488
16	Total net cash outflow (Rm)	**204 566**	174 512	176 331	189 278	203 832
17	LCR (%)	**110.8**	114.3	112.7	118.7	112.6
	NSFR					
18	Total ASF (Rm)	**951 700**	930 534	917 075	907 300	904 040
19	Total RSF (Rm)	**884 075**	864 588	837 893	830 889	807 975
20	NSFR (%)	**107.6**	107.6	109.4	109.2	111.9

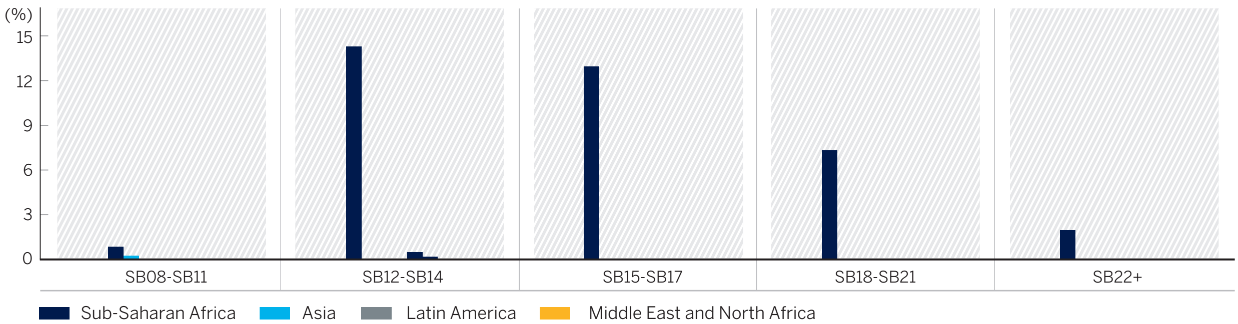
1 The IFRS9 transaction period provided for in SARB directive 5/2017 concluded on 1 January 2021. 2020 metrics are on the basis of applying the transitional arrangements with the exception of those metrics referred to as fully loaded.
2 Excludes unappropriated profits.

COUNTRY RISK

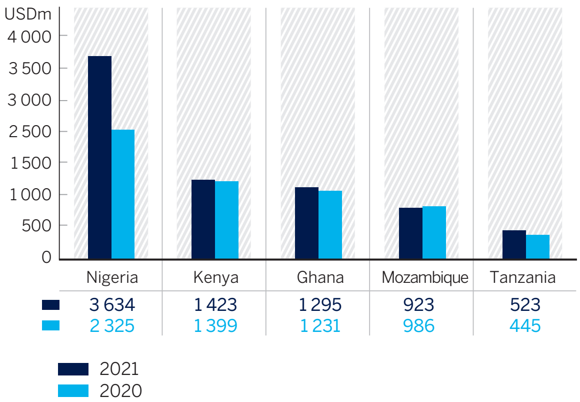
SBSA COUNTRY RISK EXPOSURE BY REGION AND RISK GRADE

	Sub-Saharan Africa %	Asia %	Australasia %	Europe %	Latin America %	Middle East and North Africa %	North America %
2021							
Risk grade							
SB01 – SB07	**1.61**	**13.51**	**0.96**	**36.32**		**3.11**	**5.14**
SB08 – SB11	**0.90**	**0.29**		**0.03**			
SB12 – SB14	**14.62**				**0.54**	**0.20**	
SB15 – SB17	**13.24**						
SB18 – SB21	**7.49**						
SB22+	**2.04**						
2020							
Risk grade							
SB01 – SB07	2.15	18.71	0.09	30.84		2.2	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						

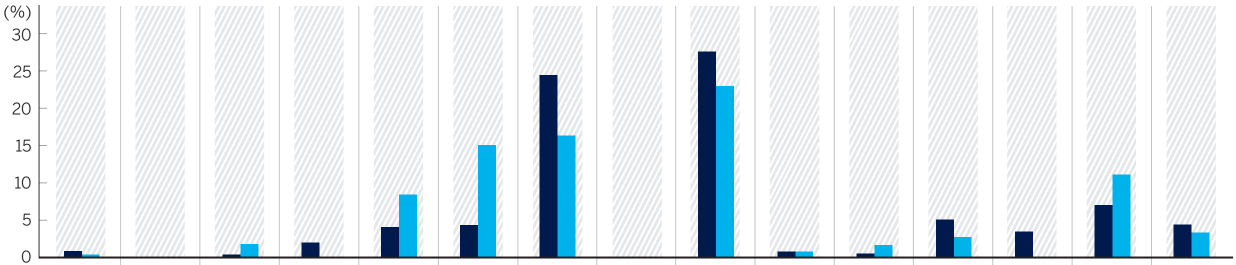
SBSA MEDIUM- AND HIGH-RISK COUNTRY EXPOSURE BY REGION



SBSA TOP FIVE MEDIUM- AND HIGH-RISK COUNTRY EAD



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



	SB08	SB09	SB10	SB11	SB12	SB13	SB14	SB15	SB16	SB17	SB18	SB19	SB20	SB21	SB22+
2021	0.1		0.4	2.3	4.8	5.1	29.1		32.8	0.9	0.6	6.0	4.1	8.3	5.2
2020	0.4		2.1		10.0	17.9	19.4		27.3	0.9	1.9	3.2		13.2	3.9

2021
2020

FUNDING AND LIQUIDITY RISK

SBSA OVERVIEW OF FUNDING AND LIQUIDITY METRICS

	2021	2020
Total contingent liquidity (Rbn)	**357.6**	358.5
Eligible Basel III LCR HQLA (Rbn)	**210.2**	227.8
Managed liquidity (Rbn)	**147.4**	130.7
Total contingent liquidity as a % of funding related liabilities (%)	**25.0**	26.7
Single depositor (%)	**4.2**	4.9
Top 10 depositors (%)	**13.4**	14.2
Basel III LCR (quarterly average %)	**110.8**	112.6
Minimum regulatory LCR requirement (%)	**80.0**	80.0
Basel III NSFR (%)	**107.6**	111.9
Minimum regulatory NSFR requirement (%)	**100.0**	100.0

SBSA TOTAL CONTINGENT LIQUIDITY

	2021 Rbn	2020 Rbn
Eligible LCR HQLA[1] comprising:	**210.2**	227.8
Notes and coins	**7.5**	8.5
Balances with central banks	**24.8**	25.5
Government bonds and bills	**159.6**	158.3
Other eligible assets	**18.3**	35.5
Managed liquidity	**147.4**	130.7
Total contingent liquidity	**357.6**	358.5
Total contingent liquidity as a % of funding-related liabilities (%)	**25.0**	26.7

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

SBSA DEPOSITOR CONCENTRATION

	2021 %	2020 %
Single depositor (limit 10%)	**4.2**	4.9
Top 10 depositors (limit 20%)	**13.4**	14.2

LIQ1: SBSA LIQUIDITY COVERAGE RATIO

	4Q21[1]		4Q20[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		**226 643**		229 488
Retail deposits and deposits from small business customers, of which:	**275 425**	**27 542**	263 309	26 331
Stable deposits				
Less-stable deposits	**275 425**	**27 542**	263 309	26 331
Unsecured wholesale funding, of which:	**625 274**	**318 880**	600 545	309 515
Operational deposits (all counterparties) and deposits in networks of cooperative banks	**252 942**	**63 235**	213 769	53 442
Non-operational deposits (all counterparties)	**370 407**	**253 720**	382 403	251 700
Unsecured debt	**1 925**	**1 925**	4 373	4 373
Secured wholesale funding		**4**		269
Additional requirements	**76 044**	**34 130**	78 126	37 035
Outflows related to derivative exposures and other collateral requirements	**19 409**	**19 409**	23 706	23 706
Outflows related to loss of funding on debt products	**3 688**	**3 688**	3 637	3 637
Credit and liquidity facilities	**52 947**	**11 033**	50 783	9 692
Other contractual funding obligations	**5 045**	**5 045**	5 230	5 230
Other contingent funding obligations	**315 320**	**12 877**	330 482	13 373
Cash outflows		**398 478**		391 753
Secured lending	**69 193**	**59 272**	53 149	46 444
Inflows from fully performing exposures	**122 370**	**108 349**	140 020	128 446
Other cash inflows	**36 378**	**26 291**	19 180	13 031
Cash inflows		**193 912**		187 921

	Total adjusted value[4] Rm	Total adjusted value[4] Rm
Total HQLA	**226 643**	229 488
Total net cash outflows	**204 566**	203 832
LCR (%)	**110.8**	112.6

1 Simple average of 92 days of daily observations over the quarter ended 31 December 2021 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).

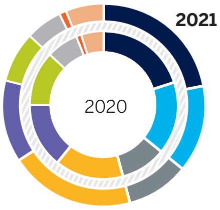
LIQ2: SBSA NET STABLE FUNDING RATIO

The following table reflects SBSA excluding foreign branches, assets, liabilities and off-balance sheet items as at 31 December 2021 and 30 September 2021.

	Unweighted value by residual maturity				
	No maturity Rm	< 6 months Rm	6 months to < 1 year Rm	≥ 1 year Rm	Weighted value Rm
2021					
ASF item					
Capital:	96 234	1 183		33 159	129 807
Regulatory capital	96 234	1 183		33 159	129 807
Other capital instruments					
Retail deposits and deposits from small business customers:	112 034	203 228	6 994	10 782	300 812
Stable deposits					
Less stable deposits	112 034	203 228	6 994	10 782	300 812
Wholesale funding:	297 884	527 039	74 136	152 916	511 990
Operational deposits	207 842	51 029			129 435
Other wholesale funding	90 042	476 010	74 136	152 916	382 555
Liabilities with matching interdependent assets					
Other liabilities:	19 731	5 175	509	8 836	9 091
NSFR derivative liabilities			13 036		
All other liabilities and equity not included in the above categories	19 731	5 175	509	8 836	9 091
Total ASF					951 700
RSF item					
Total NSFR HQLA					30 835
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:	28 711	293 695	86 402	807 844	766 184
Performing loans to financial institutions secured by level 1 HQLA		27 812		2 486	5 267
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		178 816	16 701	42 108	77 281
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:		73 994	52 576	347 184	358 392
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:		8 841	7 905	362 948	248 964
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		8 271	7 396	339 575	228 558
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	28 711	4 232	9 220	53 118	76 280
Assets with matching interdependent liabilities					
Other assets:	64 547	3 677	10	1 120	70 832
Physical traded commodities, including gold					
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			3 062		2 603
NSFR derivative assets			8 294		
NSFR derivative liabilities before deduction of variation margin posted			22 883		2 288
All other assets not included in the above categories	64 547	3 677	10	1 120	65 941
Off-balance sheet items			361 765		16 224
Total RSF					884 075
NSFR (%)					107.6

	Unweighted value by residual maturity				
	No maturity Rm	< 6 months Rm	6 months to < 1 year Rm	≥ 1 year Rm	Weighted value
3Q21					
ASF item					
Capital:	94 950	254	1 069	29 690	125 263
Regulatory capital	94 950	254	1 069	29 690	125 263
Other capital instruments					
Retail deposits and deposits from small business customers:	106 277	198 115	6 734	7 645	287 658
Stable deposits					
Less-stable deposits	106 277	198 115	6 734	7 645	287 658
Wholesale funding:	291 849	478 561	90 288	154 360	508 948
Operational deposits	211 306	54 910			133 108
Other wholesale funding	80 543	423 651	90 288	154 360	375 840
Liabilities with matching interdependent assets					
Other liabilities:	31 640	6 896	478	8 426	8 665
NSFR derivative liabilities			12 022		
All other liabilities and equity not included in the above categories	31 640	6 896	478	8 426	8 665
Total ASF					930 534
RSF item					
Total NSFR HQLA					28 897
Deposits held at other financial institutions for operational purposes					
Performing loans and securities:	28 666	277 955	74 292	796 184	747 523
Performing loans to financial institutions secured by level 1 HQLA		34 254	152	2 130	5 632
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		165 367	11 200	47 316	77 722
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:		65 128	52 196	341 725	349 128
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:		8 949	7 551	350 685	240 777
With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		8 364	7 047	327 775	220 764
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	28 666	4 257	3 193	54 328	74 264
Assets with matching interdependent liabilities					
Other assets:	68 732	5 816		1 120	74 278
Physical traded commodities, including gold	15				13
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			2 586		2 198
NSFR derivative assets			8 804		
NSFR derivative liabilities before deduction of variation margin posted			19 693		1 969
All other assets not included in the above categories	68 717	5 816		1 120	70 098
Off-balance sheet items			313 832		13 890
Total RSF					864 588
NSFR (%)					107.6

SBSA FUNDING DIVERSIFICATION BY PRODUCT



	2021 %	2020 %
Call deposits	**22**	22
Term deposits	**20**	14
Current accounts	**10**	10
Cash management deposits	**18**	20
Deposits from banks and central banks	**14**	13
NCDs	**7**	8
Senior and subordinated debt	**5**	6
Savings accounts	**1**	1
Other	**3**	6

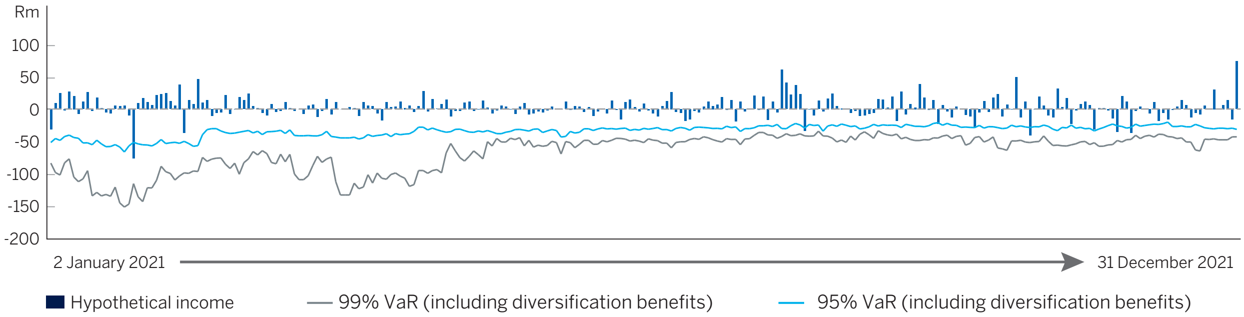
SBSA FUNDING-RELATED LIABILITIES COMPOSITION[1]

	2021 Rbn	2020 Rbn
Corporate funding	**297**	306
Retail deposits[2]	**309**	295
Institutional funding	**397**	353
Interbank	**172**	134
Government and parastatals	**146**	134
Senior debt	**55**	58
Term loan funding	**30**	39
Subordinated debt issued	**24**	22
Other liabilities to the public		
Total funding-related liabilities	**1 430**	1 341

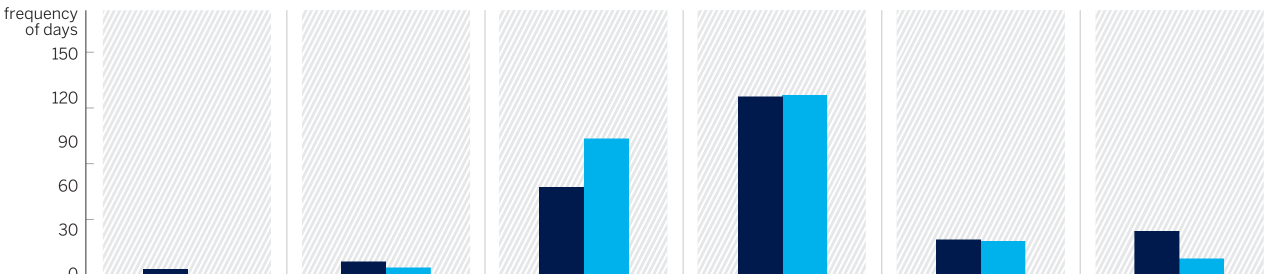
1 Composition aligned to Basel III liquidity classifications.
2 Comprises individual and small business customers.

MARKET RISK

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



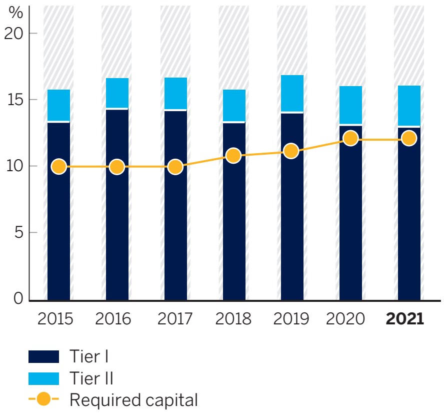
SBSA DISTRIBUTION OF DAILY TRADING INCOME (Rm)



	<-30	-30< to <0	0< to <30	30< to <60	60< to <90	>90
2021	5	10	61	123	25	31
2020	0	6	94	124	24	12

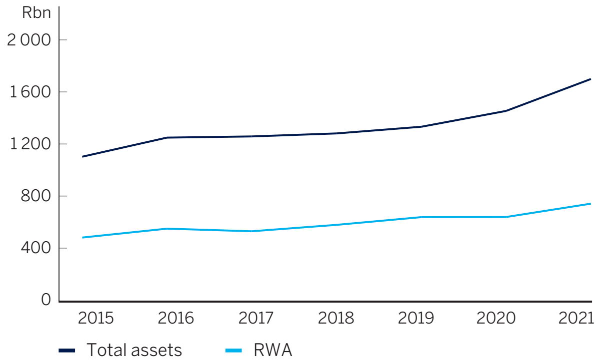
CAPITAL MANAGEMENT

SBSA CAPITAL ADEQUACY[1]



1 The SBSA group CET I capital, including unappropriated profits, was R97.4 billion as at 31 December 2021 (2020: R87.4 billion). Tier I capital, including unappropriated profits, was R107.8 billion as at 31 December 2021 (2020: R94.4 billion) and total capital, including unappropriated profits was R131.7 billion as at 31 December 2021 (2020: R115.8 billion).

SBSA RWA HISTORY[1]



SBSA QUALIFYING CAPITAL EXCLUDING UNAPPROPRIATED PROFITS

Refer to **page 93** of our **2021 Annual Results Booklet** for the SBSA qualifying capital excluding unappropriated profits.

OV1: SBSA BASEL RWA AND ASSOCIATED CAPITAL REQUIREMENTS

	RWA		Minimum capital requirements[1]
	2021	2020	**2021**
Credit risk (excluding CCR)	**554 739**	525 139	**69 342**
Of which standardised approach[2]	**46 576**	37 393	**5 822**
Of which IRB approach	**508 163**	487 746	**63 520**
CCR	**52 432**	40 290	**6 555**
Of which standardised approach for CCR	**6 708**	1 845	**839**
Of which IRB approach	**28 607**	22 162	**3 576**
Of which CVA	**17 117**	16 283	**2 140**
Equity positions in banking book under market-based approach	**3 140**	3 189	**393**
Equity investment in funds – look through approach[3]	**1 722**		**215**
Equity investment in funds – mandate-based approach[3]	**1 543**		**193**
Equity investment in funds – fall-back approach[3]	**358**		**45**
Securitisation exposures in banking book	**611**	704	**76**
Of which IRB approach	**593**	491	**74**
Of which IRB supervisory formula approach	**18**	213	**2**
Market risk	**43 891**	41 537	**5 486**
Of which standardised approach	**28 899**	25 685	**3 612**
Of which IMA	**14 992**	15 852	**1 874**
Operational risk	**97 393**	97 069	**12 174**
Of which standardised approach	**12 991**	16 000	**1 624**
Of which AMA	**84 402**	81 069	**10 550**
Amounts below the thresholds for deduction (subject to 250% risk weight)	**16 225**	14 881	**2 028**
Total	**772 054**	722 809	**96 507**

1 Measured at 12.5% and excludes confidential bank-specific capital requirements and the pillar 2A buffer requirement that has been temporarily removed in response to the Covid-19 pandemic. SBSA's D-SIB buffer requirement amounts to 2.0% of which 1.0% is required to be held in CETI. There is currently no requirement for the countercyclical buffer add-on in South Africa or in other jurisdictions in which we have significant exposures. The PA notified SBSA in December 2021 that the D-SIB buffer requirement will reduce from 2.0% to 1.5% effective 1 July 2022.

2 Portfolios on the standardised approach relate to the 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.

3 Equity investment in funds disclosure requirements came into effect on 1 January 2021.

SBSA CAPITAL ADEQUACY RATIOS

Refer to page 93 of our 2021 Annual Results Booklet for the SBSA capital adequacy ratios.

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

	2021 Rm	2020 Rm
Total consolidated assets as per published financial statements	**1 725 074**	1 658 686
Adjustment for derivative financial instruments	**(20 220)**	(48 607)
Adjustments for securities financing transactions (i.e. repos and similar securities lending)	**11 088**	1 609
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet)	**116 453**	111 337
Other adjustments	**28 549**	23 386
Leverage ratio exposure	**1 860 945**	1 746 411

LR2: SBSA LEVERAGE RATIO COMMON DISCLOSURE TABLE

	2021 Rm	2020 Rm
On-balance sheet exposures (excluding derivatives and SFT)	**1 571 952**	1 440 785
On-balance sheet exposures (excluding derivatives and SFT, but including collateral)	**1 582 015**	1451 719
Less: asset amounts deducted in determining Basel III tier I capital	**(10 063)**	(10 934)
Derivatives exposures	**38 066**	61 743
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**21 643**	30 212
Add-on amounts for PFE associated with all derivatives transactions	**35 005**	73 347
Less: deductions of receivables assets for cash variation margin provided in derivatives transactions	**(19 479)**	(27 355)
Less: exempted CCP leg of client-cleared trade exposures	**(21 394)**	(30 553)
Adjusted effective notional amount of written credit derivatives	**22 291**	16 092
SFT exposures	**196 632**	132 546
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	**185 544**	130 937
Less: Netted amounts of cash payables and cash receivables of gross SFT assets		
CCR exposure for SFT assets	**11 088**	1 609
Agent transaction exposures		
Other off-balance sheet exposures	**54 295**	111 337
Off-balance sheet exposure at gross notional amount	**203 122**	333 235
Less: adjustments for conversion to credit equivalent amounts	**(148 827)**	(221 898)
Capital and total exposures		
Tier I capital[1]	**99 532**	90 620
Total exposures	**1 860 945**	1 746 411
Leverage ratio		
Basel III leverage ratio	**5.3**	5.2
Basel III leverage ratio (including unappropriated profits)	**5.8**	5.4

[1] Excludes unappropriated profits

SBSA RECONCILIATION WITH AFS

	2021 Rm	2020 Rm
Total consolidated assets per published financial statements	**1 725 074**	1 658 686
Derivative assets as per the statement of financial position	**(58 287)**	(110 350)
Security financing transactions per the statement of financial position	**(185 544)**	(130 937)
Total consolidated assets per published financial statements (excluding derivative and SFT assets)	**1 480 362**	1 417 399
Gross-up for cash management schemes	**100 771**	34 400
Total on-balance sheet items as per line 2 of LR2	**1 582 015**	1 451 799

SBSA ECONOMIC CAPITAL BY RISK TYPE

	2021 Rm	2020 Rm
Credit risk	**75 292**	72 610
Equity risk	**4 153**	2 789
Market risk	**824**	1 332
Operational risk	**8 930**	8 642
Business risk	**2 654**	2 504
Interest rate risk in the banking book	**1 350**	965
Economic capital requirement	**93 203**	88 842
Available financial resources	**131 277**	116 824
Economic capital coverage ratio (times)	**1.41**	1.31

CC1: SBSA COMPOSITION OF REGULATORY CAPITAL

	2021 Rm	2020 Rm
CET I capital	**89 030**	83 676
Instruments and reserves		
CET I capital before regulatory adjustments	**99 093**	94 610
Directly issued qualifying common share capital plus related stock surplus	**49 313**	49 313
Retained earnings	**48 447**	44 499
Accumulated other comprehensive income (and other reserves)	**1 333**	798
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	**(10 063)**	(10 934)
Prudential valuation adjustments	**(129)**	618
Goodwill (net of related tax liability)	**(42)**	(42)
Other intangibles other than mortgage-servicing rights (net of related tax liability)	**(9 117)**	(10 511)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(43)**	(551)
Cash-flow hedge reserve	**(31)**	(27)
Shortfall of provisions to expected losses		
Securitisation gain on sale		
Gains and losses due to changes in own credit risk on fair valued liabilities	**(128)**	(15)
Defined-benefit pension fund net assets	**(573)**	(406)
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)		
DTA 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		
DTA 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		

	2021 Basel III Rm	2020 Basel III Rm
AT I capital		
Instruments		
AT I capital before regulatory adjustments	**10 502**	6 944
Directly issued qualifying AT I instruments plus related stock surplus, classified as:	**10 549**	7 025
Equity under applicable accounting standards	**10 549**	7 025
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 additional tier I), including:		
Instruments issued by subsidiaries subject to phase out		
Regulatory adjustments		
Total regulatory adjustments to AT I capital	**(47)**	(81)
Investments in own AT I instruments	**(47)**	(81)
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 additional tier I due to insufficient AT I due to insufficient tier II to cover deductions		
Tier I capital	**99 532**	90 621
Capital and provisions		
Tier II capital before regulatory adjustments	**26 356**	23 987
Directly issued qualifying tier II instruments plus related stock surplus	**23 520**	21 569
Directly issued capital instruments subject to phase out from tier II		
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	**2 836**	2 418
Regulatory adjustments		
Total regulatory adjustments to tier II capital	**(2 498)**	(2 538)
Investments in own tier II instruments	**(126)**	(69)
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)	**(2 372)**	(2 469)
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	**23 858**	21 449
Total capital	**123 390**	112 069

	2021 Basel III Rm	2020[1] Basel III Rm	
Total RWA	**772 054**	722 809	OV1
RWA in respect of amounts subject to pre-Basel III treatment			
Capital ratios and buffers			
CET I (as a % of RWA)	**11.5**	11.6	
Tier I (as a % of RWA)	**12.9**	12.5	
Total capital (as a % of RWA)	**16.0**	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**	7.0	
Capital conservation buffer requirement (%)	**2.5**	2.5	
Bank specific countercyclical buffer requirement (%)			
G-SIB buffer requirement (%)	**1.0**	1.0	
CET I available to meet buffers (as a % of RWA)	**4.5**	4.6	
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**	7.0	
National tier I minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB	**8.5**	8.5	
National total capital minimum ratio (if different from Basel III minimum) – excluding ICR and D-SIB	**10.5**	10.5	
Amounts below the threshold for deductions (before risk weighting)			
Non-significant investments in the capital of other financials	**292**	282	
Significant investments in the common stock of financials	**472**	483	
Mortgage servicing rights (net of related tax liability)			
Deferred tax assets arising from temporary differences (net of related tax liability)	**6 018**	5 470	
Applicable caps on the 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)	**1 560**	805	
Cap on inclusion of provisions in tier II under standardised approach	**207**	193	
Provisions eligible for inclusion in tier II in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**3 006**	2 877	
Cap for inclusion of provisions in tier II under internal ratings-based approach	**2 629**	2 225	
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 additional tier I instruments subject to phase out arrangements			
Amount excluded from additional tier 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 Based on SARB IFRS9 phase-in approach in 2020.

Annexure H: Regulatory and legislative updates impacting the group

Our regulatory approach

The Standard Bank Group, headquartered in a G20 country, adopts the regulatory standards of the global FSB and other International Standard Setting Bodies (ISSBs) such as the BCBS, International Association of Insurance Supervisors and International Organisation of Securities Commission. We continue to 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.

The Covid-19 pandemic tested the resilience and stability of banks. The global banking system entered the crisis with high levels of capital and liquidity due to the Basel III reforms. These levels of capital and liquidity were sustained through the various waves, aided by focused efforts of ISSBs and regulators in providing Covid-19 guidance and policy decisions to mitigate the impact on financial stability. While Covid-19 continues to impact the global economy, regulators have begun to reduce the prudential relief provided, given the strength shown by the banking industry and have been shifting their attention to other regulatory areas. Covid-19 resilience and recovery however continue to be monitored by ISSBs and regulators globally.

One of the areas of focus for standard setting bodies and regulators is the intensified use of digitised solutions driven by Covid-19. As digitisation remoulds the financial services industry, ISSBs and regulators have increased efforts in considering the risks and benefits of the fourth industrial revolution and determining the balance between creating an environment that supports innovation while protecting customers. ISSBs are also considering the impact of the ongoing digitisation of finance business models and the banking system.

There is an increasing focus on the potential risks of climate change to financial stability. Global efforts have been concentrated on climate-related risk from the perspective that the manifestation of physical risks, as well as a disorderly transition to a low-carbon economy, could have destabilising effects on financial systems. ISSBs work programs therefore include the assessment, measurement and mitigation of Climate-related financial risks, spanning regulatory, supervisory and disclosure related elements of the banking sector.

There is continued attention by the ISSBs and regulators on the implementation and impact assessment of the 2007 – 2008 post-crisis reforms, including Basel III finalisation and the fundamental review of the trading book, which will have a significant impact on capital requirements, as well as operational requirements, due to the resource intensive nature of implementing these regulations. Other regulatory focus areas include enhancing the resilience of non-bank financial intermediation, and the prudential treatment of banks' crypto-assets exposures.

The table that follows provides a high-level overview of the expected areas of focus by regulatory bodies within the group's jurisdictions.

The regulatory environment

	In progress		Future focus
Banking global	• Basel III finalisation implementation • Fundamental review of the trading book implementation • Covid-19 resilience and recovery • Prudential treatment of banks' crypto-assets exposures • Climate-related risk	• Enhancing the resilience of non-bank financial intermediation • Enhancing cross-border payments • Cyber incident reporting • Central bank digital currencies • Regulation, supervision and oversight of global stablecoin arrangements	• The impact of the ongoing digitalisation and disintermediation of finance on banks • The impact of a low interest rate environment for bank business models • Strengthening supervisory coordination and practices
Banking South Africa	• Funding new South African regulatory Infrastructure • South African resolution framework • Basel III finalisation implementation • Fundamental review of the trading book implementation • Large exposure framework • Depositor insurance scheme • Financial conglomerate supervision • First loss after capital (FLAC)	• Conduct of Financial Institutions Bill (COFI) • Climate-related risk • FinTech • Open banking open finance • Crypto assets • Digital platforms	• Enhancing AML/CFT supervision • Strengthening and enhancing the prudential regulatory and supervisory framework for Market Infrastructures • Developing cross-sectoral regulatory instruments for harmonising requirements across different industries • Central bank digital currencies • Promote the development of an innovative, inclusive, and sustainable financial system
Banking Africa Regions	• Recovery and resolution planning • Reducing/containing bank fees and cost of credit (e.g. through interest rate caps) • Foreign exchange regulations • Open banking	• Strengthening of AML and CFT regulations • Financial inclusion • Cyber crime and cyber security • Data protection • Crypto assets	• Adoption of global standards • Cloud computing • Central bank digital currencies • Climate-related risk • Consumer protection against digital financial services
Insurance/ asset management	• Solvency assessment management • COFI Bill • SIFI – insurers within RSA context • Third-party cell captives • IFRS 17 insurance contracts • National Treasury early access to retirement savings • Amendments to regulation 28 infrastructure	• Further amendments to the Long-Term Insurance Act regulations and policyholder protection rules • Conduct of business returns • Components of retail distribution review • National Treasury financial markets review • SARB methodology and policies governing administered interest rate benchmarks • Omni conduct of business return	• Global capital framework and insurance capital standards • Financial stability • Recovery and resolution • Joint standard cyber risk management • Sustainable finance, including climate change, financial inclusion and transformation

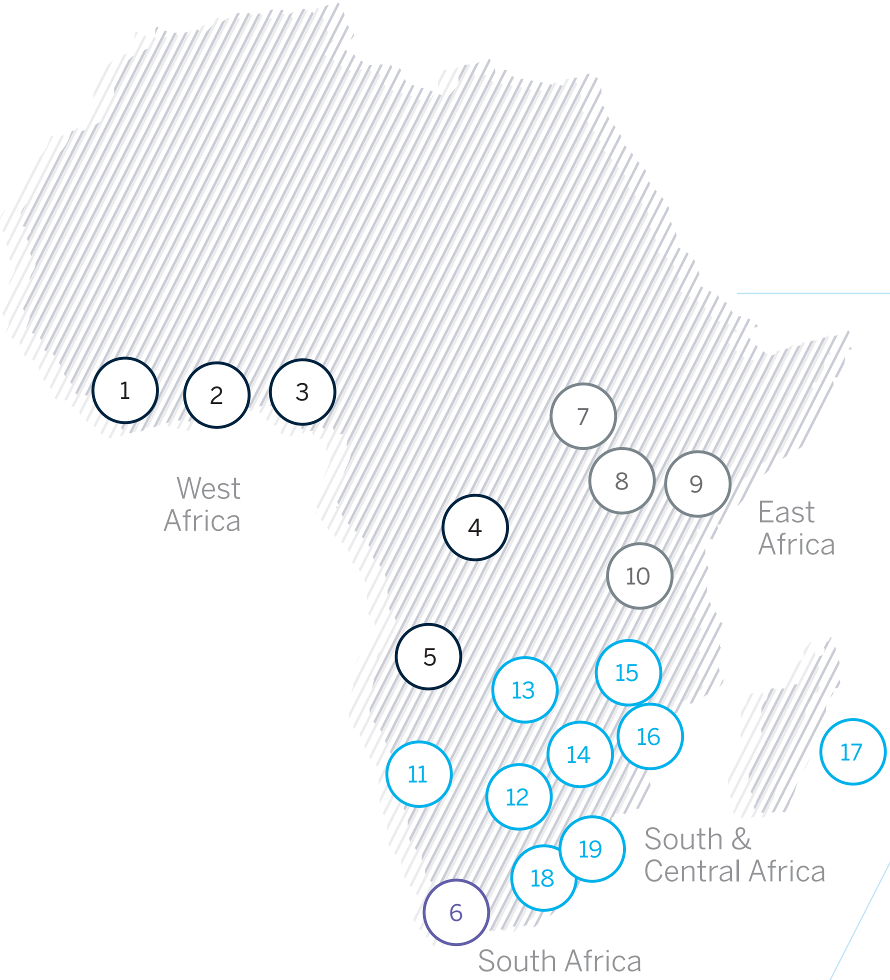
RESOLVABILITY: Ending too-big-to-fail

On 28 January 2022, the President of South Africa signed the Financial Sector Laws Amendment Act. The Act gives the SARB mandate as the South African Resolution Authority. The corporation for depositor insurance has been established and the South African Resolution Framework can be adopted. SBSA has been actively implementing measures that will enable it to meet the requirements as proposed by the SARB.

The SARB released a number of discussion documents underpinning the proposed South African Resolution Framework, including the "*Proposed principles and requirements for FLAC instruments*", "*Proposed valuation requirements for resolution purposes*", "*Proposed requirements for funding in resolution*", "*Stays on early-termination rights and resolution moratoria on contracts of designated institutions in resolution*", and "*Proposed arrangements to support operational continuity in resolution*". The SARB also issued a working paper on measuring systemic risk in South African Banks and therein introduced several market-based measures of systemic risk and examined how they can inform the vulnerability assessment of South African banks from the perspective of both markets and regulators.

Internationally, resolution preparedness remains a key priority. The results of the evaluation of the effects of too-big-to-fail reforms for systemically important banks, published by the FSB in April 2021 led to a conclusion that too-big-to-fail reforms have reduced moral hazard and systemic risk without material side-effects. However there are still some gaps that need to be closed as global systemically important banks remain large and complex, and shocks to large banks can still have aggregate economic effects. During December 2021, the FSB also published the 2021 resolution report called *"Glass half full or still half empty?"*. The report commemorates the tenth anniversary of the FSB key attributes of effective resolution regimes for financial institutions which since adoption by the FSB plenary have set the standard for the reform of resolution regimes and resolution planning across all sectors globally. In the report, the FSB sets out that digital innovation, including in relation to reliance on third-party service providers and cloud services and the need to assess resolvability of non-traditional market participants are the emerging themes in resolution planning.

Key aspects per subsidiary



West Africa

	Country	Recovery planning	Depositor insurance	D-SIB buffer
1	Côte d'Ivoire	Adopted by regulator	Not in place in jurisdiction/no information	Not in place in jurisdiction/no information
2	Ghana	Not in place in jurisdiction/no information	Adopted by regulator	Under construction
3	Nigeria	Adopted by regulator	Adopted by regulator	Adopted by regulator
4	Democratic Republic of Congo	Not in place in jurisdiction/no information	Not in place in jurisdiction/no information	Not in place in jurisdiction/no information
5	Angola	Not in place in jurisdiction/no information	Adopted by regulator	Not in place in jurisdiction/no information

South Africa

	Country	Recovery planning	Depositor insurance	D-SIB buffer
6	South Africa	Adopted by regulator	Under construction	Adopted by regulator

East Africa

	Country	Recovery planning	Depositor insurance	D-SIB buffer
7	South Sudan	Not in place in jurisdiction/no information	Not in place in jurisdiction/no information	Not in place in jurisdiction/no information
8	Uganda	Adopted by regulator	Adopted by regulator	Under construction
9	Kenya	Not in place in jurisdiction/no information	Adopted by regulator	Not in place in jurisdiction/no information
10	Tanzania	Not in place in jurisdiction/no information	Adopted by regulator	Not in place in jurisdiction/no information

South & Central Africa

	Country	Recovery planning	Depositor insurance	D-SIB buffer
11	Namibia	Under construction	Adopted by regulator	Adopted by regulator
12	Botswana	Adopted by regulator	Under construction	Not in place in jurisdiction/no information
13	Zambia	Under construction	Under construction	Not in place in jurisdiction/no information
14	Zimbabwe	Adopted by regulator	Adopted by regulator	Adopted by regulator
15	Malawi	Under construction	Under construction	Under construction
16	Mozambique	Under construction	Adopted by regulator	Adopted by regulator
17	Mauritius	Under construction	Under construction	Adopted by regulator
18	Lesotho	Under construction	Under construction	Under construction
19	Eswatini	Under construction	Under construction	Under construction

International financial services:

Country	Recovery planning	Depositor insurance	D-SIB buffer
Isle of Man	Adopted by regulator	Adopted by regulator	Adopted by regulator
Jersey	Adopted by regulator	Adopted by regulator	Under construction

Legend

Blue	Adopted by regulator	▲	Recovery planning
Orange	Under construction	■	Depositor insurance
Grey	Not in place in jurisdiction/no information	●	D-SIB buffer

Annexure I: Restatements

CR9: IRB – Backtesting of PD per portfolio

2020 figures have been restated to align with BA200 reporting.

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