STANDARD BANK GROUP LIMITED

(*Incorporated with limited liability on 25 November 1969 under Registration Number 1969/017128/06 in the Republic of South Africa*)

as **Issuer**

ISSUER DISCLOSURE SCHEDULE RELATING TO THE STANDARD BANK GROUP LIMITED

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*This is the Issuer Disclosure Schedule relating to The Standard Bank Group Limited ZAR 50,000,000,000 Domestic Medium Term Note Programme (the "**Programme**"), and is applicable to all Notes issued under the Programme pursuant to the Programme Memorandum dated 24 December, as amended, updated and replaced from time to time (the "**Programme Memorandum**").*

This Issuer Disclosure Schedule is dated as of 13 October 2021 and contains all information pertaining to:

- *the description of the Issuer, including, but not limited to, its business, management, directors and corporate governance disclosure; and*
- *the Issuer's directors and debt officer as prescribed by paragraph 4.10(b)(ii)-(xii) of the Debt Listings Requirements; and*
- *the register of conflicts of interests or confirmation that no conflicts of interests exist.*

*Capitalised terms used in this Issuer Disclosure Schedule are defined in the section of the Programme Memorandum headed "General Terms and Conditions" (the "**General Terms and Conditions**") or "Additional Tier 1 Terms and Conditions" (the "**Additional Tier 1 Terms and Conditions**", and together with the General Terms and Conditions, the "**Terms and Conditions**") (as applicable), unless separately defined or clearly inappropriate from the context.*

DESCRIPTION OF STANDARD BANK GROUP LIMITED

OVERVIEW

Standard Bank Group Limited ("**SBG**") and its subsidiaries (together the "**Group**") is the largest financial services group in Africa (measured by assets) as at 31 December 2020. SBG is the Group's listed holding company and holds the entire issued share capital of the Group's primary banking entity, The Standard Bank of South Africa Limited ("**SBSA**"), as well as other banking and financial services entities. SBG has been listed on the Johannesburg Stock Exchange, operated by JSE Limited (the "**JSE**") since 1970, with a secondary listing on the Namibian Stock Exchange.

SBG's vision is to be the leading financial services organisation in, for and across Africa by delivering exceptional client experiences and superior value.

As at 31 December 2020, SBG had total assets of R2,532,940 million (compared to R2,275,589 million as at 31 December 2019) and had headline earnings of R15,945 million for the year ended 31 December 2020 (compared to R28,207 million for the year ended 31 December 2019). Banking headline earnings reduced by 42 per cent. to R15,715 million for the year ended 31 December 2020 (compared to R27,216 million for the year ended 31 December 2019). The Group's Return on Equity ("**ROE**") decreased to 8.9 per cent. for the year ended 31 December 2020, from 16.8 per cent. for the year ended 31 December 2019, and its Common Equity Tier 1 Ratio decreased to 13.3 per cent. for the year ended 31 December 2020 from 14.0 per cent. for the year ended 31 December 2019.

Originally founded in 1862, the Group was a member of Standard Chartered Bank Group ("**Standard Chartered**") until 1987. Since that time, the Group has focused on consolidating its position as the premier financial services organisation in South Africa, with an operational footprint in an additional 19 African countries covering East Africa (incorporating Kenya, South Sudan, Tanzania and Uganda), South & Central Africa (incorporating Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Zambia and Zimbabwe) and West Africa (incorporating Angola, Democratic Republic of Congo, Ghana, Cote d'Ivoire and Nigeria). The Group also has a presence in five major international markets (Beijing, Dubai, London, New York and São Paulo). It also offers international financial services in the Isle of Man, Jersey and Mauritius. The Group has 50,115 permanent employees, and a market capitalisation of R208 billion. Since 3 March 2008, it has been in a strategic partnership with Industrial and Commercial Bank of China ("**ICBC**"), the world's largest bank, which owns a 20.1 per cent. share of SBG.

Until January 2021, SBG operated as four principal business lines:

(1) Personal & Business Banking;

(2) Corporate & Investment Banking;

(3) Wealth; and

(4) Liberty.

However, from January 2021, the Group is being reorganised into three client segments (Consumer & High Net Worth, Business & Commercial and Wholesale) each equally supported by its Client Solutions business, specialised Innovation capacity, and Engineering infrastructure. The discussion below is based on the Group's principal operating segments for the year ended 31 December 2020. See "*Strategy*" for further information about the Group's new operating model.

Personal & Business Banking ("**PBB**") provides banking and other financial services to individual customers, small-to-medium sized enterprises and commercial banking customers in South Africa and in 14 countries in sub-Saharan Africa outside of South Africa (the "**Africa Regions**"). PBB provides the following product sets; mortgage lending, vehicle and asset finance, card products, transactional products and lending products. For the year ended 31 December 2020, PBB including Wealth recorded headline earnings of R6,397 million, constituting 40 per cent. of SBG's headline earnings (compared to R16,573 million and 59 per cent., respectively, for the year ended 31 December 2019). As at 31 December 2020, assets attributable to PBB (including Wealth) constituted 33 per cent. of SBG's total assets (35 per cent. as at 31 December 2019).

Corporate & Investment Banking ("**CIB**") provides corporate and investment banking services to governments, parastatals, larger corporates, financial institutions and multinational corporates and includes global markets, transactional products and services and investment banking. CIB contributed 66 per cent. of SBG's headline earnings for the year ended 31 December 2020 (compared to 40 per cent. for the year ended 31 December 2019) and constituted 49 per cent. of its total assets as at 31 December 2020 (compared to 47 per cent. as at 31 December 2019).

Wealth offers insurance, investment, and advisory capabilities to high net worth, retail, business and commercial and corporate clients. Wealth headline earnings for the year ended 31 December 2020 decreased by 13 per cent. compared to the year ended 31 December 2019.

Liberty provides life insurance and investment management activities. Liberty offers South Africa retail, business development and asset management. For the year ended 31 December 2020, Liberty recorded a headline loss attributable to SBG of R651 million (compared to headline earnings of R1,855 million for the year ended 31 December 2019) and Liberty constituted 18 per cent total assets as at 31 December 2020 (compared to 19 per cent. as at 31 December 2019).

Other Banking Interests consist of the Group's equity investments held as a strategic partnership agreement with ICBC. These consist of a 40 per cent. share in ICBC Standard Bank Plc ("**ICBCS**") and until June 2020, a 20 per cent. holding in ICBC Argentina S.A. ("**ICBC Argentina**"). In the early 2000's the Group's strategy was to be an emerging markets bank. After the global financial crisis, the Group adjusted the strategy to focus on Africa. As a result, it exited the businesses outside of Africa which it no longer considered to be a core part of its strategy. In 2012, SBG sold an 80 per cent. stake in Standard Bank Argentina (renamed ICBC Argentina) to ICBC and in 2015 it sold a 60 per cent. stake in Standard Bank Plc (renamed ICBC Standard Bank Plc) to ICBC. ICBC, as the majority shareholder, controls and runs these businesses. Standard Bank's full exit from these businesses is subject to the terms of the respective sale agreements. SBG's current investments in these entities are equity accounted, as associates, in its books and as such they are not included in metrics that relate specifically to SBG's banking activities. The Group disposed of its 20 per cent. holding in ICBC Argentina in June 2020.

The Group operates through subsidiaries within the Africa Regions in 19 countries, providing the full banking offering of the Group. Africa Regions legal entities recorded R9,192 million for the year ended 31 December 2020, constituting 58 per cent. of SBG's banking headline earnings (compared to R8,420 million constituting 31 per cent. respectively for the year ended 31 December 2019) and contributing 20 per cent. of SBG's total banking assets for the year ended 31 December 2020 (compared to 19 per cent. for the year ended 31 December 2019). Africa Regions are split into East Africa (incorporating Kenya, South Sudan, Tanzania and Uganda), South & Central Africa (incorporating Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Zambia and Zimbabwe) and West Africa (incorporating Angola, Democratic Republic of the Congo, Ghana, Cote d'Ivoire and Nigeria).

SBG is incorporated in South Africa as a limited liability company and operates under South African law. SBG's registered address is 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, PO Box 7725, Johannesburg 2000, South Africa (telephone number: + 27 11 636 9111).

HISTORY

SBG is one of the oldest banks in South Africa having originally been incorporated in London as The Standard Bank of British South Africa Limited in 1862. The word "British" was dropped from the Bank's name in 1883. SBSA commenced operations in Port Elizabeth in 1863 and gradually expanded its geographic area of operation to include the whole of South Africa.

In 1962, the shareholders of SBSA voted in favour of splitting the company into a South African subsidiary company which retained the name SBSA, and a parent company, The Standard Bank Limited, operating in London (subsequently to become Standard Chartered Bank plc).

In 1969, Standard Bank Investment Corporation Limited (subsequently to become SBG) was established as the holding company for SBSA. SBG continued as a member of Standard Chartered until 1987 when Standard Chartered sold its 39 per cent. ownership of SBG to Liberty Group Limited (the "**LGL**"), transferring the holding company to local South African ownership. In July 1978, SBG accepted an offer of a 25 per cent. shareholding in a new insurance company, Liblife Controlling Corporation (Proprietary) Limited ("**LCC**"), which was formed to acquire a controlling interest in the LGL group's Liberty Holdings. SBG's equity interest in LCC was increased from 25 per cent. to 50 per cent. in July 1983. The acquisition ensured joint control of the LGL group with Liberty Investments. In February 1999 Standard Bank agreed to purchase Liberty Investments' 50 per cent. interest in LCC.

The severing of ties enabled SBG to go into competition with Standard Chartered in the Africa Regions where a resurgence of economic growth appeared imminent. The first step was taken when the Union Bank of Swaziland Limited, in which SBG had a major shareholding, became an operational commercial bank in July 1988. In November 1992, SBG acquired the operations of ANZ Grindlays Bank in eight African countries (Zimbabwe, Zambia, Kenya, Botswana, Uganda, Zaire (DRC) and minority interests in Nigeria and Ghana), which set the Group on a path of African expansion over the next 15 years.

In 2007, SBG merged its Nigerian interests with those of IBTC Chartered Bank Plc, securing a controlling interest in the merged entity Stanbic IBTC Bank Plc. In 2008, SBG acquired 60 per cent. of CfC Bank in Kenya, and the operations of Stanbic Bank Kenya Limited were merged with those of CfC Bank. The merged entity was renamed CfC Stanbic Bank Limited. In 2012, CfC Stanbic Bank Limited opened a branch in the newly independent Republic of South Sudan. In 2014, the newly established Cote d'Ivoire representative office opened for business, and in 2015 the Ethiopian representative office opened, bringing the Group's footprint in Africa to 20 countries.

During the 1990s, while SBG was building its African network, it also began establishing a footprint overseas. In 1992, SBG was awarded a banking licence in London and Standard Bank London Holdings Limited began operating. A number of acquisitions were made over the next two decades and by 2009, SBG had developed from a South African bank into a broad-based financial services organisation with niche investment banking operations focused on other emerging markets.

Effective 3 March 2008, SBG concluded a strategic partnership which resulted in ICBC becoming a supportive, non-controlling 20.1 per cent. minority shareholder in SBG. An agreement was entered into on 29 January 2014 in terms of which ICBC would, upon completion, acquire a controlling interest in SBG's non-Africa business, focusing on commodities, fixed income, currencies, credit and equities products. Under the agreement, ICBC acquired 60 per cent. of Standard Bank Plc from Standard Bank London Holdings for cash on 1 February 2015, resulting in the name change to ICBC Standard Bank Plc.

CORPORATE STRUCTURE

SBG's sole function is to act as the ultimate holding company of the Group. Its revenues, therefore, are derived solely from dividends and loan repayments received from its subsidiaries and associates.

SBG's authorised share capital comprises of the following:

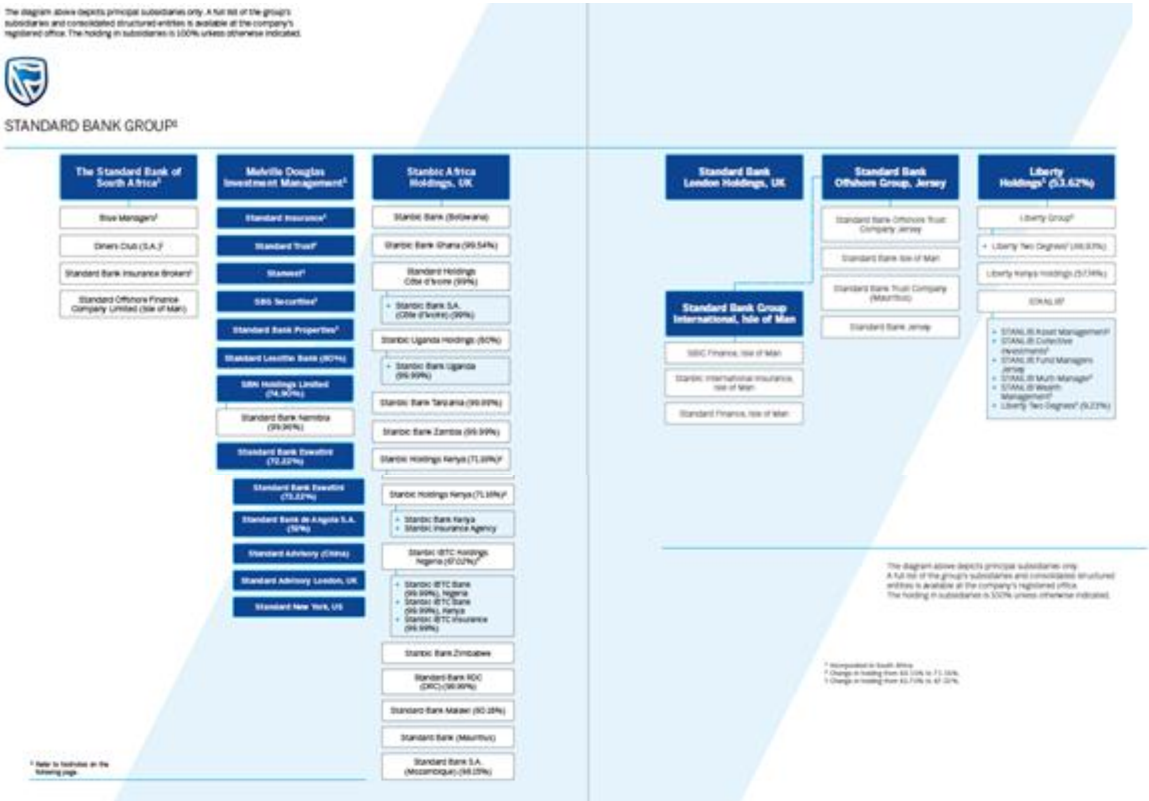
- 2,000,000,000 ordinary shares with a par value of 10 cents;
- 8,000,000 cumulative, non-redeemable preference shares of R1 each; and
- 1,000,000,000 non-redeemable, non-cumulative, non-participating preference shares of 1 cent.

As at 31 December 2020, SBG had issued share capital as follows:

- 1,619,941,184 ordinary shares of 10 cents each;
- 8,000,000 cumulative, non-redeemable preference shares of R1 each; and
- 52,982,248 non-redeemable, non-cumulative, non-participating preference shares at a par value of 1 cent each.

The chart below presents a summary of SBG's corporate structure as at 31 December 2020. For more information, see the SBG 2020 Audited Financial Statements on pages 132 to 145:

Standard Bank Group Limited



As at 31 December 2020, the ten largest shareholders in SBG beneficially held 45.6 per cent. of SBG's ordinary shares. The following table sets out the ten largest shareholders as at 31 December 2020 and 31 December 2019.

	2020 Number of shares		**2019** Number of shares	
	(million)	***% holding***	***(million)***	***% holding***
Industrial and Commercial Bank of China	325.0	20.1	325.0	20.1
Government Employees Pension Fund (PIC)	229.5	14.2	215.0	13.3
Alexandar Forbes Investments	34.2	2.1	24.3	1.5
Allan Gray Balanced Fund	30.2	1.9	26.2	1.6
Old Mutual Life Assurance Company	29.5	1.8	20.6	1.3
Vanguard Total International Stock Index Fund	19.1	1.2	21.4	1.3
Abu Dhabi Investment Authority (AE)	19.1	1.2	13.2	0.8
GIC Asset Management	17.9	1.1	31.3	1.9
Government of Norway	16.9	1.0	14.4	0.9
Government Institutions Pensions Fund	16.6	1.0	12.2	0.8
	738.0	**45.6**	**703.6**	**43.5**

Source: The shareholdings in the table are determined from the share register and investigations conducted on SBG's behalf in terms of section 56 of the Companies Act., 71 of 2008.

STRATEGY

SBG's vision is to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value. SBG expresses its purpose as 'Africa is our home, we drive her growth'.

During 2020, SBG updated and simplified its strategic priorities. They now are to:

- transform client experience using digital technology and human skill to understand its clients as deeply and empathetically as possible, and to help them meet their needs and achieve their goals;
- execute with excellence by delivering comprehensive solutions with maximum efficiency and total integrity;
- drive sustainable growth and value, where 'sustainable' is understood to mean both ‘long-term’ and ‘environmentally and socially sustainable’.

SBG has six strategic value drivers against which it measures progress in achieving its vision, purpose and strategic priorities:

- client focus – consistently excellent client experiences, serving clients’ needs holistically and seamlessly across the Group, delivering relevant and complete digital solutions, and ensuring that employees and processes are outwardly focused on clients as their needs and expectations change;
- employee engagement – employees feel connected with the SBG purpose, are empowered and recognised and have the relevant skills to meet our clients' needs, now and in the future;
- risk and conduct – doing the right business the right way;
- operational excellence - using technology and data to serve and protect our clients, reduce costs and grow our platform businesses to their efficient scales;
- financial outcomes – deliver superior value to shareholders and strive to meet SBG's medium term financial targets; and
- social, economic and environmental impact – make a positive impact toward Africa’s prosperity, economic growth and sustainability.

SBG’s clients are at the core of its business. Over recent years the Group has made significant changes to its operating models, improving client focus and delivering a more digitally enabled, integrated offering, able to serve clients’ needs holistically across business areas and geographies.

In 2020, SBG completed two sets of changes to clarify the relationship between the Group and its individual country-specific businesses, including SBSA. The first of these changes has created a more distinct and autonomous executive structure for SBSA, and enabled SBSA to customise Group products and services, within SBG standards and risk parameters, to the preferences of its markets and also to respond more quickly to local circumstances and to its clients' needs. The second of these changes has clarified which services are provided by SBG to SBSA and vice versa, enabling both SBG and SBSA to have a clearer view of their respective cost structures. Having made these geographical changes, and in order to remain competitive in an economy shaped by the ‘BigTech’ companies, SBG designed, launched, and made substantial progress on changing its internal structure from a functional perspective.

As from 1 January 2021, the Group's former business units (Corporate and Investment Banking, Personal and Business Banking, and Wealth) have been replaced with a new structure. The Group is now primarily organised into three client segments. These are Consumer and High Net Worth clients; Business and Commercial clients; and Wholesale clients. Each of the Client Segments is equally supported by SBG's Client Solutions business and by a specialised Innovation capacity. The strategic rationale for these changes is as follows:

- to provide all of the Group's clients – from individuals to major corporations – with a comprehensive range of financial services and solutions in a seamless way, without expecting them to navigate SBG's internal complexities;
- to reduce time and cost to serve;
- to enable SBG to innovate more quickly and efficiently in the service of its clients. Over the medium term, this will include starting to expand into the ancillary and additional services that surround a traditional financial services business, both to meet our clients' needs and to counteract declining margins in traditional financial services.

SBG encourages its employees to embrace innovation and continuous improvement. SBG is preparing employees for an increasingly digital business model through a highly active and large-scale training programme. Over the course of 2020, more than 90% of employees made use of the Group's online learning resources, completing a total of 2.7 million learning items.

SBG's Employee Net Promoter Score ("**eNPS**") in 2020 was +44, significantly improved from +18 in 2020. In a survey in June 2020, 89% of employees expressed their pride in the measures the Group was taking to support its employees and clients during the pandemic.

SBG's business in South Africa produces the majority of the capital needed to execute SBG's strategy on the African continent. As SBG's largest business entity, SBSA's balance sheet is an important resource for the Group. However, since the pandemic affected South Africa far more severely than most African countries, SBSA's headline earnings were exceptionally weak in 2020 and Africa Regions (African countries other than South Africa) therefore contributed 58 per cent. of Group headline earnings.

The key sub-components of the Group's strategy are executed through SBG's Client Segments and other major units as follows:

Consumer and High Net Worth ("CHNW")

CHNW combines many of the capabilities of the former Personal and Business Banking ("**PBB**") and Wealth units. CHNW aims to provide a single and complete connection with, and a personalised banking, insurance and asset management service for, every client. It is present in 15 African countries, in London, in the Isle of Man and Jersey, and in Mauritius, and has a large and diverse customer base.

CHNW offers banking and other financial services including transactional products, mortgage lending, card products, vehicle and asset finance, insurance and asset management.

SBG has not yet measured client satisfaction in the CHNW business and can therefore report only the most recent PBB and Wealth client satisfaction results. These are measured using a net promoter score. NPS indicates how likely a client is to recommend Standard Bank for good service. It is calculated by subtracting detractors from promoters. This value can range from -100 if every client is a detractor to +100 if every client is a promoter. Any score above zero means there are more promoters than detractors.

In 2020, PBB South Africa's NPS score was +72, up from +67 in 2020. PBB Africa Regions' NPS score was +33, up from +25 in 2019, a high score by the standards of these markets. In 2020, Wealth's NPS declined slightly from +70 to +68, owing largely to longer waiting times as a result of the pandemic.

CHNW has an extensive physical presence, with 1,124 branches and 6,774 ATMs. It continues to reconfigure and rationalise physical branches in line with growing use of digital platforms and the corresponding decline in branch usage - both trends having been accelerated by the effects of the Covid-19 pandemic. Branches will remain available to customers requiring personal engagement, but on a reduced scale. While digital solutions yield lower revenue per service, this will be balanced by rationalisation of the branch network over time, and by offering an expanded range of services using digital channels. For example, in South Africa, SBG has begun to expand the range of digital services it offers clients seeking to finance or insure a home, providing additional information on neighbourhoods and linking clients to home service providers.

During 2020, in addition to supporting the Group's clients through the pandemic, the banking components of CHNW made it a priority to grow market share and to continue to digitise the business. The former PBB maintained robust balance sheet growth with loans and advances up 7% and 1.4% growth in its active client base. By year end, PBB in South Africa had exceeded its pre-Covid originations in several asset classes. For example, year-on-year origination values were up 13% in mortgages. In the Africa Regions PBB business, the client base grew by 31% in 2020.

Digital transaction volumes increased by 29% in South Africa and 27% in Africa Regions. PBB expanded its range of digital solutions, adding new features by way of 10 releases of the retail app and 31 releases on our internet banking site during 2020. By the end of the year, 99% of transactions by volume in South Africa were on digital channels, and 95% of transactions by volume were on digital channels in the Africa Regions businesses.

The insurance and asset management components of CHNW (many of which were in the former Wealth business) are an essential part of SBG's strategy to deliver integrated universal financial services to its clients.

CHNW provides short-term insurance, life insurance, investments/asset management and fiduciary services for high net worth, retail, business and commercial, and corporate clients. CHNW works closely with the Group's independent insurance subsidiary, Liberty, to cross-market each others' services.

SBG believes that Africa's insurance industry has strong potential for growth, owing to Africa's young and growing middle class and to large infrastructure and agriculture opportunities. SBG has the largest bancassurance offering in Africa and is a significant collective investment scheme and pension fund administrator in Nigeria.

The insurance and asset management businesses within CHNW make an important contribution to enhancing SBG's return on equity. They have seen continued growth in assets under management during 2020 and achieved strong fund performance. Melville Douglas, a boutique investment management company within CHNW, which manages investments on behalf of a range of endowments, charitable trusts, retirement funds, institutional and private client mandates, continues to achieve global funds performance in the top quartile, while its domestic multi-asset strategies performed ahead of benchmarks and the domestic peer group.

In 2020, the insurance and asset management businesses now within CHNW experienced a 'flight to quality' benefitting these businesses primarily as a result of the COVID-19 pandemic. This increased total assets under management by 10%, driven primarily by growth in the Melville Douglas Global Funds and in SBG's Nigerian businesses.

The businesses in the former Wealth unit continued to digitise. Notable examples in 2020 were the launch of WhatsApp chatbots to respond to client queries and the accelerated rollout of the My360 app, which provides high net wealth clients with a consolidated view of their assets and liabilities across more than 20,000 global financial institutions on a single easy-to-use dashboard. By the end of 2020, My360 had more than 42,000 users.

Business and Commercial ("B&C")

The Group's new Business and Commercial client segment inherits the small and mid-sized business clients of the former PBB business unit. It has not yet reported financial results, market share or client satisfaction data separately from PBB. Its most recent data is therefore contained within the PBB data reported above.

During 2020, the teams now in B&C realised some early benefits of the redesign then in progress. For instance, it reviewed its value propositions, with an emphasis placed on client acquisition, renewed its focus on franchising and on the health and legal sectors, and enhanced its digital offering to SMEs. These improvements in the client experience supported growth in the numbers of business and entrepreneur clients.

Examples of new or expanded services offered to B&C clients included SimplyBlu, an innovative all-in-one payment solution that enables small enterprises in South Africa to move their businesses online; BizFlex, a lending solution taken up by over 4,000 SMEs since its launch in mid-2019; and Trade Club, an online platform that connects B&C's clients across Africa to more than 18,000 vetted businesses in 60 countries, drawing on SBG's global trade alliance with 13 leading international banks.

Wholesale

From 1 January 2021, the clients of the former Corporate and Investment Banking (CIB) unit are served by the Wholesale Client Segment.

Wholesale focuses on servicing leading multinational corporations with operations in Africa, and large domestic African corporations that conduct business in Africa and offshore through a diversified range of transactional, advisory and lending services.

Wholesale adds value to clients through deep specialisation in Africa’s key growth sectors, namely mining and metals, power and infrastructure, oil and gas, consumer goods, financial services, telecommunications, public sector, and diversified industrials. Its diverse portfolio across clients, geographies, sectors and products strengthens resilience in the face of challenging macroeconomic conditions.

SBG’s presence in five key financial centres around the world provides clients with access to international pools of capital, supporting its ability to facilitate growth and development in Africa. SBG is well positioned to drive and facilitate inter-regional trade and investment flows across Africa to assist the economic growth of African countries and the expansion of multinationals into Africa. SBG’s strategic partnership with ICBC assists in servicing the needs of clients operating within the China-

Africa corridor, which includes a specific focus on developing and supporting renminbi-denominated cross-border capabilities.

SBG has not yet measured client satisfaction in Wholesale and can only report the most recent data for CIB from 2020. CIB used a client satisfaction index ("**CSI**") to measure the extent to which its clients are satisfied with the service CIB provides. It was calculated using weighted scores for different dimensions, from response times to the effectiveness of client relationship managers. CIB's CSI in 2020 was 8.2, a steady increase from 8.1 in 2019 and 8 in 2018.

The CIB Client Engagement Model, which remains in use in Wholesale, provides each client with a Client Service Team, which draws expertise from across SBG. Wholesale's client relationship managers work closely with clients to develop a complete understanding of their needs and challenges and deliver seamlessly integrated universal financial services solutions.

During 2020, CIB continued to hold a market-leading position in corporate loans, deposits and trading in South Africa, and a strong market share across Africa Regions, maintaining its competitiveness against intensifying competition through innovation and deep local knowledge. Despite the pressures created by the pandemic, CIB's client-focused strategy enabled it to achieve 5% revenue growth in 2020.

In December 2020, the Group published a Fossil Fuels Financing Policy to clarify its stance on achieving just and sustainable socioeconomic development across Africa. The policy outlines a range of strict conditions that must be met before SBG funds coal, oil and gas projects. CIB's energy finance portfolio is increasingly focused on renewable energy projects, with 85% of energy lending since 2012 being to green energy projects. CIB also arranged Africa's largest green bond and South Africa's first offshore green bond in 2020. SBG received the Global Finance award for Best Global Investment Bank for Sustainable Finance.

While some oil and gas projects were delayed as a result of the pandemic, CIB continued to support transformational developments in the oil and gas sector in Africa. These included the financing of Africa Oil's acquisition of a 50% ownership interest in Petrobras Oil and Gas BV. CIB remains optimistic about the sector and continues to support these important developments for Africa's longer-term growth.

CIB continued to digitise during 2020, for example by releasing its OneHub service, which provides a single authenticated digital entry point for clients, employees and partners (including our BigTech and fintech partners) to access the digital assets CIB has created, and to co-create new solutions.

Client Solutions

From 1 January 2021, most of the back office teams in the former business units began the process of moving to the Group's Client Solutions business. The Client Solutions business will work with the three client segments and the country businesses to produce the Group's products and services as efficiently and cost-effectively as possible. Over the medium and longer term, Client Solutions will also offer solutions to third parties, creating new opportunities and new revenue streams.

Innovation

The Group has established a specialised Innovation capacity to develop and scale-up new digital products and services for the Group, often in partnership with specialised fintechs and venture capital businesses. The Innovation function also coordinates, prioritises and aligns innovation initiatives being executed across the Group.

In 2020, for example, Innovation worked with a fintech to develop and launch the Group's OneFarm solution, which provides finance, insurance and market access to small farmers in Uganda, in order to significantly increase the quality and quantity of crop yields.

COMPETITIVE STRENGTHS

Strong market position in key products

SBG is the largest bank in Africa measured by assets and SBSA is the largest bank in South Africa measured by assets as at 31 December 2020, with a significant market share across a range of retail, commercial and investment banking products. For more information, see "*Description of The Standard Bank of South Africa Limited – Competitive Strengths – Market position in key products*" on page 9 of the "Issuer Disclosure Schedule" dated 30 September 2021 in relation to the SBSA DMTN Programme Memorandum and the Structured Note Programme Memorandum.

A universal financial services group with a strong franchise, a modern digital core and diverse revenue sources

SBG's franchise strength is underpinned by its strong brand, the calibre of its employees and a fit-for-purpose physical distribution network and digital platforms. SBG is able to generate revenue from sources that are well-diversified across clients, sectors, product groups and geographies, which provides SBG with a level of protection in times of volatility.

Robust capital and liquidity position

SBG's strong and liquid balance sheet provides flexibility to manage uncertainty, change, innovation and growth. SBG has access to diverse and sophisticated liquidity sources for senior funding and capital requirements.

Experienced management team

SBG operates within strong corporate governance and assessment frameworks, and within a sophisticated, Basel III compliant regulatory framework. Its senior management has experience both at SBG and at other institutions throughout the banking industry. SBG's position in the market has allowed it to attract top managers from across the industry, both domestically and abroad. Managers are dedicated to the goals of the institution. A compensation structure that includes both short and long-term incentive plans assists in retaining key managers and leads to continuity in business operations.

Strategic partnership with the world's largest bank

SBG's strategic partnership with ICBC, the world's largest bank, places it in a strong position to facilitate trade and investment in the Africa-China corridor, while simultaneously offering access to opportunities in one of the fastest growing emerging market economies. SBG and ICBC have worked together over the past decade to support and deepen the economic links between Africa and China, including through the provision of joint funding of major infrastructure projects, and Renminbi internationalisation.

Strong growth prospects

SBG's prospects for future growth are driven by strong regional economic fundamentals in the markets in which it operates, with the potential for increasing demand for financial services, which should provide SBG with opportunities to increase its market share, particularly in some of the large markets in which it operates where it currently has a relatively small market share.

Appetite to invest and partner

SBG has the resources and appetite to expand on its own and through partnerships and alliances, particularly with businesses specialising in digital financial services and digital networks and communications providers.

BUSINESS OF SBG

Introduction

SBG is an African-focused financial services group which provides integrated solutions to a diverse range of domestic and international clients.

In 2020, SBG's banking operation's principal business units were Personal & Business Banking, Corporate & Investment Banking and Wealth. A central support area, Central and other, provided support functions to the three principal divisions, as well as advisory services. Other Banking Interests is the Group's equity investments in ICBCS and, until its disposal in June 2020, ICBC Argentina. Liberty makes up the final pillar in the Group structure. In October 2020, SBG announced that it will be introducing internal structural changes from January 2021 in order to accelerate the execution of its strategy. As a result, instead of operating on the basis of these business units, the Group will operate on the basis of three core client segments of Consumer and High Net Worth clients, Business and Commercial clients and Wholesale clients. The discussion below is based on the Group's principal operating segments for the year ended 31 December 2020. See *"Strategy"* for further information.

As at 31 December 2020, SBG's total assets amounted to R2,532,940 million (compared to R2,275,589 million as at 31 December 2019), an increase of 11 per cent.. For the year ended 31 December 2020, SBG's profit for the year attributable to ordinary shareholders decreased by 51 per cent. to R12,358 million from R25,443 million for the year ended 31 December 2019.

For the year ended 31 December 2020, Group's results reflect the very difficult operating environment. Covid-19 placed considerable strain on SBG's retail, business and corporate clients, particularly in South Africa. For the year ended 31 December 2020, the Group's headline earnings were R15,945 million, a decline of 43 per cent. on the prior year (R28,207 million) and ROE was 8.9 per cent. compared to the prior year of 16.8 per cent.. Despite a significant increase in risk-weighted assets, the Group's CET1 ratio remained robust at 13.3 per cent. as at 31 December 2020. Banking operations headline earnings were R15,715 million, down 42 per cent. on R27,216 million, and ROE was 9.6 per cent. (compared to 18.1 per cent.). Whilst non-interest revenue ("**NIR**") declined, pressure on fee income was largely offset by strong trading performance. Net interest income ("**NII**") declined as strong average balance sheet growth was more than offset by margin compression.

The following table shows selected financial information and ratios for SBG as at, and for the years ended, 31 December 2020 and 31 December 2019:

	31 December	
	2020	2019
Income statement		
Total income (Rm)	123,667	134,034
Headline earnings (Rm)	15,945	28,207
Profit for the year attributable to ordinary shareholders (Rm)	12,358	25,443
Statement of financial position		
Gross loans and advances (Rm)	1,321,241	1,216,346
Total assets (Rm)	2,532,940	2,275,589
Total liabilities (Rm)	2,317,668	2,066,105
Financial performance		
Banking activities		
Stage 3[1] loans (Rm)	72,094	46,928
Stage 3 credit impairment charge (Rm)	15,622	7,437
Stage 1 & 2[2] credit impairment charge (Rm)	4,606	639
Credit loss ratio (%)	1.51	0.68
Stage 3 exposure ratio (%)	5.5	3.9
Return on equity (%)	9.6	18.1
Loans-to-deposit ratio (%)	77.4	81.7
**Cost-to-income ratio (%)	58.2	56.4

1 Stage 3: SBG uses a 25-point master rating scale to quantify each borrower's credit risk (corporate asset classes) or facility (specialised lending and retail asset classes). Exposures which are in default are not considered in the 1 to 25-point master rating scale.

2 Stage 1 & 2: SBG uses a 25-point master rating scale to quantify each borrower's credit risk (corporate asset classes) or facility (specialised lending and retail asset classes). Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of SBG's master rating scale.

The following table shows selected performance indicators of the business lines which comprise the Group's banking activities' segment as at, and for the years ended, 31 December 2020 and 31 December 2019:

	Personal & Business Banking[1]		Corporate & Investment Banking[1]		Central and other[1]	
	31 December		31 December		31 December	
	2020	2019	2020	2019	2020	2019
	(Rm)		*(Rm)*		*(Rm)*	
Total assets	847,289	803,723	1,234,852	1,066,107	(1,370)	(33,178)
Profit for the year attributable to ordinary shareholders	6,168	16,638	9,060	11,072	(1,066)	(661)
Headline earnings	6,397	16,573	10,566	11,254	(1,248)	(611)

[1]Where reporting responsibility for individual cost centres and divisions within segments change, the segmental analyses' comparative figures are classified accordingly.

The following table shows the contribution of the different business lines within SBG as at, and for the years ended 31 December 2020 and 31 December 2019:

	Banking activities		Other banking interests		Liberty[1]		SBG Total	
	31 December		31 December		31 December		31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
	(Rm)		*(Rm)*		*(Rm)*		*(Rm)*	
Total assets	2,080,771	1,836,652	3,522	3,841	448,647	435,096	2,532,940	2,275,589
Profit for the year attributable to ordinary shareholders	14,162	27,049	(1,111)	(3,282)	(693)	1,676	12,358	25,443
Headline earnings	15,715	27,216	881	(864)	(651)	1,855	15,945	28,207

[1] Includes adjustments on consolidation of Liberty into the Group.

Personal & Business Banking

The PBB business line services individual customers, SMEs and commercial banking customers in South Africa, Africa Regions and Wealth International. At 31 December 2020, it operated 1,124 branches and loan centres and 6,774 ATMs and Automated Notes Acceptors across South Africa and Africa Regions. It also provides mobile phone and internet banking services which are an important part of providing convenient access to integrated financial solutions.

PBB provides a variety of products and services, including in particular, mortgage lending, vehicle and asset finance, transactional products, lending products and card products to individuals, small and medium-sized businesses and commercial banking customers, as well as wealth and bancassurance products. For the year ended 31 December 2020, PBB recorded profit for the year attributable to ordinary shareholders of R6,168 million, a decrease of 63 per cent. compared to the year ended 31 December 2019.

PBB's headline earnings decreased by 61 per cent. to R6.4 billion for the year ended 31 December 2020 (compared to R16.6 billion for the year ended 31 December 2019). Despite the decline in PBB's headline earnings which was impacted by negative endowment and increased credit impairment charges, PBB experienced continued customer franchise growth evidenced by growth in gross loans and advances. Total income amounted to R70.1 billion for the year ended 31 December 2020 compared to R72.8 billion in 2019. Credit impairment charges increased by 2.5 times to R15.9 billion and the credit loss ratio was 213 basis points, as at and for the year ended 31 December 2020, compared to, respectively, R6.4 billion and a credit loss ratio of 89 basis points as at and for the year ended 31 December 2019. Costs were well maintained. PBB saw an increase in cost-to-income ratio to 63.2 per cent. from 59.3 per cent. in 2019. ROE declined to 8.9 per cent. from 24.4 per cent. in 2019. NPS in South Africa was 72, and in Africa Regions was 33. PBB's eNPS was +43.

PBB has implemented a decentralised operating model with well-trained client-facing teams. Focused improvements in client service have stabilised its client base in South Africa and improved active client numbers in Africa Regions. Digital functionality and systems stability in Africa Regions have improved, as has the risk and control environment, especially in the Africa Regions. A comprehensive modernisation of the core banking system in South Africa has been completed, and process and system automation is ongoing to improve client service and to deliver complete solutions for clients, employees and third parties. Clients continued to migrate to alternative and more convenient digital channels.

NII of R42,167 million for the year ended 31 December 2020 constituted 60.2 per cent. of PBB's total income (compared to R43,987 million and 60.4 per cent. for the year ended 31 December 2019). Significant negative endowment continued to put pressure on interest margins and more than offset balance sheet growth. NIR for the year ended 31 December 2020 amounted to R27,893 million, a decrease of 3 per cent. on the year ended 31 December 2019 as a recovery in transaction and trade flows in the second half of 2020 supported an improvement in fees relative to the first 6 months of 2020. Lockdown constraints accelerated digital adoption.

Credit impairment charges for the year ended 31 December 2020 amounted to R15,913 million, an increase of 2.5 times compared to R6,360 million for the year ended 31 December 2019. Lockdowns disrupted businesses and impacted client liquidity positions. The temporary client relief granted provided some respite, but delayed economic recovery was evidenced in customer repayment profiles and the requirement for client relief extensions. This, combined with the deterioration in macroeconomic assumptions and proactive provisioning, drove higher provisions and credit impairment charges.

Total operating expenses for the year ended 31 December 2020 amounted to R44,259 million, an increase of 3 per cent. compared to R43,152 million for the year ended 31 December 2019. Operating expenses were well contained. Savings derived from the branch reconfiguration concluded in the six month period ended 30 June 2019 provided scope for continued investment in client experience and digitisation workstreams. PBB also incurred additional Covid-19 specific expenses, for example, safety measures for front-line staff and customers. Against the difficult revenue environment, PBB jaws were negative 630 basis points and the cost-to-income ratio increased to 63.2 per cent. (compared to the prior year of 59.3 per cent.).

The following table presents a summary of PBB's main performance indicators for the years ended 31 December 2020 and 31 December 2019:

	31 December	
	2020	**2019**
	(Rm)	
Net interest income	42,167	43,987
Non-interest revenue	27,893	28,790
Income from banking activities	**70,060**	**72,777**
Credit impairment charges	(15,913)	(6,360)
Net income before operating expenses	**54,147**	**66,417**
Operating expenses in banking activities	**(44,259)**	**(43,152)**
Staff costs	(13,341)	(13,674)
Other operating expenses	(30,918)	(29,478)
Net income before capital items and equity accounted earnings	**9,888**	**23,265**
Share of profits from associates and joint ventures	125	325
Non-trading and capital related items	(302)	148
Net income before indirect taxation	**9,711**	**23,738**
Indirect taxation	(529)	(530)
Profit before direct taxation	**9,182**	**23,208**
Direct taxation	(2,271)	(5,816)
Attributable to non-controlling interest	(561)	(594)
Attributable to AT1 capital noteholders	(182)	(160)
Profit for the year attributable to ordinary shareholders	**6,168**	**16,638**
Headline earnings	**6,397**	**16,573**
Gross loans and advances	**769,213**	**737,605**
Total assets	**847,289**	**803,723**
Total liabilities	**770,839**	**729,622**

The following table presents selected ratios for PBB for the years ended 31 December 2020 and 31 December 2019:

	31 December	
	2020	**2019**
	(%)	
Credit loss ratio	2.13	0.89
Stage 3 exposures ratio	7.6	5.2

The following table presents the non-performing loan ratios for PBB products for the years ended 31 December 2020 and 31 December 2019:

	31 December	
	2020	**2019**
	(%)	
Stage 3 exposure ratios:		
Mortgage loans	8.4	5.7
Vehicle and asset finance	7.6	4.5
Card debtors	5.9	4.3
Other loans and advances	6.5	4.9

Mortgage loans

Mortgage lending provides residential accommodation loans mainly to personal market customers. Gross mortgage loans increased by. 6 per cent. for the year ended 31 December 2020 to R399,208 million compared to R378,003 million for the year ended 31 December 2019, constituting 54.4 per cent. of loans and advances by the PBB business unit compared to 55.1 per cent. for the year ended 31 December 2019. There was an increase in the credit loss ratio to 114 basis points for the year ended 31 December 2020 compared to 25 basis points for the year ended 31 December 2019, whilst credit impairment charges amounted to R4 372 million for the year ended 31 December 2020 compared to R923 million for the year ended 31 December 2019. For the financial year ended 31 December 2020, R33,643 million of gross mortgage loans (8.4 per cent. of gross mortgage loans) were impaired (compared to R21,670 million and 5.7 per cent. of gross mortgage loans for the financial year ended 31 December 2019).

Vehicle and asset finance

Vehicle and asset finance provides finance to retail market customers. It finances vehicles and equipment in the business and corporate assets market and provides fleet solutions. As at 31 December 2020, gross loans and advances in vehicle and asset finance amounted to R99,071 million compared to R94,833 million as at 31 December 2019, an increase of 4 per cent.. The credit loss ratio for vehicle and asset finance increased to 275 basis points for the year ended 31 December 2020 from 106 basis points for the year ended 31 December 2019 mainly due to the challenging economic climate in South Africa.

Card debtors

Card products provides credit card facilities to individuals and businesses (credit card issuing) and merchant transaction acquiring services (merchant solutions). The credit card product has been an important aspect of PBB's strategic focus on the emerging middle-class consumer segment in South Africa and Africa Regions. PBB has developed sophisticated origination methods using internal and external data, to identify existing and potential customers, with suitable risk profiles, for credit extension. For the year ended 31 December 2020, credit card debtors increased by 1 per cent. to R35,121 million compared to R34,612 million for the year ended 31 December 2019. The credit loss ratio for gross card debtors increased to 648 basis points as at 31 December 2020 from 297 basis points as at 31 December 2019.

Transactional products

Transactional products provide a comprehensive suite of transactional, savings, investment, trade, foreign exchange, payment and liquidity management solutions which are made accessible through a range of physical and electronic channels such as ATMs, internet banking, mobile banking, telephone banking and branches.

Lending products

Lending products offers lending products to retail, commercial and business markets. The commercial and business markets lending offerings constitute a comprehensive suite of lending products, structured working capital finance solutions, commercial property finance solutions and trade finance.

Wealth (including bancassurance) products

The Wealth offering includes short and long-term insurance products, comprising simple products (such as homeowners' insurance, funeral cover, household contents insurance, vehicle insurance, accident and health insurance, as well as loan protection plans which are sold in conjunction with related banking products) and complex insurance products (such as life, disability and investment policies, which are sold by qualified intermediaries). The financial solutions offered include financial planning and modelling, integrated fiduciary services (including will drafting, custody services, trust and estate administration) and other banking, wealth management, investment and advisory services solutions which are tailored to private high net worth individuals to meet their domestic and international needs.

Corporate & Investment Banking

The CIB business line comprises of four main product groupings, namely: Global Markets, Transactional Products and Services, Investment Banking, and Client Coverage.

CIB offers a wide range of corporate and investment banking services including global markets, banking and trade finance, investment banking and advisory services. This business line's clients include governments, parastatals, larger corporates, financial institutions and multinational corporates.

In 2020, CIB generated R40 billion in total income, R10,566 million in headline earnings and achieved an ROE of 15.7 per cent.. Its cost-to-income ratio was 53.3 per cent. and credit loss ratio of 59 basis points.

CIB's profit for the year attributable to ordinary shareholders decreased by 18 per cent. from R11,072 million for the year ended 31 December 2019 to R9,060 million for the year ended 31 December 2020. Client, sector and regional diversification helped cushion the impact of the pandemic. A strong performance by Africa Regions was offset by weak results in South Africa. NII was flat on the prior period as margin compression offset an increase in average loans and advances and deposits. NIR increased by 10 per cent. supported by trading revenue gains on the back of strong risk management and increased client activity in volatile markets. Credit impairment charges of R4,190 million were 2.6 times that of the prior year (R1,590 million). The increase in credit impairment charges was largely due to significant expected credit losses on the stage 3 portfolio across both South Africa and Africa

Regions, driven by clients defaulting on debt obligations under stressed economic conditions and a deteriorating outlook on pre-existing stage 3 names. Credit loss ratio increased to 59 basis points in 2020 from 32 basis points in 2019. A focus on cost management resulted in cost growth of 2 per cent. which led to an improved cost-to-income ratio of 53.3 per cent. and positive jaws of 294 basis points in 2020, compared to 54.8 per cent. and negative jaws of 90 basis points in 2019, respectively.

The value of CIB's total gross loans and advances amounted to R595,746 million as at 31 December 2020 compared to R533,348 million as at 31 December 2019, which represents 45 per cent. of SBG's total gross loans and advances as at 31 December 2020, compared to 44 per cent. as at 31 December 2019.

Global Markets

Global Markets provides trading and risk management solutions across financial markets, including foreign exchange, money markets, interest rates, equities, credit and commodities.

Transactional Products and Services

Transactional products and services offers a comprehensive suite of cash management, international trade finance, working capital and investor services solutions.

Investment Banking

Investment banking offers a full suite of advisory and financing solutions, from term lending to structured and specialised products across equity and debt capital markets.

Client Coverage

Client Coverage provides in-depth sector expertise to develop relevant client solutions and foster client relationships.

The table below presents a summary of the CIB division's main performance indicators for the years ended 31 December 2020 and 31 December 2019:

	31 December	
	2020	**2019**
	(Rm)	
Net interest income	19,501	19,457
Non-interest revenue	20,678	18,745
Income from banking activities	**40,179**	**38,202**
Credit impairment charges	(4,190)	(1,590)
Net income before operating expenses	**35,989**	**36,612**
Operating expenses in banking activities	**(21,418)**	**(20,950)**
Staff costs	(6,906)	(7,005)
Other operating expenses	(14,512)	(13,945)
Net income before capital items and equity accounted earnings	**14,571**	**15,662**
Share of profits from associates and joint ventures	66	2
Non-trading and capital related items	(2,205)	(215)
Net income before indirect taxation	**12,432**	**15,449**
Indirect taxation	(383)	(318)
Profit before direct taxation	**12,049**	**15,131**
Direct taxation	(534)	(2,034)
Attributable to non-controlling interest	(2,243)	(1,796)
Attributable to AT1 capital noteholders	(212)	(229)
Profit for the year attributable to ordinary shareholders	**9,060**	**11,072**
Headline earnings	**10,566**	**11,254**

Gross loans and advances	**595,746**	**533,348**
Total assets	**1,234,852**	**1,066,107**
Total liabilities	**1,163,838**	**1,000,191**

The following table presents selected ratios for CIB for the years ended 31 December 2020 and 31 December 2019:

	31 December	
	2020	**2019**
	(%)	
Credit loss ratio	0.59	0.32
Stage 3 exposures ratio	2.3	1.5

The following table presents selected financial information for CIB's products for the years ended 31 December 2020 and 31 December 2019:

	31 December	
	2020	**2019**
Stage 3 exposures ratios (%):		
Corporate and sovereign lending	3.1	1.9
Bank lending	0	0
Credit loss ratios (%):		
Corporate and sovereign lending	0.80	0.40
Bank lending	0.02	0.05
Gross loans and advances at amortised cost (Rm):		
Corporate and sovereign lending	431,501	425,427
Bank lending	162,243	107,921

Central and other

This segment includes costs associated with corporate functions and the Group's treasury and capital requirements that have not been otherwise allocated to the business units. The segment costs, including the R500 million (pre-tax) central credit provision, amounted to R1,248 million (compared to a prior year amount of R611 million).

Principal sources of SBG revenue

The table below presents the Group's sources of income for the years ended 31 December 2020 and 31 December 2019:

	31 December	
	2020	2019
	(Rm)	
Net interest income	61,425	62,919
Non-interest revenue	47,156	47,542
Net fee and commission revenue	29,413	30,622
Trading revenue	13,874	12,075
Other revenue	3,158	4,089
Other gains and losses on financial instruments[1]	711	756
Total income from banking activities	**108,581**	**110,461**

[1]For further information on Other gains and losses on financial instruments, refer to page 101 of the SBG Annual Financial Statements.

Principal Subsidiaries

South Africa

SBSA is both a strong domestic bank, which leverages the advantages of its size and scope, and a cross-border bank, fully integrated with the rest of the Group. For more information on SBSA, see "*Description of The Standard Bank of South Africa Limited – Overview*" on page 3 of the Issuer Disclosure Schedule relating to the SBSA DMTN Programme Memorandum and the Structured Note Programme Memorandum.

Africa Regions

SBG holds its Africa Regions investments, either directly, in the case of its Common Monetary Area-based subsidiaries and Stanbic Bank de Angola, or indirectly via Stanbic Africa Holdings UK ("**SAHL**"), a wholly-owned subsidiary of SBG. SAHL is as an intermediate holding company of the Group's Africa Regions investments and acts merely as an investment holding company. The Group manages its subsidiaries, across all geographies, on a legal entity basis in compliance with host country regulatory requirements. The businesses were structured in accordance with the Group's business unit approach until January 2021, when the Group commenced the implementation of its new client segment strategy. The client segment strategy has also been adopted in Africa Regions. . The strategy of SAHL's underlying investee companies follows the Group strategy, as would the strategy of the Africa Regions subsidiaries which are held directly by SBG. The growth of SAHL depends solely upon the growth of the Net Asset Value of each of its underlying investments, and its main source of income is dividends from subsidiaries. SBG, through SAHL, will ensure that its subsidiaries are adequately capitalised to meet the requirements of home and host regulators.

Five of SBG's Africa Regions subsidiaries are themselves listed entities: Stanbic Holdings Plc in Kenya, Stanbic IBTC Holdings PLC in Nigeria, Standard Bank (Malawi) Limited, Standard Bank Namibia Holdings Limited and Stanbic Bank Uganda. In 2020 SAHL increased its shareholding in Stanbic Holdings Plc (Kenya) to 71.16 per cent. from 69.15 per cent., while its shareholding in Stanbic IBTC Holdings PLC increased from 65.70 per cent. to 67.02 per cent.. SBG will continue to look for opportunities to deploy available capital, by increasing shareholdings in its Africa Regions subsidiaries, either directly or via SAHL, as appropriate.

In 2020, Africa Regions contributed 58 per cent. of SBG's headline earnings from banking activities compared to 31 per cent. in 2019 and 18 per cent. of SBG's total loans and advances compared to 17 per cent. in 2019.

The table below presents a summary of the main performance indicators of the legal entities within the Africa Regions for the years ended 31 December 2020 and 31 December 2019:

	31 December	
	2020	**2019**
	(Rm)	
Net interest income	20,324	19,277
Non-interest revenue	18,370	15,792
Total income	**38,694**	**35,069**
Credit impairment charges	(2,982)	(2,187)
Net income after credit impairment charges	**35,712**	**32,882**
Operating expenses	**(19,753)**	**(18,179)**
Staff costs	(9,471)	(8,824)
Other operating expenses	(10,282)	(9,355)
Net income before capital items and equity accounted earnings	**15,959**	**14,703**
Share of profits from associates and joint ventures	0	4
Non-trading and capital related items	72	190
Net income before indirect taxation	**16,031**	**14,897**
Indirect taxation	(720)	(607)
Profit before direct taxation	**15,311**	**14,290**
Direct taxation	(3,201)	(3,267)
Attributable to non-controlling interest	(2,870)	(2,524)
Profit for the year attributable to ordinary shareholders	**9,240**	**8,499**
Headline earnings	**9,192**	**8,420**
Net loans and advances	**228,717**	**197,484**
Total assets	**416,880**	**349,473**
Total liabilities	**359,661**	**297,824**

The following table presents select performance indicators of the Africa Regions, on a geographical basis, for the years ended 31 December 2020 and 31 December 2019:

	East Africa		**South & Central Africa**		**West Africa**		**Africa Regions legal entities**	
	31 December		**31 December**		**31 December**		**31 December**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	(Rm)		*(Rm)*		*(Rm)*		*(Rm)*	
Profit for the year attributable to ordinary shareholders	1,547	1,562	3,685	3,657	4,008	3,280	9,240	8,499
Headline earnings	1,551	1,561	3,644	3,579	3,997	3,280	9,192	8,420
ROE (%)	14.2	17.0	14.0	20.7	23.0	23.1	18.8	20.7

The top six contributors to Africa Regions' headline earnings were Angola, Ghana, Kenya, Mozambique, Nigeria and Uganda.

Other Banking Interests

ICBC Standard Bank Plc ("**ICBCS**") recorded a profit of US$125 million for the year compared to a loss of US$248 million in the prior year. The turnaround was driven by the non-repeat of a single client loss in the prior year, strong client flow volumes during the period of market volatility and an insurance recovery (US$37 million). The Group's 40 per cent. share of ICBCS's earnings equated to R881 million.

TheGroup completed the sale of its 20% stake in ICBC Argentina to the Industrial and Commercial Bank of China in June 2020.

Liberty Holdings Limited ("Liberty")

Overview

Liberty is the holding company of various operating subsidiaries engaged in the provision of financial services, including long-term and short-term insurance, investment, asset management and health services. These financial services are primarily undertaken in South Africa, with various levels of services being provided in other African countries. Liberty Holdings Limited ("**LHL**") is incorporated in the Republic of South Africa and is a public company listed on the JSE. Liberty Kenya Holdings PLC is a subsidiary which is listed on the Nairobi Stock Exchange in Kenya. Another of the Group's subsidiaries, Liberty Two Degrees Limited, a Real Estate Investment Trust (REIT), listed on the Main Board of the JSE as a Corporate REIT on 1 November 2018 (previously listed on the Diversified REIT Sector).

Strategy

For the year ended 31 December 2018, Liberty Holdings Limited identified a number of entities that met the criteria as held for sale under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as a result of the strategy refresh exercise conducted during that year. The cash-generating units impacted were asset management operations in Ghana, Uganda, Kenya and Botswana, Health risk solutions, the short-term insurance technology start-up and short-term insurance in Namibia, Botswana and Malawi.

A number of operations were disposed of in 2019, namely the asset management businesses in Ghana and Botswana, short-term insurance technology start-up in South Africa and short-term insurance interest in Namibia. During 2020 sales were completed of the asset management operations in Kenya and Uganda, Liberty General Insurance Malawi and Liberty Health Administration (Pty) Ltd ("**LHA**" – a licensed medical aid administrator in South Africa). LHA is part of the Health risk solutions business referred to above.

Two business operations, namely the short-term insurance operations in Botswana and Total Health Trust Limited in Nigeria (part of Health risk solutions) remain classified as disposal groups, as both are subject to sale processes at 31 December 2020. The balance of Health risk solutions, being mainly the provision of health expense insurance throughout sub-Saharan Africa, was reclassified back to continuing operations at 30 June 2020. This was due to no acceptable purchase offers being forthcoming. More detail on these disposal groups classified as held for sale is provided in Note 26 of the Liberty Holdings Limited 2020 Annual Financial Statements.

As at 31 December 2020, the ten largest shareholders in Liberty beneficially held 76.48 per cent. of LHL's ordinary shares. The following table sets out the ten largest shareholders as at 31 December 2020 and 31 December 2019:

	2020	2019
	% holding	
Standard Bank Group Limited	53.62 %	53.62 %
Government Employees Pension Fund (PIC)	7.08 %	5.38 %
Liberty Group Limited #2	4.64 %	3.41 %
Citiclient Nominees NO 8 NY GW	4.01 %	3.78 %
Lexshell Investments Pty Ltd	1.80 %	1.80 %
Liberty Group Restricted Share Trust	1.54 %	1.48 %
JPMC-Vanguard BBH Lending Account	1.13 %	1.31 %
FRB ITF Allan Gray Balanced Fund	1.10 %	
SSBTC Client Omni Non Lux OM01	0.78 %	1.04 %
Rand Merchant Bank Collateral	0.78 %	
State Street Bank And Trust		1.63 %
BNYM AS AGT/CLTS BTG Non		1.90 %
	76.48 %	**75.35 %**

Key financial information and ratios

The financial results reported are the consolidated results of the Group's 57.4 per cent. effective interest in Liberty, adjusted for SBG shares held by Liberty for the benefit of Liberty policyholders which are deemed to be treasury shares in the Group's consolidated accounts.

Liberty's operating (loss)/earnings for the year ended 31 December 2020 decreased by more than 100 per cent. compared to the prior year. Liberty's performance was negatively impacted by lower earnings across its insurance business areas as well as weak performance in the Shareholders' Investment Portfolio and LibFin Markets. Liberty's South Africa asset management business, STANLIB South Africa, reported flat earnings for the period and an increase in net external third-party client cash inflows. Liberty recognised a Covid-19-related pandemic post-tax reserve of R2.2 billion and reported a headline loss of R1.5 billion (compared to prior year earnings of R3.3 billion).

After adjusting for treasury shares, the Group's share of the loss amounted to R0.7 billion compared to a prior year earnings of R1.9 billion.

The tables below present a summary of the Liberty main performance indicators for the years ended 31 December 2020 and 31 December 2019:

Headline earnings per key business areas:

	31 December	
	2020	**2019**
	(Rm)	
South African insurance operations	**689**	**1,986**
SA Retail	484	1,505
Liberty Corporate	38	85
LibFin Markets	167	396
South Africa Asset Management - STANLIB	**466**	**460**
Africa regions	**21**	**54**
Operations under ownership review	**(54)**	**(147)**
Central cost and sundry income	**(494)**	**(152)**
Normalised operating earnings excluding pandemic reserve	**628**	**2,201**
Covid-19 pandemic reserve	(2,227)	
Normalised operating (loss)/earnings	**(1,599)**	**2,201**
Shareholder Investment Portfolio (SIP)	27	1,004
Normalised headline (loss)/ earnings	**(1,572)**	**3,205**
BEE preference shares income	(4)	(6)
Accounting profit or loss mismatch arising on consolidation of Liberty Two Degrees	37	55
Headline (loss)/earnings	**(1,539)**	**3,254**

Assets under management:

	31 December	
	2020	**2019**
	(Rbn)	
Managed by group business units	**749**	**709**
STANLIB South Africa	614	568
STANLIB Africa	18	28
Remaining operations	18	18
Operations under ownership review		10
LibFin Markets	77	70
Other internal managers	40	43
Externally managed	**27**	**29**
Total assets under management	**776**	**738**
Continuing operations	776	728
Operations under ownership review		10

Governance, regulatory supervision and compliance

Governance approach

Liberty’s governance structures and processes provide for sound and prudent management and oversight of the Group’s businesses in the interests of customers, shareholders and other stakeholders. The structures and processes support and enhance the ability of those responsible for the governance of Liberty (the board, senior management and heads of key functions) to manage Liberty’s businesses effectively.

Liberty Compliance

During 2020, Liberty was compliant in all material respects with the requirements of the Companies Act No. 71 of 2008 (the “**Companies Act**”), the applicable Companies Act Regulations, the Financial Stability Board board notice 158 of 2014 “Governance and Risk Management Framework for Insurers” and the Listings Requirements of the JSE Limited. Complying with all applicable legislation, regulations, standards and codes is integral to the Group's culture and imperative to achieving our strategy. The board delegates responsibility for compliance to management and monitors this through the compliance control function. The compliance management committee assesses the impact of proposed legislation and regulation. Any other material regulatory issues are escalated to the group control and risk oversight committee and thereafter the group risk committee. During 2020, no material breaches were identified that require separate disclosure.

Capital adequacy risk

The Insurance Act No. 18 of 2017 was effective from 1 July 2018. The Solvency Assessment and Management ("**SAM**") regime is similar in many respects to the Solvency II Directive that was agreed by the European Parliament in 2009. The primary purpose of SAM is the protection of policyholders and beneficiaries.

The regulatory capital requirements at group level have been calculated based on the group supervision rules specified by the SAM regime. These include:

- For South Africa life insurance entities, the assessment of capital is on a SAM supervisory basis as prescribed by the Prudential Authority. This will apply to Liberty Group Limited, the Group’s main long-term insurance licence;
- For other South Africa regulated entities, regulatory capital requirements continue to follow rules defined by their appropriate regulator; and
- For non-South Africa insurance entities, these entities’ capital requirement will be assessed on a SAM supervisory basis or via equivalent risk-based regimes.

The Group remains well capitalised in respect of the new prudential regulatory regime, which became effective from 1 July 2018.

Headline earnings and net asset value of SBG, by key legal entity

Headline earnings

	31 December	
	2020	2019
	(Rm)	
SBSA Group as consolidated into SBG	**5,394**	**16,706**
Africa Regions legal entities	**9,192**	**8,420**
Standard Bank Wealth International	**680**	**1,254**
Other group entities	**449**	**836**
Standard Insurance Limited	558	467
SBG Securities	427	199
Standard Advisory London	43	48
Other[1]	(579)	122
Banking activities	**15,715**	**27,216**
Other banking interests	**881**	**(864)**
ICBC Standard Bank Plc (40 per cent. shareholding)	881	(1,447)
ICBC Argentina (20 per cent. shareholding)[2]		583
Liberty	**(651)**	**1,855**
Standard Bank Group	**15,945**	**28,207**

[1] Included is the elimination of gains and losses on deemed IFRS treasury shares relating to client trading activities and hedging in SBG Securities of (R413) million (2019: R18 million).

[2] The disposal of ICBC Argentina was completed during June 2020.

Net asset value

	31 December	
	2020	2019
	(Rm)	
SBSA Group	**98,352**	**101,177**
Africa Regions legal entities	**46,188**	**41,864**
Standard Bank Wealth International	**8,169**	**6,924**
Other group entities	**9,139**	**5,699**
Standard Insurance Limited	2,193	1,885
SBG Securities	2,013	1,631
Standard Advisory London	658	621
Other[1]	4,275	1,562
Banking activities	**161,848**	**155,664**
Other banking interests	**3,522**	**3,841**
ICBC Standard Bank Plc (40 per cent. shareholding)	3,522	2,645
ICBC Argentina (20 per cent. shareholding)		1,196
Liberty	**11,001**	**11,724**
Standard Bank Group	**176,371**	**171,229**

Employees

For the year ended 31 December 2020, the Group had 50,115 employees (compared to 50,691 employees for the year ended 31 December 2019). For the year ended 31 December 2020, 48 per cent. of the Group's employees worked in PBB (compared to 48 per cent. for the year ended on 31 December 2019) whereas 7 per cent. worked in CIB during the same period (compared to 7 per cent. for the year ended on 31 December 2019). For the year ended 31 December 2020, 11 per cent. of the Group's employees worked in Liberty (compared to 11 per cent. for the year ended on 31 December 2019). The remaining 34 per cent. of employees worked in the Central and Other Services segment within the

Group (compared to 34 per cent. for the year ended on 31 December 2019). The Group's eNPS for the year 2020 was +44 compared to +18 in 2019.

A significant number of the Group's non-managerial employees are represented by trade unions. The Group has not experienced any significant strikes or work stoppages in recent years.

The Group has developed employment policies to meet the needs of its different business segments in the locations in which they operate, embodying principles of equal opportunity. The Group has a statement of business standards with which it expects its employees to comply. The Group encourages the involvement of employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment.

GOVERNANCE

The Group operates within a clearly defined governance framework. The board-approved framework outlines mechanisms for the Group to implement robust governance practices and provides clear direction for decision-making across all disciplines. Through this framework the board has delegated the day-to-day management of the Group, in writing, to SBG's chief executive without abdicating the board's responsibility. This governance framework enables the board of directors of SBG (the "**SBG Board**") to balance its role of providing risk oversight and strategic counsel with ensuring adherence to regulatory requirements and risk tolerance.

The SBG Board is ultimately responsible for governance. The chairman is an independent non-executive and the roles of chairman and chief executive are separate. This board composition ensures there is a balance of power on the SBG Board, so no individual or group can dominate the SBG Board's processes or decision making and stimulates robust challenge and debate. In discharging its responsibilities, the SBG Board delegates authority to relevant board committees and individuals with clearly-defined mandates and delegated authorities, although the SBG Board retains its responsibilities. Each committee has a mandate, which the SBG Board reviews at least once a year. Mandates for each committee set out its role, responsibilities, scope of authority, composition, terms of reference and procedures. The board's committees include the directors' affairs committee, audit committee, risk and capital management committee, the social and ethics committee, technology and information committee, model approval committee, remuneration committee and SBSA large exposure credit committee. The group leadership council assists the chief executive in the day-to-day management of the affairs of the Group, subject to statutory parameters and matters reserved for the SBG Board.

King Code

The King IV Report on Corporate Governance for South Africa 2016 (the "**King Code**") has formed the cornerstone of SBG's approach to governance. The Group supports the overarching goals of the King Code, namely ethical culture, good performance, effective control and legitimacy. The SBG Board is satisfied with the Group's application of the principles of the King Code. A statement on the Group's application of the King Code principles is available online at www.standardbank.com.

Board of Directors

The SBG Board is constituted in accordance with SBG's Memorandum of Incorporation. The SBG Board is a unitary board and is considered effective and of an appropriate size for the Group. As at 10 March 2021, the SBG Board comprised 18 directors, 13 of whom are independent non-executive directors, three of whom are non-executive directors and two of whom are executive directors.

The current members of the SBG Board are listed below:

Name	Title	Year Joined SBG Board
Thulani Gcabashe	Chairman and Independent, non-executive director	2003
Xueqing Guan	Senior deputy chairman, non-executive	2020
Jacko Maree	Deputy chairman, independent non-executive director	2016
Paul Cook	Independent, non-executive director	2021
Maureen Erasmus	Independent, non-executive director	2019
Geraldine Fraser-Moleketi	Independent, non-executive director	2016
Trix Kennealy	Lead Independent, non-executive director	2016
Nomgando Matyumza	Independent, non-executive director	2016
Kgomotso Moroka	Non-executive director	2003
Nonkululeko Nyembezi	Independent, non-executive director	2020
Martin Oduor – Otieno	Independent, non-executive director	2016
Atedo Peterside	Independent, non-executive director	2014
Myles Ruck	Independent, non-executive director	2002
John Vice	Independent, non-executive director	2016
Lubin Wang	Non-executive director director	2017
Sim Tshabalala	Executive director – Chief Executive	2013
Arno Daehnke	Executive director – Chief Finance and Value Management Officer	2016

Changes to the SBG's Board

For the year under review, Peter Sullivan retired from the board at the 2020 AGM. Xueqing Guan replaced Hao Hu as ICBC’s nominated non-executive director in line with the ICBC shareholder agreement. Paul Cook was appointed to the board on 22 February 2021 as an independent non-executive director. Priscillah Mabelane, who had joined the board on 1 January 2020, resigned on 31 July 2020. Retirement of André Parker as a non-executive director of the SBG Board with effect from 27 May 2021.

The business address of the members of the SBG Board is SBG's registered address, 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg 2001, PO Box 7725, Johannesburg 2000, South Africa.

Abridged curriculum vitae of the members of the SBG Board are set out below.

CHAIRMAN AND DEPUTY CHAIRMAN

Thulani Gcabashe / 63 *Chairman and independent non-executive director, Standard Bank Group (SBG) and The Standard Bank of South Africa (SBSA)* *Appointed:* 1 July 2003, appointed chairman 28 May 2015	**Qualifications**: > BA (Botswana and Swaziland) > Master's degree in urban and regional planning (Ball State University, US)	**External directorships**: > Built Environmental Africa Capital (chairman) and related entities > African Olive Trading 160 > Lightsource (Pty) Ltd **Previous roles**: > chairman of Imperial Holdings > chief executive officer (CEO) of Eskom between 2000 and 2007	**Committees**: DAC (chairman) GRCMC REMCO GSEC LEC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Xueqing Guan / 57 *Senior deputy chairman, SBG and non-executive director, SBG and SBSA* *Appointed:* 1 August 2020	**Qualifications**: > Doctorate in Economics (Southwestern University of Finance and Economics, China)	**Previous roles**: > General Manager of Corporate Strategy and Investor Relations Department of ICBC > Head of Sichuan Branch, ICBC	**Committees**: DAC GRCMC GTIC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Jacko Maree / 65 *Deputy chairman, SBG and independent non-executive director, SBG and SBSA* *Appointed:* 21 November 2016	**Qualifications**: > BCom (University of Stellenbosch) > BA and MA (politics and economics) (Oxford) > PMD (Harvard)	**Appointments held within the Group:** > Liberty Holdings (chairman) > Liberty Group (chairman) **External directorships**: > Phembani Group **Other governing body and professional positions held**: > China Investment Corporation – International advisory council > Special Envoy on Investments to RSA **Previous roles**: > chief executive officer (CEO) of the group for more than 13 years > senior banker focusing on key client relationships	**Committees**: GMAC (chairman) GRCMC REMCO GSEC LEC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Trix Kennealy / 62 *Lead independent director SBG and independent non-executive director SBSA* *Appointed*: 21 November 2016	**Qualifications**: > BCom (University of Pretoria) > BCom (Hons) (University of Johannesburg)	**External directorships**: > Sasol **Previous roles**: > chief financial officer of the South African Revenue Service > chief operating officer of ABSA corporate and business bank	**Committees**: GAC (chairman) GRCMC REMCO (chairman) DAC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Sim Tshabalala / 53 *Group CEO, SBG*	**Qualifications**: > BA, LLB (Rhodes University)	**Appointments held within the Group:** > Stanbic Africa Holdings Limited	**Committees**: GTIC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:***

and executive director, SBSA *Appointed*: 7 March 2013	> LLM (University of Notre Dame, USA) > HDip Tax (University of the Witwatersrand) > AMP (Harvard)	Liberty Holdings > Liberty Group > Tutuwa Community Holdings **Other governing body and professional positions held**: > Institute of International Finance > International Monetary Conference > Palaeontological Scientific Trust	GSEC GMAC LEC	None
Arno Daehnke / 53 *Chief finance and value management officer, SBG and executive director of SBSA* *Appointed*: 1 May 2016	**Qualifications**: > BSc, MSc (University of Cape Town) > PhD (Vienna University of Technology) > MBA (Milpark Business School) > AMP (Wharton)	**Appointments held within the Group:** > Stanbic Africa Holdings **Previous roles**: > head of the group's treasury and capital management function	**Committees**: GTIC GMAC LEC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Paul Cook / 40 *Independent non-executive director, SBG and SBSA* *Appointed*: 22 February 2021	**Qualifications**: > PhD, in physics (California Institute of Technology) > Bachelor of Science with Honours (University of Witwatersrand)	**External directorships**: > Co-founder and managing director of Silvertree Holdings > Chief executive officer of Faithful to Nature **Previous roles**: > Managing Director, Ringier Africa Deals Group	**Committees** GTIC GMAC GSEC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Maureen Erasmus / 60 *Independent non-executive director, SBG and SBSA* *Appointed*: 12 July 2019	**Qualifications**: > BCom (University of Cape Town)	**External directorships**: > Credit Suisse (UK) > Mizuho International Plc > PSI Global Healthcare > Vanguard Asset Management > Vanguard Investments (UK) **Other governing body and professional positions held**: > African Leadership Institute **Previous roles**: > UK Partner, Bain & Company	**Committees**: GAC GRCMC REMCO	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Geraldine Fraser-Moleketi / 60 *Independent non-executive director, SBG and SBSA* *Appointed*: 21 November 2016	**Qualifications**: > Master's degree in public administration (University of Pretoria) > PHD (Honoris Causa) (Nelson Mandela University) > Fellow of the Institute of Politics (Harvard)	**External directorships**: > Exxaro Resources > Tiger Brands (chairman) **Other governing body and professional positions held**: > UN economic and social council, committee of experts of public administration (chairman) > Nelson Mandela University (chancellor)	**Committees**: DAC GRCMC GSEC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None

		> Mapungubwe Institute for Strategic Reflection > Government Technical Advisory Centre Winter School Advisory Panel **Previous roles**: > special envoy on gender at African Development Bank Côte d'Ivoire > director of the UN development programme's global democratic governance group > minister of Welfare and Population Development from 1996 to 1999, and Public Service and Administration from 1999 to 2008 > ISID Advisory Board McGill University Canada		
Nomgando Matyumza / 58 *Independent non-executive director, SBG and SBSA* *Appointed*: 21 November 2016	**Qualifications**: > BCompt (Hons) (University of Transkei) > LLB (University of Natal) > CA (SA)	**External directorships**: > Sasol > Volkswagen of South Africa **Previous roles**: > deputy CEO at Transnet Pipelines > non-executive director on the boards of Cadiz, Transnet SOC, Ithala Development Finance Corporation, WBHO and Hulamin	**Committees**: GRCMC REMCO GAC DAC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Kgomotso Moroka / 66 *Non-executive director, SBG and SBSA* *Appointed*: 1 July 2003	**Qualifications**: > BProc (University of the North) > LLB (University of the Witwatersrand)	**External directorships**: > Kalagadi Manganese > Temetayo (chairman) > Multichoice Group and Multichoice South Africa Holdings > Netcare **Other governing body and professional positions held**: > member of the Johannesburg Society of Advocates **Previous roles**: > non-executive director of South African Breweries > acting judge in the Witwatersrand Local Division > trustee of the Nelson Mandela Children's Fund and the Apartheid Museum > Chairman of Royal Bafokeng Platinum	**Committees**: GSEC (chairman) DAC GRCMC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Nonkululeko Nyembezi / 61 *Independent non-executive director,*	**Qualifications**: > BSc (Hons) (University of	**External directorships**: > JSE Limited (chairman) > Anglo American Plc	**Committees:** GRCMC GTIC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE**:*

SBG and SBSA *Appointed*: 1 January 2020	Manchester) > MSc (electrical engineering) (California Institute of Technology) > MBA (Open University Business School, UK)	> Macsteel Service Centres South Africa (Pty) Limited (chairman) **Previous roles**: > CEO of ArcelorMittal South Africa and CEO and executive director of Ichor Coal N.V > chairman of Alexander Forbes Group Holdings > non-executive director of Old Mutual	SALE	None
Martin Oduor-Otieno / 64 *Independent non-executive director, SBG and SBSA* *Appointed*: 1 January 2016	**Qualifications**: > BCom (University of Nairobi) > CPA (Kenya) > Executive MBA (ESAMI/Maastricht Business School) > Honorary Doctor of Business Leadership (KCA University) > AMP (Harvard), > Fellow at the Institute of Bankers (Kenya)	**External directorships**: > GA Life Insurance Company > East African Breweries > Africa Executive Coaching Council **Other governing body and professional positions held**: > SOS Children's Villages International > Member of the Africa Executive Coaching Council **Previous roles**: > CEO of the Kenya Commercial Bank Group > partner at Deloitte East Africa	**Committees**: GAC GSEC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Atedo Peterside CON / 65 *Independent non-executive director, SBG and SBSA* *Appointed*: 22 August 2014	**Qualifications**: > BSc (economics) (The City University, London) > MSc (economics) (London School of Economics and Political Science) > Owner/President Management Programme (Harvard)	**External directorships**: > Anap Holdings Ltd (chairman) > Anap Business Jets Ltd (chairman) **Other governing body and professional positions held**: > Endeavor High Impact Entrepreneurship (chairman) **Previous roles**: > founder and chief executive of the then IBTC > chairman of Stanbic IBTC Bank Plc and Cadbury Nigeria Plc > non-executive director of Flour Mills of Nigeria Plc, Unilever Nigeria Plc and Nigerian Breweries Plc	**Committees**: GAC DAC GTIC REMCO	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE**:* None
Myles Ruck / 65 *Independent non-executive director, SBG and SBSA* *Appointed*: 15 August 2006 (SBSA) 18 January 2002	**Qualifications**: > BBusSc (University of Cape Town) > PMD (Harvard)	**Appointments held within the Group:** > Stanbic Bank Ghana **Previous roles**: > deputy chief executive of SBG > chief executive of the Liberty Group > chairman of ICBC Argentina	**Committees**: GRCMC (chairman) LEC (chairman) DAC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None

(SBG)		> The Bidvest Group Limited > NED of The Bidvest Group Limited		
John Vice / 68 *Independent non-executive director, SBG and SBSA* *Appointed*: 21 November 2016	**Qualifications**: > BCom CTA (University of Natal) > CA (SA)	**External directorships**: > Anglo American Platinum **Previous roles**: > senior partner at KPMG Inc. where he the firm's audit practice, IT audit and IT consulting departments > member of the board of Zurich Insurance South Africa Limited	**Committees**: GTIC (chairman) GAC GRCMC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None
Lubin Wang / 47 *Non-executive director, SBG and SBSA* *Appointed*: 1 June 2017	**Qualifications**: > Bachelor's degree in corporate finance (Fudan University) > Master's degree in accounting and finance (London School of Economics and Political Science)	**Appointments held within the Group:** > ICBC Standard Bank Plc. **Other governing body and professional positions held**: > chief representative officer of ICBC African representative office **Previous roles**: > executive committee member, deputy head of finance, head of IT and strategic sourcing in ICBC (Argentina) > core member of the transitional committee of the acquisition project of Standard Bank Argentina	**Committees**: DAC GRCMC GTIC *alternate to Xueqing Guan	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None

Key:

DAC – Directors' affairs committee	**GAC –** Group audit committee	**GRCMC –** Group risk and capital management committee	**Remco –** Group remuneration committee	**GMAC –** Group model approval committee	**LEC –** SBSA large exposure credit committee
GTIC – Group technology and information committee		**GSEC –** Group social and ethics committee			

*** Events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE**	(ii) details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person; (iii) details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of Section 129(7) of the Act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary compromise arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s); (iv) details of any compulsory liquidations, administrations or partnership voluntary compromise arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s); (v) details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event; (vi) details whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; (vii) details of any offence involving dishonesty committed by such person; (viii) details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement; (xi) details of ever being barred from entry into any profession or occupation; (x) details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act. (All such convictions must be disclosed even though they may now be "spent convictions); (xi) details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty; and (xii) details of any court order declaring such person delinquent or placing him under probation in terms of Section 162 of the Act and/or Section 47 of the Close Corporations Act, 1984 (Act No. 69 of 1984) or disqualifying him to act as a director in terms of Section 219 of the Companies Act, 1973 (Act No. 61 of 1973).

Conflicts of Interest

In terms of the Companies Act, directors are required to disclose their outside business interests. At the beginning of each meeting, directors declare whether there are any conflicts of interest in relation to matters tabled for consideration. Directors do not participate in the meeting when the SBG Board considers any matters in which they may be conflicted and are recused from the meeting. The Group's secretary maintains a register of directors' interests, which is tabled at the board meeting and any changes are submitted to the board as they occur. The Group complies with the provisions of the Companies Act in this regard. The SBG Board is aware of the other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities effectively.

CAPITAL ADEQUACY

The Group's capital management function is designed to ensure that regulatory requirements are met at all times and that the Group and its principal subsidiaries are capitalised in line with the Group's risk appetite and target ranges, both of which are approved by the SBG Board. 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 the Group's budget and forecasting process.

The Prudential Authority ("**PA**") adopted the Basel III framework, subject to certain phase-in provisions as provided by the Basel Committee for Banking Supervision ("**BCBS**") from 1 January 2013. From 1 January 2019 the requirements that were subject to phase-in provisions have been fully implemented.

In response to pressures on banks' capital supply brought about by the COVID-19 pandemic, the PA has implemented measures under Directive D2/2020, issued in terms of section 6(6) of the Banks Act to reduce the currently specified minimum requirement of capital and reserve funds to be maintained by banks in South Africa, through a temporary relaxation of the pillar 2A capital requirement, in order to provide temporary capital relief to enable banks to counter economic risks to individual banks as well the financial system as a whole.

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

Considering the temporary removal of the pillar 2A capital requirement, the South African minimum Basel III capital requirements are 8.0% for CET I, 10.0% for tier I and 13.0% for total capital adequacy (8.5%, 10.8% and 14.0% respectively prior to the reduction of pillar 2A requirements). These minimums exclude the countercyclical buffer, which for the time being has not been announced as a requirement for South Africa, and confidential bank-specific pillar 2B capital requirements but include the maximum potential D-SIB requirement of 2.5%. South African banks were required to disclose their D-SIB capital requirements from 1 September 2020. The Group's D-SIB buffer requirement amounts to 1.5% of which 1% is required to be held in CET I.

The Group adopted IFRS 9 - Financial Instruments ("**IFRS 9**") from 1 January 2018. In terms of the SARB Directive 5/2017, the Group elected the three-year transition period, amortised on a straight-line basis. IFRS 9 had a small impact on the Group's total capital adequacy due to the add-back to Tier II capital that is permitted for provisions that exceed the regulatory expected loss. The volatility that arises from the add-back due to the adoption of IFRS 9 is monitored on an ongoing basis.

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

The Group manages its 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 No. 94 of 1990 and related applicable regulations, which are aligned with Basel III.

Regulatory capital adequacy is measured through three risk-based ratios, namely common equity tier 1, tier 1 and total capital adequacy ratios which are calculated on the following bases:

- Common equity tier 1: ordinary share capital, share premium, retained earnings, other reserves and qualifying non-controlling interest less impairments divided by total risk weighted assets ("**RWA**").
- Tier 1: common equity tier 1 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 1 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 1 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.

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

The South African Reserve Bank ("**SARB**") adopted the leverage framework that was issued by the BCBS in January 2014 with formal disclosure requirements commencing from 1 January 2015. The non risk-based leverage measure is designed to complement the Basel III risk-based capital framework. The Group's leverage ratio inclusive of unappropriated profit was 7.8 per cent. as at 31 December 2020 (compared to 8.2 per cent. as at 31 December 2019), in excess of the SARB minimum requirement of 4 per cent.

The following table sets out the Group's Tier 1 and Tier 2 capital excluding unappropriated profit for the years ended 31 December 2020 and 31 December 2019, on a Basel III basis.

Basel III qualifying capital excluding unappropriated profits

	31 December	
	2020	**2019**
	(Rm)	
IFRS ordinary shareholder's equity	176,371	171,229
Qualifying non-controlling interest	7,039	5,611
Less: regulatory adjustments	(19,814)	(22,459)
Goodwill	(2,207)	(2,186)
Other intangible assets	(13,797)	(16,518)
Investments in financial entities	(3,953)	(5,833)
Other adjustments including IFRS 9 phase-in	143	2,078
Less: regulatory exclusions (unappropriated profits)	(8,517)	(14,159)
CET I capital	155,078	140,222
Qualifying other equity instruments	8,124	7,123
Qualifying non-controlling interest	742	636
Tier I capital	163,944	147,981
Qualifying Tier II subordinated debt	21,152	19,317
General allowance for credit impairments	4,751	2,685
Tier II capital	25,903	22,002
Total regulatory capital	**189,847**	**169,983**

Basel III risk-weighted assets and associated capital requirements

	RWA		Minimum capital requirements[1]
	2020	**2019**	**2020**
	(Rm)		*(Rm)*
Credit risk (excluding counterparty credit risk (CCR))	**883,098**	**768,308**	**105,971**
Of which: standardised approach[2]	396,943	333,306	47,633
Of which: internal rating-based (IRB) approach	486,155	435,002	58,338
CCR	**51,330**	**31,912**	**6,160**
Of which: standardised approach for CCR	9,940	6,584	1,193
Of which: IRB approach	22,329	14,485	2,680

Of which: credit valuation adjustments	**19,061**	**10,843**	**2,287**
Equity positions in banking book under market-based approach	**9,500**	**5,700**	**1,140**
Securitisation exposures in banking book	**704**	**463**	**85**
Of which: IRB approach	491	268	59
Of which: IRB supervisory formula approach	213	195	26
Market risk	**63,043**	**75,383**	**7,565**
Of which: standardised approach	47,191	60,795	5,663
Of which: internal model approach (IMA)	15,852	14,588	1,902
Operational risk	**163,648**	**165,819**	**19,637**
Of which: standardised approach	82,578	89,090	9,909
Of which: advanced measurement approach (AMA)	81,070	76,729	9,728
Amounts below the thresholds for deduction (subject to 250% risk weight)	58,155	51,943	6,979
Total	**1,229,478**	**1,099,528**	**147,537**

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

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

The following tables detail the Group's capital adequacy ratios for the years ended 31 December 2020 and 31 December 2019 on a Basel III basis including phased-in and fully loaded post IFRS 9 implementation.

Capital Adequacy Ratios (Phased-in)

	SARB minimum regulatory requirement[3] %	**Internal target ranges[1,2] %**	**Including unappropriated profits**		**Excluding unappropriated profits**	
			2020 %	**2019 %**	**2020 %**	**2019 %**
Total capital adequacy ratio	12.0	>14.0	16.1	16.7	15.4	15.5
Tier I capital adequacy ratio	10.0	>11.0	14.0	14.7	13.3	13.5
CET I capital adequacy ratio	8.0	10.0-11.5	13.3	14.0	12.6	12.8

Capital Adequacy Ratios (Fully Loaded)[4]

	SARB minimum regulatory requirement[3] %	**Internal target ranges[1,2] %**	**Including unappropriated profits**		**Excluding unappropriated profits**	
			2020 %	**2019 %**	**2020 %**	**2019 %**
Total capital adequacy ratio	12.0	>14.0	16.1	16.6	15.4	15.4
Tier I capital adequacy ratio	10.0	>11.0	13.9	14.5	13.2	13.2
CET I capital adequacy ratio	8.0	10.0-11.5	13.2	13.8	12.5	12.5

[1] Including unappropriated profit

[2] Recalibrated in line with the temporary removal of Pillar 2A buffer requirements by the Prudential Authority

[3] Excludes confidential bank-specific requirements. Pillar 2A buffer requirements temporarily removed in response to the Covid-19 pandemic.

[4] Capital ratios based on the inclusion of the full IFRS 9 transactional impact.

Source: This information has been extracted from SBG's 2020 Risk and Capital Management Report

BASEL III

Banks in South Africa adopted Basel III with effect from 1 January 2013. Basel III aims to enhance financial stability globally by increasing the quality and level of capital to be held by banks, extending the risk framework coverage, by introducing new liquidity ratios and a non-risk based leverage ratio. The Bank Supervision Department of the SARB (now referred to as the PA) commenced with its implementation from 1 January 2013 by way of the amended Regulations Relating to Banks as of 20 May 2016, and banks in South Africa have thus adopted the Basel III accord. SBG has approval from the PA to use the advanced internal ratings-based ("**AIRB**") approach for its credit portfolios in SBSA. For internal management purposes, SBG utilises AIRB measures and principles wherever possible. Further, SBG has approval from the PA to adopt the market-based approach for certain equity portfolios in SBSA and has approval for using the advanced measurement approach ("**AMA**") operational risk framework.

SBG also has approval from the SARB to use the "internal models approach" for most trading product groups and across most market risk types for SBSA.

In Basel III, the BCBS introduced significant changes to the Basel II framework, including, amongst others:

Capital

The quality, consistency and transparency of the capital base levels have increased. In the new framework, the regulatory deductions should mainly be applied to the common equity component of the capital base. Further, to be eligible as Tier I and Tier II capital, instruments need to meet more stringent requirements than were applied under Basel II.

The Basel III framework introduces a capital conservation buffer of 2.5 per cent. on top of these minimum thresholds. If a bank does not meet this buffer, constraints will be imposed on the bank's capital distribution, such as dividends. Also, in periods of excess growth, banks will be required to hold an additional countercyclical buffer of up to 2.5 per cent. in order to avoid facing restrictions.

Leverage Ratio

The BCBS has also proposed a requirement that, effective from 1 January 2018, the risk-sensitive capital framework be supplemented with a non-risk based measure, the leverage ratio (the "**Leverage Ratio**"). The Leverage Ratio is calculated as the Tier I capital divided by the exposure (being on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). It is proposed that the final calibration of the Leverage Ratio, and any further definition amendments, will be implemented by 2023 in South Africa.

Liquidity

Another key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thereby reducing the risk of spillover from the financial sector to the real economy.

The BCBS has developed two new quantitative liquidity standards as part of the Basel III framework; namely the Liquidity Coverage Ratio ("**LCR**") (phased-in from 1 January 2015) and the Net Stable

Funding Ratio ("**NSFR**") (effective 1 January 2018). The LCR's objective is to measure SBG's ability to manage short-term liquidity stress and ensure the appropriate holding of surplus qualifying liquid assets. The NSFR's objective is to measure long-term structural funding stability in order to address the structural liquidity mismatch inherent in banking operations. Both the LCR and NSFR calculations are subject to an observation period prior to implementation such that any unintended consequences can be identified.

The BCBS has also put a more stringent regulatory framework into place for the monitoring of intraday liquidity risk. Management of intraday liquidity risk forms a key element of a bank's overall liquidity risk management framework. The mandatory tools introduced by the BCBS are for monitoring purposes, and only international active banks will be required to apply them. National regulators will determine the extent to which the tools apply to banks that only operate domestically within their jurisdictions. Monthly reporting on the monitoring tools commenced on 1 January 2015.

Risk-Weighting (Finalised Basel III reforms)

On 7 December 2017, the BCBS published the Basel III finalised reforms for the calculation of RWA and a capital floor to be implemented on 1 January 2022. The date of implementation for these reforms was revised on 27 March 2020 by the BCBS and has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028. These reforms are the completion of work that the BCBS has been undertaking since 2012 to address inefficiencies that emerged from the financial crisis in 2008 and impacts both standardised and advanced internal models.

Reducing variation in the internal ratings-based ("IRB") approach for credit risk

The revised IRB framework constrains the use of the IRB approach which allows banks to estimate the probability of default ("**PD**"), loss given default ("**LGD**"), exposure at default ("**EAD**") and maturity of an exposure for low default asset classes. These include exposures to large and medium-sized corporates, banks and other financial institutions, securities firms and public-sector entities. The Group's relevant legal entities will now have to use the foundation internal ratings-based ("**FIRB**") approach for these exposures. The FIRB approach is more conservative as it applies fixed values to the LGD and EAD parameters. In addition, all IRB approaches are being removed for exposures to equities.

For the remaining asset classes, the revised IRB framework also introduces minimum "floor" values for bank-estimated IRB parameters which are used as inputs to the calculation of RWA. These include PD floors for both the FIRB and AIRB approaches, and LGD and EAD floors for the AIRB approach. The Committee agreed on various additional enhancements to the IRB approaches to further reduce unwarranted RWA variability, including providing greater specification of the practices that banks may use to estimate their model parameters.

Given the enhancements to the IRB framework and the introduction of an aggregate output floor, the BCBS has removed the 1.06 scaling factor that is currently applied to RWAs determined by the IRB approach to credit risk.

Standardised approach for credit risk

The revisions to the standardised approach for credit risk, enhances the regulatory framework by improving its granularity and risk sensitivity. It provides: a more granular approach for unrated exposures to banks and corporates; a recalibration of risk weighting for rated exposures; a more risk-sensitive approach for real estate exposures based on their loan to value; separate treatment for covered bonds; specialised lending; exposures to SME's; a more granular risk weight treatment for subordinated debt and equity exposures; and a recalibration of credit conversion factors for off balance sheet exposures.

Credit Valuation Adjustment ("CVA") risk capital charge

The initial phase of Basel III reforms introduced a capital charge for potential mark-to-market losses of derivative instruments as a result of the deterioration in the creditworthiness of a counterparty.

The final reforms introduce two new approaches for the calculation of the CVA risk capital charge: a basic approach (a full version including CVA hedges, or reduced version) and a standardised approach based on the fundamental review of the trading book ("**FRTB**") market risk standardised approach with minimum requirements regarding sensitivity calculations. The changes also include a €100 billion threshold for a simplified treatment (double counterparty credit risk capital requirement) and new eligibility requirements for CVA hedges.

Operational risk

The BCBS has streamlined the operational risk framework. The AMA for calculating operational risk capital requirements (which are based on banks' internal models) and the existing standardised approaches are replaced with a single risk-sensitive standardised approach to be used by all banks.

The new standardised approach for operational risk, determines a bank's operational risk capital requirements based on two components: a measure of a bank's income and a measure of the historical losses experienced by the bank. Conceptually, it assumes that operational risk increases at an increasing rate with a bank's income and banks which have experienced greater operational risk losses historically are assumed to be more likely to experience operational risk losses in the future.

Output floor

The Basel III reforms replace the existing Basel II floor with a floor based on the revised Basel III standardised approaches. Consistent with the original floor, the revised floor places a limit on the regulatory capital benefits that a bank using internal models can derive relative to the standardized approaches. In effect, the output floor provides a risk-based backstop that limits the extent to which banks can lower their capital requirements relative to the standardised approaches.

This helps to maintain a level playing field between banks using internal models and those on the standardised approaches. It also supports the credibility of banks' risk-weighted calculations and improves comparability via the related disclosures.

Under the revised output floor, banks' risk-weighted assets must be calculated as the higher of

a. total RWA calculated using the approaches that the bank has supervisory approval to use in accordance with the Basel capital framework (including both standardised and internal model-based approaches); and
b. 72.5 per cent. of the total RWA calculated using only the standardised approaches.

The date of implementation for the output floor was revised on the 27 March 2020 by the BCBS and has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028. On 8 July 2021, the PA aligned its proposed date of implementation for the output floor from 1 January 2022 to the BCBS revised date of 1 January 2023, and accordingly the transitional arrangements for the output floor.

Risk-Weighting (Other Basel III reforms)

Counterparty Credit Risk

The BCBS has finalised the rules for the standardised approach for counterparty credit risk ("**SA-CCR**"). The new framework was to be implemented in South Africa by 1 April 2021, but this has now been delayed by the PA to 1 January 2023. SA-CCR will be used to calculate the counterparty credit risk exposure associated with over-the-counter ("**OTC**") derivatives, exchanges traded derivatives and long settlement transactions. The new SA-CCR is more risk sensitive than previously, limits the need for discretion by national authorities, minimises the use of banks' internal estimates and avoids undue complexity.

Securitisation framework

The BCBS has finalised changes to the Basel securitisation framework. The new framework was to be implemented in South Africa by 1 April 2021, but this has now been delayed by the PA to 1 July 2022. The new framework provides a revised set of approaches for determining the regulatory capital requirements in relation to securitisation exposures with the following aims: reducing mechanistic reliance on external ratings; increasing risk weights for highly rated securitisation exposures; reducing risk weights for low-rated securitisation exposures; reducing cliff effects (where small changes in the quality of an underlying pool of securitised exposures quickly leads to significant increases in capital requirements); and making the framework more risk-sensitive.

Fundamental Review of the Trading Book

Some initial measures to improve market risk were introduced by the BCBS in 2009 (known as "**Basel 2.5**"). The BCBS recognised that these incremental changes to the market risk framework were only temporary, and that further measures were required to improve trading book capital requirements. The new market risk framework ("**Fundamental Review of the Trading Book**") was published on 14 January 2016. The framework was thereafter revised on the 14 January 2019 to address issues that the Basel Committee identified in the course of monitoring the implementation and impact of the framework. The proposed implementation date for South Africa is 1 January 2023.

Large Exposure Framework

The BCBS published the final standard that sets out a supervisory framework for measuring and controlling large exposures on 15 April 2014. The proposed implementation date for South Africa was to be 1 April 2021 but this has now been delayed by the PA to 1 January 2022. The large exposure framework protects banks from significant losses caused by the sudden default of an individual counterparty or a group of connected counterparties. The framework was designed so that the maximum possible loss a bank could incur if such a default were to occur would not endanger the bank's survival as a going concern. In cases where the bank's counterparty is another bank, large exposure limits will directly contribute towards the reduction of system-wide contagion risk. Large Exposure is defined as an exposure that is equal to or above 10 per cent. of a bank's eligible capital base. Eligible capital base is defined as Tier 1 capital as defined under the Basel III framework. The sum of all the exposure values of a bank to a single counterparty or to a group of connected counterparties should not be higher than 25 per cent. of the bank's available eligible Tier 1 capital base. A tighter limit of 15 per cent. of Tier 1 capital will apply to inter-globally systemically important banks ("**GSIBs**") exposures and the local regulator may apply this limit to inter-DSIBs exposures. A limit of 15% of Tier 1 capital may also be applied by the local regulator for exposures between a smaller bank and a G-SIB.

Interest Rate Risk in the Banking Book ("IRRBB")

Arising from the Fundamental Review of the Trading Book, the Bank of International Settlement appointed a team to evaluate and refine the existing Pillar 2 treatment for spread risk in the banking book. In April 2016 the BCBS issued standards for IRRBB. The standards revise the BCBS' 2004 "Principles for the management and supervision of interest rate risk", which set out supervisory expectations for banks' identification, measurement, monitoring and control of IRRBB, as well as its supervision. The revised standards also introduced a strengthened Pillar 2 approach. The newly revised Standards for IRRBB cover the enhanced requirements over 12 principles. Nine principles are directed to banks including identification of IRRBB, sound methodologies, risk appetite and limits, internal reporting, external disclosures, data, controls and model risk management. Three principles are directed to supervisors and focus on review of the soundness of banks' IRRBB management, collaboration among supervisors and identification of outlier banks.

The proposed implementation date for South Africa is 1 June 2022.

Systemically important financial institutions ("SIFIs")

The guidance developed by the BCBS and the Financial Stability Board form the basis for the requirements of domestic systemically important banks in South Africa. South African banks have developed their recovery plans in line with global standards. The specific domestic systemically important bank ("**DSIB**") capital requirements have been applied to the relevant banks from 1 January 2016.

Recovery plans focus on plausible management or recovery actions that can be taken to reduce risk and conserve capital during times of severe stress. Resolution plans are typically developed by the supervisor with the objective of ensuring that SIFIs are resolvable and will not become a burden to tax-payers.

Although the Basel III phase-in approach affords SBG a period of time before full compliance is required, SBG maintains a strong focus on achieving these liquidity and capital requirements within the specified timelines. Specific areas of focus include optimising capital and liquidity allocation between product lines, trading desks, industry sectors and legal entities, such that financial resources can be allocated in a manner that enhances the overall Group's economic profit and return on equity, embedding risk-adjusted performance measures into the performance measurement and reporting processes of the Group; and ensuring that the Group is adequately positioned to respond to changing regulatory rules under Basel III.

Pillar 3 disclosures

Pillar 3 of the Basel framework seeks to promote market discipline through regulatory disclosure requirements. The BCBS released the updated Pillar 3 disclosure requirements on 11 December 2018. These requirements, together with the updates published in January 2015 and March 2017, complete the Pillar 3 framework. The updated Pillar 3 disclosure requirements released on 11 December 2018 reflects the BCBS's December 2017 Basel III post-crisis regulatory reforms and pertains to the following areas:

(i) credit risk, operational risk, the leverage ratio and CVA risk;

(ii) RWAs as calculated by the bank's internal models and according to the standardised approaches; and

(iii) an overview of risk management, RWAs and key prudential metrics.

The implementation date for the disclosure requirements related to the December 2017 Basel III post-crisis regulatory reforms has been revised by the BCBS on the 27 March 2020, to 2023, a year later that what was initially proposed. The PA is still to align its proposed date of implementation for these disclosure requirements from 1 January 2022 to the BCBS proposal.

The BCBS has also released a consultative paper on the 14 November 2019 on revisions to market risk disclosure requirements, that sets out adjustments to the Pillar 3 templates to reflect the changes introduced in the minimum capital requirements for market risk published in January 2019.

The Group has a formal program in place for the implementation of these requirements.

LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings (nor are there any such proceedings which are pending or threatened of which SBG is aware) which may have, or have during the 12 months prior to the Programme Date had, a significant effect on the financial position or profitability of SBG and/or the Group taken as a whole. SBG and its subsidiaries have sued and are defendants in a number of legal proceedings incidental to their operations. While any litigation has an element of uncertainty, SBG does not expect that the outcome of any such proceeding, either individually or in aggregate, will have a material adverse effect upon SBG's consolidated financial position or results.

INFORMATION TECHNOLOGY

With the significant impact of the digital revolution, consumers and businesses are being forced to change the way they interact. Technology is central to the Group's ability to adapt to a changing world and create sustainable long-term value for the Group's stakeholders. SBG regards technology as a strategic asset which supports, sustains and enables growth and operational excellence within the Group.

The Group's technology strategy is aligned to, and a key enabler of, the Group's strategic vision. The key elements of the Group's technology strategy are focused on embedding a client-centric culture which is aimed at ensuring that the Group's systems are "always on" (available to our customers) and secure (through managing the risk of unauthorised security breaches), systems adopt a universal financial services organisation view, enabling the digital transformation of the Group, driving the simplification of the Group's systems, and in having the right employees to deliver on the strategy.

The Group sets security, recovery and business resumption as a key focus area, and regularly tests contingency procedures so that interruptions are minimised. This yielded a 55% decrease in material system stability incidents in 2020. In South Africa, the number of material incidents declined from 29 incidents in 2019 to 13 incidents in 2020, and in the Africa Regions material incidents declined from 18 incidents in 2019 to 8 incidents in 2020. In addition, migrating the Group's infrastructure, software and platforms to cloud services remains a strategic priority. The Group remains on track to achieve the migration of 85% of its current workload into the cloud by 2025. Ongoing investment in digital capabilities also saw the Group's digital footprint increase by 29% compared to 2019.

Technology governance functions provide oversight of technology within the Group to ensure that technology contributes to creating sustainable value both in the short and long term. The SBG Board is responsible for ensuring that prudent and reasonable steps have been taken regarding technology governance. The Group technology committee is an SBG Board committee with responsibility for ensuring the implementation of the technology governance framework across Group. The committee has the authority to review and provide guidance on matters related to the Group's technology strategy, forecasts, operations, policies and controls, the Group's assessment of risks associated with technology, including disaster recovery, business continuity and technology security, as well as oversight of significant technology investments and expenditure.

The committee is chaired by an independent SBG Board member, who is also a member of the Group risk and capital management committee. The chief information officers of each business unit within SBG are accountable to their chief executives as well as to the Group chief information officer to ensure that the technology strategy is aligned and integrated with the business strategies.

REGULATION

General regulatory requirements

The Issuer is subject to the Banks Act and is supervised by the Financial Conglomerate Supervision Department.

Please see the section headed "*Risk Factors – The impact of any future change in law or regulation on the Issuer's business is uncertain*" of the Risk Factor and Other Disclosures Schedule relating to the Standard Bank Group Limited ZAR 50,000,000,000 Domestic Medium Term Note Programme on page 18.

Anti-money laundering regulatory requirements

SBG is committed to and supports global efforts to combat money laundering ("**ML**") and terrorist financing ("**TF**"). Consequently, SBG has drafted and implemented policies and procedures to assist it in complying with its anti-money laundering ("**AML**") and combating the financing of terrorism ("**CFT**") regulatory obligations in each jurisdiction in which it operates. Meeting ML and TF control requirements imposes significant obligations in terms of client identification and verification, record keeping, staff training and the detection and reporting of suspicious and unusual transactions. The Group Money Laundering Control Policy is implemented as the minimum standard throughout SBG, while particular emphasis is placed on implementing bespoke ML/TF controls which are designed to mitigate the risks identified in country and business risk assessments. SBG continues to enhance and automate its ML and TF detection measures and has dedicated AML transaction monitoring teams that are responsible for receiving, evaluating and reporting suspicious or unusual transactions and activities to the appropriate authorities. These teams operate under the guidance of a Group money laundering surveillance function, which also ensures full co-operation with law enforcement agencies from an information sharing perspective (while operating within the parameters defined by legislation).

Anti-bribery and corruption requirements

Anti-bribery and corruption ("**ABC**") policies are implemented consistently across SBG. All companies in the Group are committed to the highest level of ethical behaviour and have a zero-tolerance approach towards bribery and corruption. The Group has designed and implemented an anti-bribery management system to ensure compliance with ABC laws in all markets and jurisdictions in which it operates. These laws include, but are not limited to, the South African Prevention and Combating of Corrupt Activities Act No.12 of 2004, the UK Bribery Act and the U.S. Foreign Corrupt Practices Act.

SBG has developed and implemented an ABC compliance programme which is aligned with global best practice (in particular the ABC guidance that has been issued by the Organisation for Economic Co-operation and Development). Programme activities include periodically conducting risk assessments, and regular updates to the ABC policy. The ABC policy is applicable to all employees of the Group, irrespective of location or jurisdiction.

Furthermore, all SBG staff are required to complete ABC general awareness training annually. Regular reviews of the effectiveness of the ABC programme are conducted in the form of a combined assurance approach to monitoring activities.

RISK MANAGEMENT

The Group's approach to risk management is designed to ensure consistent and effective management of risk and provide for appropriate accountability and oversight. Risk management is enterprise wide, applying to all entity levels and is a crucial element in the execution of the Group's strategy.

The Group's risk universe represents the risks that are core to its business. The Group organises these risks into strategic, non-financial and financial risk categories.

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

Risk exposures are managed through different techniques and are monitored against a risk appetite that supports the Group's strategy.

Risk information is subject to strong data and reporting controls. It is integrated into all business reporting and governance structures. The Group's governance structure enables oversight and accountability through appropriately mandated board and management committees.

This is all underpinned by a control environment defined in the Group's risk governance and management standards and policies.

The Group's risk management system

The Group operates under the enterprise risk management ("**ERM**") governance framework, which informs the specific risk type standards, frameworks and policies which are approved by executive committees and the relevant board subcommittee.

Risk governance committees

Board sub-committees responsible for the oversight of risk management comprise the Risk and Capital Management Committee ("**RCMC**"), the Audit Committee ("**AC**"), the technology and information committee, the model approval committee, the remuneration committee and the social and ethics committee.

The Group Risk Oversight Committee ("**GROC**"), the Group Asset and Liability Committee ("**GALCO**") and the social and ethics management committee are sub-committees 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 the Group's 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 sub-committees are the:

- group operational risk committee;
- group compliance committee;
- group sanctions and client risk review committee;
- group internal financial control governance committee;
- group country risk committee;
- group equity risk committee;
- group portfolio risk management committee;
- PBB and Wealth credit committees; and
- CIB credit committees.

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

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

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

Governance documents

The ERM governance framework is approved by the RCMC. 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.

The three lines of defence

The Group uses the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of roles.

The first line of defence is made up of the management of business lines and legal entities. The first line proactively identifies, assesses and measures applicable risk scenarios in order to arrive at risk appetite decisions. The first line of defence manages day-to-day transaction- and portfolio-level risk decisions within the risk appetite and implements mitigation controls to reduce the adverse impact of taking risks in pursuit of strategic objectives. 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; and
- ensuring appropriate risk disclosure to shareholders and regulators.

The second line of defence directs the definition of the enterprise-wide risk management programme. The second line of defence facilitates 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. 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; and
- performing independent reviews on specific risk and control areas.

The third line of defence is Group Internal Audit ("**GIA**"). GIA 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. GIA has an independent reporting line to the Board to assist in discharging their risk oversight responsibilities. 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; and
- periodically reviewing the design adequacy of the risk management framework, the level of compliance with policies and standards, and the completeness and reliability of the risk assessment and reporting process.

All three levels report to the Board, either directly or through the RCMC and AC. The Board discharges its oversight responsibilities for risk management through independent assurance activities performed by second and third line. The Board has the following mandate:

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

Risk culture

The Group leverages the three lines of defence model to build and maintain a strong risk culture. The Group ensures that its corporate values and ethics are embedded in its policies, and through compliance training and whistle-blowing programmes.

The Group promotes and rewards responsible risk taking that results in sustainable growth. Each business is responsible for monitoring behaviour that is contrary to the Group's policies and taking disciplinary action in line with the Group's conduct risk management standards. Inappropriate risk decisions are monitored as part of performance management and escalated to the Group Remuneration Committee ("**REMCO**").

Risk reporting

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

Risk management reports comply with standards set out by the Basel Committee on Banking Supervision's standard number 239 ("**BCBS239**"), entitled "Principles for effective risk data aggregation and risk reporting".

Group insurance programme

The Group insurance programme is designed to protect against loss resulting from the Group's business activities. It is used as a strategic risk transfer mechanism and serves to mitigate operational risk 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, the Group has fixed assets and liabilities coverage for its office premises and business contents, third-party liability for visitors to its premises, and employer's liability. The Group's business travel policy provides cover for staff when travelling on behalf of the Group.

Risk appetite

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

Portfolio management is performed, at a Group level, across and within business units, risk types and legal entities to ensure that existing and emerging exposure concentrations in countries, sectors, obligors and other risk areas are effectively managed. Risk appetite guides strategic and operational management decisions and is reviewed annually. The Group's level one risk appetite statements are:

- Capital position: The Group aims to have a strong capital adequacy position measured by regulatory and economic capital adequacy ratios. The Group manages its 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 the Group operates.
- Funding and liquidity management: The Group maintains a prudent approach to liquidity management in accordance with 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: The Group aims to have sustainable and well diversified earning streams in order to minimise earnings volatility through business cycles.
- Reputation: The Group has no appetite for compromising its legitimacy or for knowingly engaging in any business, activity or relationship which could result in foreseeable damage to the Group's reputation or its sustainability.
- Conduct: The Group has no appetite for unfair client outcomes arising from inappropriate judgement and conduct in the execution of business activities, or wilful breaches of regulatory requirements. The Group strives 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.

The primary management level governance committee overseeing risk appetite is the Group portfolio risk management committee.

Stress testing

Stress testing activities are undertaken during the assessment phase to determine the risk appetite at a Group level. This is forwarded to business units, risk types and legal entities levels. The Group tests risk scenarios at Group, legal entities and portfolio levels to support normal stress conditions up to severe stress scenarios to inform recovery plans. Stress testing supports a number of business processes including:

- strategic planning and financial budgeting;
- informing the setting of risk appetite and portfolio management at a group, business unit and legal entity level;
- the internal capital adequacy assessment process, 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; and
- supporting communication with internal and external stakeholders including industry-wide stress tests performed by the regulator.

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

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

The primary management level governance committee overseeing stress testing is the ALCO.

Recovery and resolution planning

The recovery plan identifies management actions which can be adopted during periods of severe stress to ensure the Group’s survival and the sustainability of the economy within which the Group operates. 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.

STRATEGIC RISKS

Strategy position risk

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

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

Strategy execution risk

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

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

Reputation Risk

Reputation is defined as what stakeholders, including staff, clients, investors, counterparties, regulators, policymakers, and society at large, believe about the Group.

Analysts, journalists, academics and opinion leaders also determine the Group's reputation. The Group's reputation can be harmed by an actual or perceived failure to fulfil the expectations of stakeholders due to a specific incident or from repeated breaches of trust.

Damage to the Group's reputation can adversely affect its ability to maintain existing business, generate new business relationships, access capital, enter new markets, and secure regulatory licences.

Approach to managing strategic risks

The transition from business risk management to a more holistic strategic risk management began in 2020. The risk type and ownership has been defined.

New and existing threats to the Group's strategy are monitored on an ongoing basis. On a reactive basis, the Group's crisis management processes are designed to minimise the impact of disruptive events or developments that could endanger its strategy or damage its reputation. Crisis management teams are in place both at executive and business line level. This includes ensuring that the Group's perspective is fairly represented in the media.

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

NON-FINANCIAL RISKS

Non-financial risk is defined as the risk of loss suffered as a result of the inadequacy of, or a failure in, internal processes, people and/or systems or from external events.

The Group manages non-financial risk under the umbrella of operational risk. The Group's approach adopts fit-for-purpose risk practices, well-established governance processes which are supported by a comprehensive escalation and reporting processes that assist line management to understand and manage their risk profile within risk appetite.

The Group's non-financial risk management function forms part of the second line of defence, is an independent team and reports to the group chief risk and corporate affairs officer.

Non-financial risk subtypes are managed and overseen by specialist functions. These subtypes include:

- cyber risk;
- model risk;
- tax risk;
- financial accounting risk;
- legal risk;
- physical assets risk;
- environmental, social and governance risk;
- technology risk;
- information risk;
- third-party risk;
- people risk;
- business resilience risk;
- compliance risk;
- transaction processing risk;
- conduct risk; and
- financial crime risk.

The primary management level governance committee overseeing operational risk is the Group operational risk committee which is a subcommittee of ROC. The primary governance document is the integrated operational risk governance framework. Non-financial risk subtypes report to various governance committees and have governance documents applicable to each risk subtype.

FINANCIAL RISKS

Credit Risk

Credit risk is the risk of loss arising out of failure of obligors to meet their financial or contractual obligations when due.

The Group's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk arising from derivatives and securities financing contracts entered into with our clients and trading counterparties. To the extent equity risk is held on the banking book, it is also managed under the credit risk governance framework, but ultimate approval authority rests with the equity risk committee.

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 the Group's credit risk exposure relative to approved limits; and
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

The Group's 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 Group's senior executives and its business units in all significant risk matters.

Credit risk is governed in accordance with the Group's comprehensive enterprise risk management governance framework as defined and detailed in the Group credit risk governance standard and the model risk governance framework.

Credit risk is managed through the CIB and PBB credit governance committees, the Group ERC and the intragroup exposure committee. These governance committees are key components of the credit risk management framework. They have clearly defined mandates and delegated authorities, which are reviewed regularly. Their mandates include responsibility for credit and concentration risk decision-making, and delegation thereof to credit officers and subcommittees within defined parameters.

Maximum exposure to credit risk

Debt financial assets at amortised cost and fair value through other comprehensive income ("**OCI**") as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the Group's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the Group's master rating scale. The 25-point master rating scale quantifies using the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes). These ratings are mapped to Probabilities of Default ("**PDs**") by means of calibration formulae that use historical default rates and other data from the applicable PBB portfolios. The Group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

Default

The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the Basel definition) as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Group has not rebutted IFRS 9's 90 days past due rebuttable presumption. Exposures which are overdue for more than 90 days are also considered to be in default.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- disappearance of active market due to financial difficulties;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; and/or
- where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider.

Please refer to the tables set out on pages 154 to 157 of the Group's 2020 annual financial statements with regard to the Group's maximum exposure to credit risk by credit quality as at 31 December 2020 and 31 December 2019.

Collateral

Please refer to the tables set out on pages 159 to 160 of the Group's 2020 annual financial statements for details of the financial effect that collateral has on the Group's maximum exposure to credit risk as at 31 December 2020 and 31 December 2019.

Collateral includes:

- financial securities that have a tradable market such as shares and other securities;
- physical items such as property, plant and equipment; and

- financial guarantees, suretyships and intangible assets.

Netting agreements, which do not qualify for offset under International Financial Reporting Standards ("**IFRS**") but which are nevertheless enforceable, are included as part of the Group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. In the retail portfolio, 53% (2019: 55%) is fully collateralised. The R2.9 billion (2019:R5.3 billion) of retail accounts that lie within the 0% to 50% range of collateral coverage mainly comprise accounts which are either in default or legal. The total average collateral coverage for all retail mortgage exposures in the 50% to 100% collateral coverage category is 99% (2019:77%)

Of the Group's total exposure, 45% (2019:52%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

The Group does not currently trade commodities that could give rise to physical commodity inventory or collateral exposure with the exception of precious metals. In the normal course of its precious metal trading operations the Group does not hold allocated physical metal; however, this may occur from time-to-time. Where this does occur, appropriate risk and business approval is required to ensure that the minimum requirements are satisfied, including but not limited to approval of risk limits and insurance cover.

COUNTRY RISK

Country risk, also referred to as cross-border transfer risk, is the uncertainty of whether obligors, (including the relevant sovereign, and the Group's branches and subsidiaries in a country) will be able to fulfil their obligations to the Group given the political or economic conditions in the host country.

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

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

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

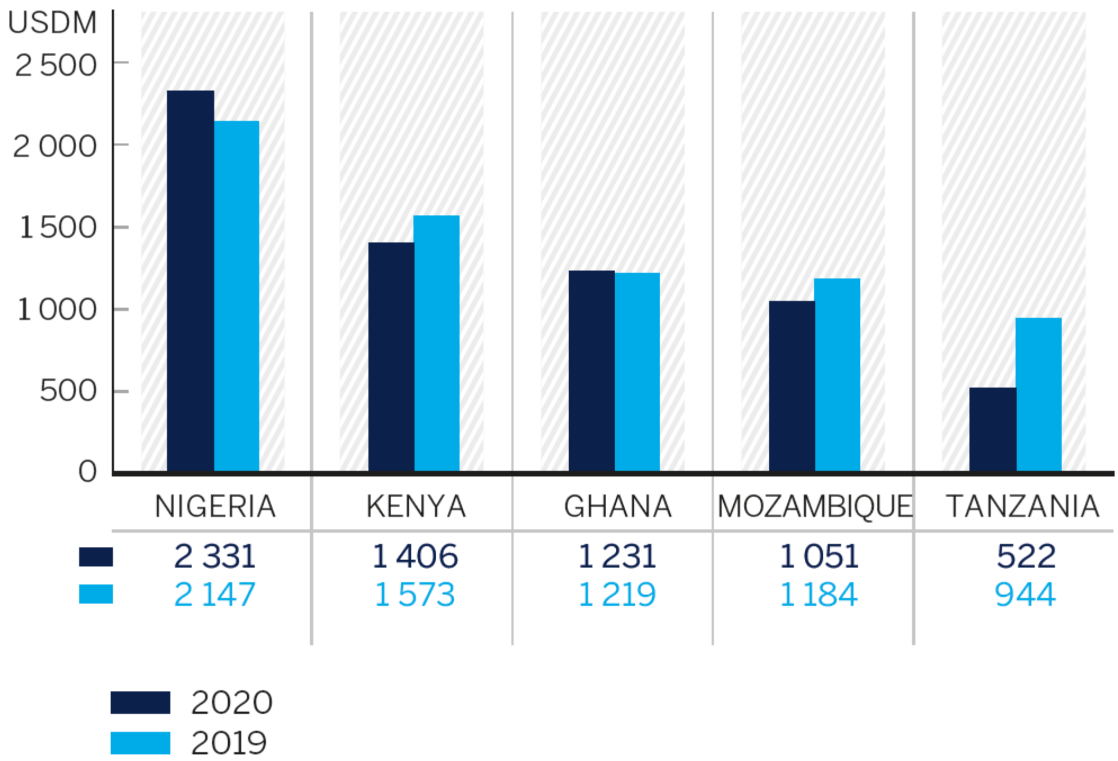
- political and commercial risk insurance;
- co-financing with multilateral institutions; and
- structures to mitigate transferability and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

The primary management level governance committee overseeing this risk type is the country risk management committee. The principal governance documents are the country risk governance standard.

The risk 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.

The following graph shows the Group's exposure to the top five medium- and high-risk countries for 2020 and 2019. These exposures are in line with the Group's growth strategy, which focused on Africa.

Top five medium- and high-risk country EAD (USDm)



FUNDING AND LIQUIDITY RISK

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

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

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

The primary management level governance committee overseeing liquidity risk is ALCO, which is chaired by the financial director. The principal governance documents are the liquidity risk governance standard and model risk governance framework.

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 events. They 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.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the Group’s 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 also consistent with the Basel III LCR requirements.

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

Internal stress testing metrics are supplemented with the regulatory Basel III LCR to monitor the Group’s ability to survive severe stress scenarios.

Total contingent liquidity

Portfolios of highly marketable 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 on the basis of diversification and liquidity.

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

TOTAL CONTINGENT LIQUIDITY

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

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

Structural liquidity requirements

Net stable funding ratio

The Basel III NSFR became effective on 1 January 2018 with the objective to promote funding stability and resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. The available amount of stable funding ("**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 the bank. 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.

Maturity analysis of financial liabilities by contractual maturity

The following table analyses cash flows on a contractual, undiscounted basis based on the earliest date on which the Group can be required to pay (except for trading liabilities and derivative liabilities, which are presented as redeemable on demand) and will, therefore, not agree directly to the balances disclosed in the consolidated statement of financial position.

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. Management considers only contractual maturities to be essential for understanding the future cash flows of derivative liabilities that are designated as hedging instruments in effective hedge accounting relationships. All other derivative liabilities, together with trading liabilities, are treated as trading and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time.

The table also includes contractual cash flows with respect to off-balance sheet items. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

	Redeemable on demand Rm	Maturing within one month Rm	Maturing between one to six months Rm	Maturing between six to 12 months Rm	Maturing after 12 months Rm	Total Rm
2020						
Financial liabilities						
Derivative financial instruments	**111 576**	**215**	**171**	**201**	**2459**	**114 622**
Instruments settled on a net basis	**85 667**	**215**	**16**	**152**	**2455**	**88 505**
Instruments settled on a gross basis	**25 909**		**155**	**49**	**4**	**26 117**
Trading liabilities	**80 088**					**80 088**
Deposits and debt funding	**1 130 500**	**75 543**	**167 760**	**67 074**	**220 635**	**1 661 512**
Subordinated debt		**21**	**2 309**	**704**	**24 833**	**27 867**
Other		**23 662**		**1 493**	**4 353**	**29 508**
Total	**1 322 164**	**99 441**	**170 240**	**69 472**	**252 280**	**1 913 597**
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	**15 828**					**15 828**
Guarantees	**86 307**					**86 307**
Irrevocable unutilised facilities	**92 663**					**92 663**
Total	**194 798**					**194 798**
2019						
Financial liabilities						
Derivative financial instruments[1]	64,724	6	(198)	254	2,500	68,096
Instruments settled on a net basis[1]	40,298	6	(111)	197	2,454	43,455
Instruments settled on a gross basis	24,426		(87)	57	46	24,641
Trading liabilities	83,718					83,718
Deposits and debt funding	856,174	315,553	34,564	23,398	236,545	1,466,234
Subordinated debt		795	2,958	5,538	18,528	27,819
Other		19,492		1,061	2,268	22,821
Total	1,004,616	335,846	38,134	35,336	274,451	1,668,688
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	15,104					15,104
Guarantees	79,202					79,202
Irrevocable unutilised facilities	73,940					73,940
Total	168,246					168,246

Funding activities

Funding markets are evaluated on an ongoing basis to ensure that appropriate Group funding strategies are executed depending on the market, competitive and regulatory environment. The Group continues to focus on building its deposit base as a key component of its funding mix. Deposits sourced from South Africa and other major jurisdictions in the Africa Regions, 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 retail and wholesale clients, as well as loan and debt capital markets across the Group. Total funding-related liabilities increased from R1,469 billion in 2019 to R1,665 billion in 2020. The following table sets out the Group's funding-related liabilities composition as at 31 December 2020 and 31 December 2019.

FUNDING-RELATED LIABILITIES COMPOSITION[1]

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

[1] Composition aligned to Basel III liquidity classifications.

[2] Comprises individual and small business clients.

MARKET RISK

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

The governance management level committee overseeing market risk is the Group ALCO. The principal governance documents are the market risk governance standard and the model risk governance framework.

Trading book market risk

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

The Group's policy is that all trading activities are undertaken within the Group's global markets' operations.

The market risk functions are independent of the Group's trading operations and are accountable to the relevant legal entity ALCOs. ALCOs have a reporting line into 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 limits and triggers 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.

VaR and SVaR

The Group uses 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 per cent. 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; and
- 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 251-day period of financial stress which is reviewed quarterly and assumes a 10 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 SBG is currently the 2008/2009 financial crisis while, for other markets, more recent stress periods are used where the Group has received internal model approval, the market risk regulatory capital requirements is based on VaR and SVaR, both of which use a confidence level of 99 per cent. 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 offsets 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; and
- the use of a 95 per cent. 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 portfolio characteristics

VaR for the year under review

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

TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2020				
Commodities risk	**2**	**0**	**1**	**1**
Foreign exchange risk	**25**	**10**	**17**	**16**
Equity position risk	**17**	**3**	**9**	**14**
Debt securities	**60**	**17**	**33**	**59**
Diversification benefits[2]			**(23)**	**(38)**
Aggregate	**56**	**27**	**38**	**52**
2019				
Commodities risk	3	0	1	1
Foreign exchange risk	26	9	14	15
Equity position risk	18	4	8	11
Debt securities	28	15	21	23
Diversification benefits[2]			(10)	(21)
Aggregate	53	22	34	29

[1] The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different days.

[2] Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual VaRs and the VaR of the whole trading portfolio.

Trading book issuer risk

Equity and credit issuer risk is assumed in the trading book by virtue of normal trading activity and is managed according to the Group's market risk governance standard. 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, as mentioned above for issuer risk and transactions that incorporate material counterparty value adjustment 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 Africa Region entities. Excluding local currency government debt held by each legal entity, the largest issuer exposure in 2020 was R11.8 billion (compared to R13.5 billion in 2019).

Stop-loss triggers

Stop-loss triggers are used to protect the profitability of the trading desks and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily trading losses through acting as a prompt to a 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 year ended 31 December 2020 did not exceed the maximum tolerable losses as represented by the Group's stress scenario limits.

Backtesting

The Group backtests its 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 profit 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.

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 per cent. VaR. All of the Group's approved models were assigned green status for the period under review (2019: green) 14 exceptions occurred in 2020 (2019: two) for 95% VaR and one exception (2019: zero) for 99% VaR.

Specific business unit and product controls

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

Interest rate risk in the banking book

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The Group's approach to managing interest rate risk in the banking book ("**IRRBB**") is governed by applicable regulations and is influenced by the competitive environment in which the group operates. The Group's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of the Group ALCO.

Measurement

The analytical techniques used to quantify IRRBB include both earnings and valuation-based measures. The analysis takes into account embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

Equity risk in the banking book

Equity risk is defined as the risk of loss arising from a decline in the value of equity or an equity-type instrument held on the banking book, whether caused by deterioration in the underlying operating asset performance, net asset value, enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

Though issuer risk in respect of tradable equity instruments constitutes equity risk, such traded issuer risk is managed under the trading book market risk framework.

Equity risk relates to all transactions and investments subject to approval by the group ERC, in terms of that committee's mandate, and includes debt, quasi-debt and other instruments that are considered to be of an equity nature.

For the avoidance of doubt, equity risk in the banking book excludes strategic investments in the Group's subsidiaries, associates and joint ventures deployed in delivering the Group's business and service offerings unless the Group financial director and Group chief risk and corporate affairs officer deem such investments to be subject to the consideration and approval by the Group ERC.

MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value	Fair value Rm	10% increase in fair value Rm
2020			
Equity securities listed and unlisted	**3 197**	**3 552**	**3 907**
Listed		**155**	
Unlisted		**3 397**	
Impact on profit and loss	**(247)**		**247**
Impact on OCI	**(108)**		**108**
2019[1]			
Equity securities listed and unlisted	3 906	4 340	4 774
Listed		145	
Unlisted		4 195	
Impact on profit and loss	(429)		429
Impact on OCI	(5)		5

[1] The methodology of determining the impact on other comprehensive income ("**OCI**") and P&L was changed in the year to directly reference investment amounts, rather than calculate amounts based on average portfolios.

Foreign currency risk

The Group's primary non-trading related exposures to foreign currency risk arise as a result of the translation effect on the Group's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated financial assets and liabilities.

The Group foreign currency management committee, a subcommittee of the Group capital management committee, manages the risk according to existing legislation, South African exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the Group's residual risk by means of forward exchange contracts, currency swaps and option contracts.

Hedging is undertaken in such a way that it does not constrain normal operating activities. In particular, for banking entities outside of the South African common monetary area, the need for capital to fluctuate with risk-weighted assets is taken into account.

The repositioning of the Group's NAV by currency, which is managed at a Group level, is a controlled process based on underlying economic views and forecasts of the relative strength of currencies, other than foreign operations.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships in terms of IFRS are reported directly in OCI with all other gains and losses on derivatives being reported in profit or loss.

Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in rand equivalent, resulting from a 10 per cent. shock to foreign currency risk exposures, against ZAR. The sensitivity analysis is based on net open foreign currency exposures arising from foreign-denominated financial assets and liabilities inclusive of derivative financial instruments, cash balances, and accruals, but excluding net assets in foreign operations. The sensitivity analysis reflects the sensitivity of profit or loss on the Group's foreign denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

FOREIGN CURRENCY RISK SENSITIVITY IN ZAR EQUIVALENTS

		USD	Euro	GBP	Naira	Other	Total
2020							
Total net long/(short) position	Rm	**741**	**106**	**(24)**	**1**	**267**	**1 091**
Sensitivity (ZAR depreciation)[1]	%	**10**	**10**	**10**	**10**	**10**	
Impact on profit or loss	Rm	**74.1**	**10.6**	**(2.4)**	**.01**	**26.7**	**109.1**
2019							
Total net long/(short) position	Rm	298	90	25	1	49	463
Sensitivity (ZAR depreciation)[1]	%	10	10	10	10	10	
Impact on profit or loss	Rm	29.8	9.0	2.5	0.1	4.9	46.3

[1]A 10% appreciation in ZAR will have an equal and opposite impact on profit or loss to the amounts disclosed above.

INSURANCE RISK

Insurance risk is the risk that actual future underwriting, policyholder behaviour and expense experience will differ from that assumed in measuring policyholder contract values and in pricing products.

Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. Insurance risk applies to life insurance operations housed in Liberty and the non-life insurance operations housed in Liberty and Standard Insurance Ltd ("**SIL**").

Life insurance risk

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 pre-defined 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.

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 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.

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

PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to SBG set out in this Issuer Disclosure Schedule is consolidated financial information in respect of SBG and its subsidiaries (the "**Group**") and has, unless otherwise indicated, been extracted from its audited consolidated financial statements as at and for the year ended 31 December 2020 (the "**SBG 2020 Audited Financial Statements**"), prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The information contained in the SBG 2020 Risk and Capital Management Report is unaudited unless stated as audited.

The information relating to SBG's largest single depositor and top 10 depositors set out in the section headed "*Risk Factors –Risk Management – Liquidity Risk*" has been extracted from the SBG 2020 Risk and Capital Management Report and is unaudited.

The information relating to the credit loss ratio of SBG in relation to mortgage loans, vehicle and asset finance and card products set out in the section headed "*Description of Standard Bank Group Limited - Business of SBG - Personal & Business Banking*" has been extracted from the management accounts of SBG as at 31 December 2020 and is unaudited.

Unless otherwise indicated, market share data included in this Issuer Disclosure Schedule has been estimated. All such estimates have been made by SBG using its own information and other market information which is publicly available.

Unless otherwise indicated, the financial information relating to SBG for the year ended and as at 31 December 2019 contained in this Issuer Disclosure Schedule has been extracted from the SBG 2020 Audited Financial Statements.

In this Issuer Disclosure Schedule, where reporting responsibility for individual cost centres and divisions within business units changed, the segmental analysis comparative figures for the year ended 31 December 2019 have been reclassified accordingly and and have been extracted from the SBG 2020 Audited Financial Statements.

In this Issuer Disclosure Schedule financial information denoted by "*" indicates that the relevant financial information relating to SBG as at and for the year ended 31 December 2019 has been restated in the SBG 2020 Audited Financial Accounts (see section headed "Accounting Policy Elections and Restatement" on pages 28 to 30 of the SBG 2020 Audited Financial Statements).

ISSUER RATINGS

Issuer Ratings as at the date of this Issuer Disclosure Schedule

The Standard Bank Group Limited	**Short Term**	**Long Term**	**Outlook**
Fitch Ratings			
Foreign currency issuer default rating	B	BB-	Negative
Local currency issuer default rating		BB-	Negative
National rating	F1+(zaf)	AA+(zaf)	Stable
Moody's Investor Services			
Foreign currency issuer rating		Ba3	Negative
Issuer Rating		Ba3	Negative

The Issuer may, at any time, obtain a rating by a Rating Agency for the Programme or any issue of Notes pursuant to the Programme. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. The Applicable Pricing Supplement will reflect the rating, if any, which has been assigned to a Tranche of Notes, as well as the rating agency or rating agencies which assigned such rating or ratings. Where a Tranche of Notes is rated, such rating (which may be an expected rating) will not necessarily be the same as the rating(s) assigned to the Programme or the Issuer and/or the same as the ratings(s) assigned to previous Tranches of Notes already issued. Neither a rating of the Programme nor a rating of a Tranche of Notes nor a rating of the Issuer is a recommendation to subscribe for, buy, sell or hold any Notes. A rating of the Programme and/or a rating of a Tranche of Notes and/or a rating of the Issuer may be subject to revision, suspension or withdrawal at any time by the Rating Agency. Any amendment of the rating(s) of the Issuer and/or the granting of any rating(s) of the Programme and/or a Tranche of Notes, as the case may be, after the Programme Date, will be announced on SENS.

DEBT OFFICER

The abridged curriculum vitae of the debt officer is set out below.

Arno Daehnke / 53 *Group financial director, SBG and executive director, SBSA* *Appointed:* Executive director on 1 May 2016 Debt officer with effect from 01 November 2020	> BSc, MSc (University of Cape Town) > PhD (Vienna University of Technology) > MBA (Milpark Business School) > AMP (Wharton)	**Appointments held within the group:** > Stanbic Africa Holdings **Previous roles:** > head of the group's treasury and capital management function	GTIC GMAC LEC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None

Refer to the Key on pages 34-35 above

CONFLICT OF INTERESTS REGISTER

The Issuer confirms that there are no recorded conflicts of interest.

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