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

*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 applicable to all Notes issued under the Programme pursuant to the Programme Memorandum, as amended, updated and replaced from time to time (the "**Programme Memorandum**").*

This Issuer Disclosure Schedule is dated as of 24 December 2020 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 2019. 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 2019, SBG had total assets of R2,275,589 million (compared to R2,126,962 million as at 31 December 2018) and had headline earnings of R28,207 million for the year ended 31 December 2019 (compared to R27,865 million for the year ended 31 December 2018). Banking headline earnings grew 5 per cent. to R27,216 million for the year ended 31 December 2019 (compared to R25,847 million for the year ended 31 December 2018). The Group's Return on Equity ("**ROE**") decreased to 16.8 per cent. for the year ended 31 December 2019, from 18.0 per cent. for the year ended 31 December 2018, and its Common Equity Tier 1 Ratio increased to 14.0 per cent. for the year ended 31 December 2019 from 13.5 per cent. for the year ended 31 December 2018.

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 50,691 permanent employees, and a market capitalisation of R268 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.

SBG operates as four principal business lines:

(1) Personal & Business Banking;

(2) Corporate & Investment Banking;

(3) Wealth; and

(4) Liberty.

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 15 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 2019, PBB including Wealth recorded headline earnings of R16,510 million, constituting 59 per cent. of SBG's headline earnings (compared to R15,539 million and 56 per cent., respectively, for the year ended 31 December 2018). As at 31 December 2019, assets attributable to PBB (including Wealth) constituted 35 per cent. of SBG's total assets (36 per cent. as at 31 December 2018).

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 42 per cent. of SBG's headline earnings for the year ended 31 December 2019 (compared to 40 per cent. for the year ended 31 December 2018) and constituted 47 per cent. of its total assets as at 31 December 2019 (compared to 46 per cent. as at 31 December 2018).

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 2019 increased by 14 per cent. compared to the year ended 31 December 2018, while headline earnings for the year ended 31 December 2018 increased by 24 per cent. compared to the year ended 31 December 2017. Wealth achieved an ROE of 35 per cent. as at 31 December 2019 (compared to an ROE of 38 per cent. as at 31 December 2018).

Liberty provides life insurance and investment management activities. Liberty offers South Africa retail, business development and asset management. For the year ended 31 December 2019, Liberty recorded headline earnings attributable to SBG of R1,855 million, constituting 7 per cent. of SBG's headline earnings (compared to R1,600 million and 6 per cent., respectively, for the year ended 31 December 2018) and Liberty constituted 19 per cent. of SBG's total assets as at 31 December 2019 (compared to 20 per cent. as at 31 December 2018).

Other Banking Interests consist of the Group's equity investments held as a strategic partnership agreement with Industrial and Commercial Bank of China ("**ICBC**"). These consist of a 40 per cent. share in ICBC Standard Bank Plc ("**ICBCS**") and 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. In September 2019, ICBC Argentina was reclassified as a non-current asset held for sale and is no longer equity accounted.

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 R8,420 million for the year ended 31 December 2019, constituting 31 per cent. of SBG's banking headline earnings (compared to R8,025 million constituting 31 per cent. respectively for the year ended 31 December 2018) and contributing 19 per cent. of SBG's total banking assets for the year ended 31 December 2019 (compared to 20 per cent. for the year ended 31 December 2018). Africa Regions are split into East Africa (incorporating Kenya, South Sudan, Tanzania and Uganda), South & Central African (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 and 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 Ivory Coast 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. It's 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:

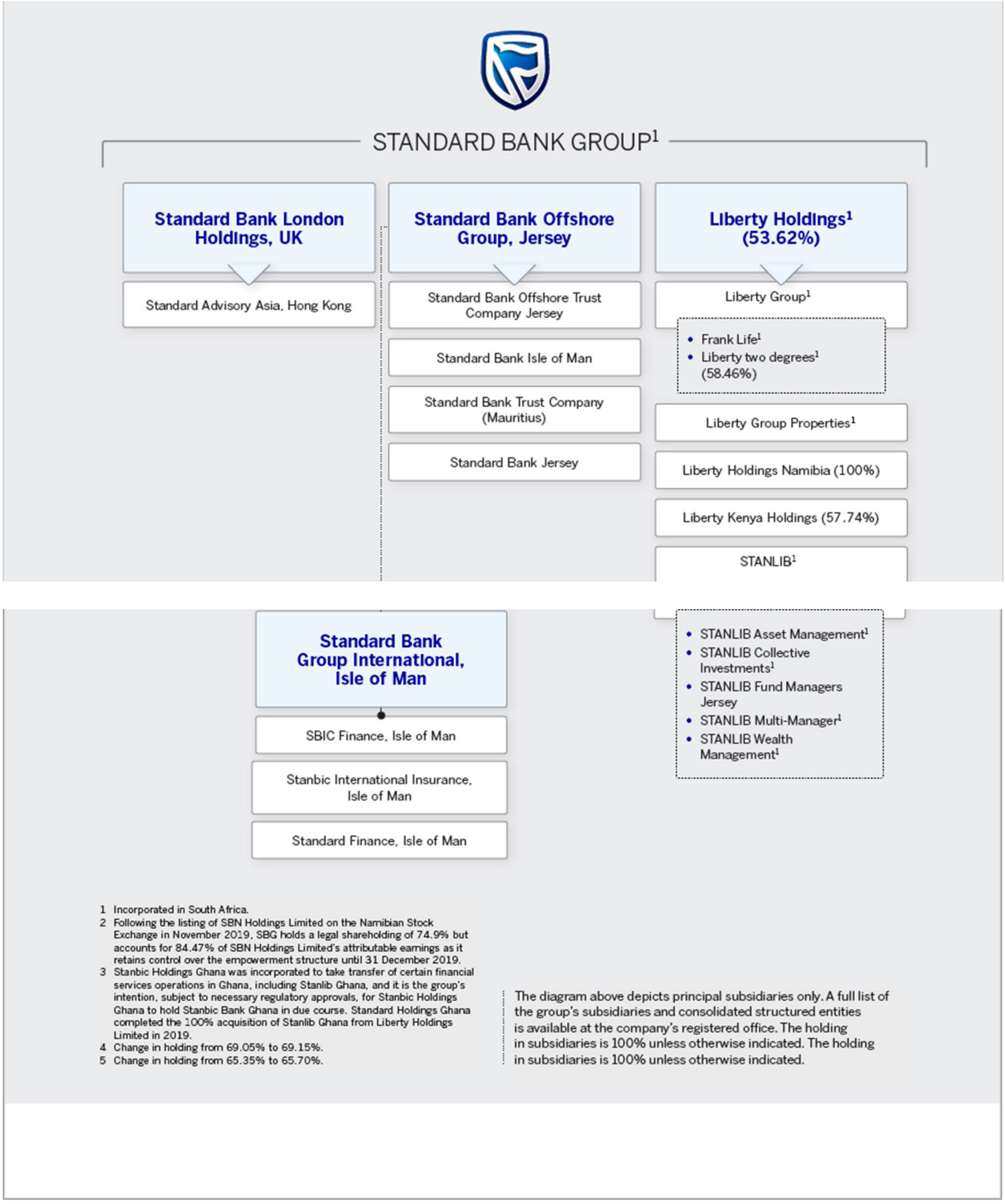
- 2,000,000,000 ordinary shares with a par value of R0.10 each;
- 8,000,000 cumulative, non-redeemable preference shares of R1 each; and
- 1,000,000,000 non-redeemable, non-cumulative, non-participating preference shares of R0.01 each.

As at 31 December 2019, SBG had issued share capital as follows:

- 1,619,709,548 ordinary shares of R0.10 each;
- 8,000,000 cumulative, non-redeemable preference shares of R1 each; and
- 52,982,248 non-redeemable, non-cumulative, non-participating preference shares of R0.01 each.

The chart below presents a summary of SBG's corporate structure as at 31 December 2019. For more information, see the SBG 2019 Audited Financial Statements on pages 122 to 135:

Standard Bank Group Limited



As at 31 December 2019, the ten largest shareholders in SBG beneficially held 43.9 per cent. of SBG's ordinary shares. The following table sets out the ten largest shareholders as at 31 December 2019 and 31 December 2018.

	2019		**2018**	
	Number of shares		**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)	215.0	13.3	199.7	12.3
GIC Asset Management	31.3	1.9	21.0	1.3

Allan Gray Balanced Fund	26.2	1.6	29.7	1.8
Alexander Forbes Investments	24.3	1.5	25.8	1.6
Vanguard Total International Stock Index Fund	21.4	1.3	19.4	1.2
Old Mutual Life Assurance Company	20.6	1.3	23.8	1.5
Vanguard Emerging Markets Stock Index Fund	19.3	1.2	22.1	1.4
Government of Norway	14.4	0.9	14.8	0.9
Abu Dhabi Investment Authority	13.2	0.8	7.5	0.5
	710.7	**43.9**	**688.8**	**42.6**

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 aims 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'. It is present in 20 African countries, and has a presence in five major international markets (Beijing, Dubai, London, New York and São Paulo). It offers international financial services in Isle of Man, Jersey, and Mauritius. The Group has over 50,000 permanent employees, and SBG has a market capitalisation of R268 billion. Since 2008, it has been in a strategic partnership with ICBC, the world's largest bank, which owns a 20.1 per cent. share of SBG.

SBG has five strategic value drivers against which it measures progress:

- 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;
- 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.

Its strategy is designed to realise the opportunities presented by Africa's long-term growth and to ensure that core business activities contribute to inclusive, job creating growth and sustainable value creation in its countries of operation. Since 2017, SBG has made considerable progress in aligning governance, planning, performance assessment and reporting processes to these strategic value drivers. These changes aim to ensure that the Group delivers shareholder value while simultaneously providing excellent client experiences and delivering positive impacts in the communities in which it operates.

SBG's clients are at the core of its business. Over the past few 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. This includes enhancing its capability to use data to gather insights regarding customer behaviours and to deliver services tailored to individual needs. Group-wide integration includes closer collaboration with Liberty and ICBC, to ensure clients are offered a full suite of financial services appropriate to their needs, while also improving internal efficiencies and controlling costs. Another example is that CIB, PBB and Wealth work together to offer solutions not only for the client, but also for their employees, their suppliers and service providers, and their shareholders. In April 2020, SBG launched a 'Digital Innovation Division' in order to accelerate the digitsation of the Group, and to develop and ultimately launch and operate new digital products and services. At the outset, the Digital Innovation Division will contain a small number of significant investments in disruptive digital products and services. This division will rely, to the extent possible, on fully automated processes and will be unhindered by legacy infrastructure. The division is intended to act as an 'internal disruptor' and to simultaneously enhance and accelerate existing streams of innovation. Its success will be measured by the number of minimum viable products ("**MVPs**") produced, speed of execution from MVP to launch, and the uptake of these new offerings by clients. Although operationally largely independent from the Group, the Digital Innovation Division remains entirely with the Group's risk appetite and subject to its risk management and compliance systems.

SBG encourages its employees to embrace innovation and continuous improvement. SBG is preparing employees for an increasingly digital business model through organising targeted training programmes in key areas. SBG's Employee Net Promoter Score ("**NPS**") in 2019 was +18, down from +23 in 2018, following restructuring and associated branch closures in South Africa.

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. SBSA contributed 61 percent of banking headline earnings in 2019 and Africa Regions (African countries other than South Africa) contributed 31 per cent. The top contributors to the Africa Regions' headline earnings were Angola, Ghana, Kenya, Mozambique, Nigeria and Uganda.

The key elements of the Group's strategy are as follows:

Personal & Business Banking

Radically redefine client experiences by understanding and delivering what matters most to clients

PBB aims to provide a single and complete connection with, and a personalised banking service for, every client. It is present in 15 African countries, with a large and diverse customer base. It offers banking and other financial services to individual clients, small and medium enterprises ("**SMEs**") as well as commercial entities including transactional products, mortgage lending, card products, vehicle and asset finance and lending products.

SBG measures PBB client satisfaction using a net promoter score. NPS indicates how likely a retail 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 2019, PBB South Africa's NPS score was 67, down slightly from 70 in 2018. This decline was largely driven by broad based front line introduction of universal bankers as well as branch closures undertaken across South Africa, to better respond to changing client banking patterns. PBB Africa Regions' NPS score was stable at 25, a high score by the standards of these markets.

As part of its strategy to acquire retail deposit accounts, PBB prices its account products competitively. For example, fee increases for personal customers have been kept below inflation and bundled transactional accounts are offered which provide a number of services for free such as electronic account payments and cash withdrawals at retailer till points. PBB's marketing has also focused on attracting retail transactional customers. In South Africa, PBB offers retail customers an attractive reward system, UCount, which allows customers to earn rewards which may have a financial value greater than their banking fees. In South Africa, the private, business and entrepreneur client segments are growing. In Africa, PBB is growing local currency current accounts, improving efficiency and cost management, and expanding access to digital channels.

SBG has introduced fully digital solutions for transactional banking (internet banking, mobile phone banking via text message, and smartphone banking via the app) in most countries in which it operates, and SBG actively encourages customers to switch from physical to digital channels. Digital services play an important role in expanding financial inclusion. Approximately 1.6 million people across South Africa use SBG's Instant Money product, for example, which enables mobile based banking transactions, without the need for a bank account.

PBB has an extensive physical presence, with 1,114 branches and 8,970 ATMs. It continues to reconfigure and rationalise physical branches in line with growing use of digital platforms and the corresponding decline in branch usage. 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 platforms. 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.

Corporate & Investment Banking

CIB is present in 20 sub-Saharan African countries and serves the banking, finance, trading, transactional, investment and advisory needs of a wide range of multinational companies, local and regional businesses, financial institutions, governments and state-owned enterprises.

It continues to maintain a market-leading position in corporate loans, deposits and trading in South Africa, and a strong market share across Africa Regions. It maintains its competitiveness against intensifying competition through innovation and deep local knowledge.

Organic Growth through client focus and capturing deal flow

CIB 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, with Global Markets contributing 42 per cent. of headline earnings, Investment Banking 33 per cent. and Transactional Products and Services 25 per cent.

CIB 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, and 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.

CIB has increased its competitiveness in local markets by enhancing its banking offering and strengthening local currency transactional banking capabilities. CIB continuously monitors and adjusts risk appetite to reflect changes in clients' operating environments and is selective in exposures to avoid excessive concentration. During 2019 CIB completed several landmark transactions including funding for multinationals and corporates to support growth in the oil and gas, power and infrastructure, real estate, consumer products, non-banking financial services and telecommunications sectors.

CIB uses a client satisfaction index ("**CSI**") to measure the extent to which its clients are satisfied with the service CIB provides. It is calculated using weighted scores for different dimensions, from response times to the effectiveness of client relationship managers. CIB's CSI in 2019 was 8.1 a slight increase from 8 in 2018 and 7.8 in 2017. In 2019, CIB achieved overall improvements in the Investment Banking experience and streamlined its credit process, with marginal improvements in Global Markets and Transactional Products and Services in Africa Regions, but continued to experience challenges in online channels and foreign payments, especially in South Africa. The highest CSI ratings were achieved in Botswana, Ghana and Uganda.

The CIB Client Engagement Model provides each client with a Client Service Team, which draws expertise from across SBG. CIB'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.

Wealth

Growing market share in Wealth segment

Wealth, together with Liberty, is an essential part of SBG's strategy to deliver integrated universal financial services to its clients. It provides short-term insurance, life insurance, investments/asset management, fiduciary services, specialised banking and multi-generational wealth preservation solutions for high net worth, retail, business and commercial, and corporate clients. It aims to provide an enhanced client value proposition and drive additional market share in SBG's target markets. SBG measures Wealth client satisfaction using a net promoter score. In 2019, Wealth improved overall NPS to +70, an increase from +68 in 2018.

SBG's Wealth services are available in 16 sub-Saharan African countries, with an international service offering through offices in London, Jersey, Isle of Man and Mauritius.

The Wealth business makes an important contribution to enhancing SBG's return on equity. It has seen continued growth in assets under management and achieved strong fund performance. Melville Douglas, a boutique investment management company within SBG 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 and domestic funds performance in the second quartile.

Life insurance and investment management is primarily provided through Liberty, which has over R738 billion in assets under management as per Liberty's 2019 Financial Statements.

Wealth focuses on client savings and wealth preservation. This informs the development of new products and advisory processes to help clients save and invest more effectively for their long term goals. In 2019, Retail clients invested more than R500 million in tax free investment accounts in South Africa, more than 11,200 staff members of corporate clients participated in financial education sessions organised by Wealth and over 1,000 Group employees participated in internal financial seminars entitled "Financial Fitness Academies". Wealth also launched a Behavioural Science Academy, to train employees on understanding clients' behaviours and needs.

Wealth and Liberty have collaborated to align strategy and targets and are successfully driving collaboration on Short Term Insurance capabilities and a High Net Worth banking solution for targeted customers.

In 2019, Wealth launched "Win Web", a digital platform for international clients, which provides access to client insights and allows Wealth to offer personalised advice. Wealth also launched the "My360" app which offers clients a consolidated view of their net worth across different financial service organisations and geographies.

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. Its award-winning Online Share Trading platform enables it to be a key player in the South African share trading market.

COMPETITIVE STRENGTHS

Market position in key products

As at 31 December 2019, SBSA was the largest subsidiary of SBG and the largest bank in South Africa (measured by assets), with a significant market share across a range of retail, commercial and investment banking products.

A universal financial services group with diverse revenue sources

As a universal bank, SBG is able to generate revenue from diverse sources including net interest income from its lending portfolio, fees and trading revenue from corporate advisory services, foreign exchange and derivatives, stock and bond trading, brokerage reserve and transactional services. It is well capitalised, with access to diverse and sophisticated liquidity sources for senior funding and capital requirements.

Loan portfolio performance

SBG's gross loans and advances to customers increased by 6 per cent. for the year ended 31 December 2019, compared to the previous year, of which PBB's advances to customers increased by 6 per cent. and CIB's advances to customers increased by 7 per cent. SBG's total loan portfolio to customers was R1,111 billion as at 31 December 2019, compared to R1,046 billion as at 31 December 2018. The Group's credit loss ratio for 2019 was 68 basis points, slightly beating its credit loss ratio target range of 70 to 100 basis points.

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.

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.

SBG's banking operation's principal business units are Personal & Business Banking, Corporate & Investment Banking and Wealth. A central support area, Central and other, provides support functions to the three principal divisions, as well as advisory services. Other banking interests is the Group's equity investments in ICBCS and ICBC Argentina. Liberty makes up the final pillar in the Group structure.

As at 31 December 2019, SBG's total assets amounted to R2,275,589 million (compared to R2,126,962 million as at 31 December 2018), an increase of 7 per cent. For the year ended 31 December 2019, SBG's profit for the year attributable to ordinary shareholders decreased by 7 per cent. to R25,443 million from R27,453 million for the year ended 31 December 2018.

For the year ended 31 December 2019, the Group delivered sustainable earnings growth and improved returns. The Group's performance was underpinned by the strength and breadth of its client franchise. Group headline earnings grew 1 per cent. to R28,207 million (compared to R27,865 million in 2018) and ROE decreased to 16.8 per cent., from 18.0 per cent. for the year ended 31 December 2018. The Group's capital position increased, with a common equity tier 1 ("CET1") ratio of 14.0 per cent. Banking activities headline earnings grew 5 per cent., to R27,216 million (compared to R25,847 million in 2018) and ROE decreased to 18.1 per cent., from 18.8 per cent., in 31 December 2018. Non-interest revenue ("**NIR**") continued to record good growth, driven by retail banking. Net interest income ("**NII**") growth was subdued, and credit impairment charges were higher, as a result of the growth in loan balances.

The following table shows selected financial information and ratios for SBG as at, and for the years ended, 31 December 2019 and 31 December 2018:

	31 December	
	2019	**2018**
Income statement		
Total income (Rm)	134,034	127,053
Headline earnings (Rm)	28,207	27,865
Profit for the year attributable to ordinary shareholders (Rm)	25,443	27,453
Statement of financial position		
Gross loans and advances (Rm)	1,216,346	1,156,232
Total assets (Rm)	2,275,589	2,126,962
Total liabilities (Rm)	2,066,105	1,927,899
Financial performance		
Banking activities		
Stage 3[1] loans (Rm)	46,928	44,193
Stage 3 credit impairment charge (Rm)	7,437	8,020
Stage 1 & 2[2] credit impairment charge (Rm)	639	(1,809)
Credit loss ratio (%)	0.68	0.56
Non-performing exposure ratio (%)	3.86	3.83
Return on equity (%)	18.1	18.8
Loans-to-deposit ratio (%)	81.7	81.6
**Cost-to-income ratio (%)	56.4	57.0

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

[2] Stage 1: SBG uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes). 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 2019 and 31 December 2018:

	Personal & Business Banking*		Corporate & Investment Banking*		Central and other*	
	31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018
	(Rm)		(Rm)		(Rm)	
Total assets	804,360	766,796	1,066,107	971,269	(33,815)	(33,730)
Profit for the year attributable to ordinary shareholders	16,575	15,530	11,613	10,925	(1,139)	(881)
Headline earnings	16,510	15,539	11,795	11,202	(1,089)	(894)

The following table shows the contribution of the different business lines within SBG as at, and for the years ended 31 December 2019 and 31 December 2018:

	Banking activities*		Other banking interests		Liberty[2]		SBG Total	
	31 December		31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Rm)		(Rm)		(Rm)		(Rm)	
Total assets	1,836,652	1,704,335	3,841	7,852	435,096	414,775	2,275,589	2,126,962
Profit for the year attributable to ordinary shareholders	27,049	25,574	(3,282)	418	1,676	1,461	25,443	27,453
Headline earnings	27,216	25,847	(864)	418	1,855	1,600	28,207	27,865

[2] 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 2019, it operated 1,114 branches and loan centres and 8,970 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 an 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 2019, PBB recorded profit for the year attributable to ordinary shareholders of R16,575 million, an increase of 7 per cent. compared to the year ended 31 December 2018.

PBB's headline earnings increased by 6 per cent. to R16.5 billion for the year ended 31 December 2019 (compared to R15.5 billion for the year ended 31 December 2018), supported by continued balance sheet and customer franchise growth. Total income amounted to R73.1 billion for the year ended 31 December 2019 compared to R69.4 billion in 2018. Credit impairment charges increased by 17 per cent. to R6.4 billion and the credit loss ratio was 89 basis points, as at and for the year ended 31 December

2019, compared to, respectively, R5.4 billion and a credit loss ratio of 81 basis points as at and for the year ended 31 December 2018. Costs were well managed resulting in an improved costs-to-income ratio of 59.2 per cent. from 60.4 per cent in 2018. ROE improved to 22.4 per cent. from 21.9 per cent. in 2018. NPS in South Africa was 67, and in Africa Regions was 25. Its Employee NPS was +16.

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. In response to this change in banking patterns, PBB elected to close 101 branches in South Africa.

Net interest income ("**NII**") of R44,116 million for the year ended 31 December 2019 constituted 60.4 per cent. of the PBB's total income (compared to R41,650 million and 60.0 per cent. for the year ended 31 December 2018), largely due to balance sheet growth coupled with a favourable change in product mix and marginally higher average interest rates in South Africa, alongside favourable endowment benefit in the offshore business, offset by negative endowment impact due to lower average interest rates in Africa Regions. Non-interest revenue ("**NIR**") for the year ended 31 December 2019 amounted to R28,984 million, an increase of 4 per cent. on the year ended 31 December 2018, largely attributed to higher digital transactional volumes, offset by the continued decline in traditional channel volumes and the imposition of regulatory fee caps within several countries in the Africa Regions.

Credit impairment charges for the year ended 31 December 2019 amounted to R6,360 million, an increase of 17 per cent. compared to R5,440 million for the year ended 31 December 2018, attributed to strong asset growth, along with increased defaults in certain portfolios related to the challenging economic climate in South Africa and Africa Regions.

Total operating expenses for the year ended 31 December 2019 amounted to R43,243 million, an increase of 3.2 per cent., compared to R41,906 million for the year ended 31 December 2018. This subdued growth was delivered through prudent cost management despite the significant restructuring activity which resulted in an improved costs- to-income ratio of 59.2 per cent. and positive jaws of 210 basis points compared to 60.4 per cent and negative jaws of 230 basis points respectively in 2018.

The following table presents a summary of PBB's main performance indicators for the years ended 31 December 2019 and 31 December 2018:

	31 December	
	2019	**2018***
	(Rm)	
Net interest income	44,116	41,650
**Non-interest revenue	28,984	27,777
Income from banking activities	**73,100**	**69,427**
Credit impairment charges	(6,360)	(5,440)
Net income before operating expenses	**66,740**	**63,987**
Operating expenses in banking activities	**(43,243)**	**(41,906)**
Staff costs	(15,043)	(14,533)
**Other operating expenses	(28,200)	(27,373)
Net income before capital items and equity accounted earnings	**23,497**	**22,081**
Share of profits from associates and joint ventures	325	325
Non-trading and capital related items	(69)	(22)
Net income before indirect taxation	**23,753**	**22,384**
Indirect taxation	(606)	(641)
Profit before direct taxation	**23,147**	**21,743**
Direct taxation	(5,802)	(5,530)
Attributable to non-controlling interest	(610)	(542)
Attributable to other equity instrument holders	(160)	(141)
Profit for the year attributable to ordinary shareholders	**16,575**	**15,530**
Headline earnings	**16,510**	**15,539**
Gross loans and advances	**737,655**	**701,237**
Total assets	**804,360**	**766,796**
Total liabilities	**724,782**	**689,771**

The following table presents selected ratios for PBB for the years ended 31 December 2019 and 31 December 2018:

	31 December	
	2019	**2018**
	(%)	
Credit loss ratio	0.89	0.81
Non-performing exposures ratio	5.2	4.9

The following table presents the non-performing loan ratios for PBB products for the years ended 31 December 2019 and 31 December 2018:

	31 December	
	2019	**2018**
	(%)	
Stage 3 exposure ratios:		
Mortgage loans	5.7	5.1
Vehicle and asset finance	4.5	3.9
Card debtors	4.3	5.6
Other loans and advances	4.9	4.9

Mortgage loans

Mortgage lending provides residential accommodation loans mainly to personal market customers. Gross mortgage loans increased by 4 per cent. for the year ended 31 December 2019 to R378,003 million compared to R362,006 million for the year ended 31 December 2018, constituting 55.1 per cent. of loans and advances by the PBB business unit compared to 55.7 per cent. for the year ended 31 December 2018. Improved performance within the mortgage loans portfolio resulted in a decrease in the credit loss ratio to 25 basis points for the year ended 31 December 2019 compared to 27 basis points for the year ended 31 December 2018, whilst credit impairment charges amounted to R923 million for the year ended 31 December 2019 compared to R940 million for the year ended 31 December 2018. For the financial year ended 31 December 2019, R21,670 million of gross mortgage loans (5.7 per cent. of gross mortgage loans) were impaired (compared to R18,417 million and 5.1 per cent. of gross mortgage loans for the financial year ended 31 December 2018).

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 2019, gross loans and advances in vehicle and asset finance amounted to R94,833 million compared to R89,410 million as at 31 December 2018, an increase of 6 per cent. The credit loss ratio for vehicle and asset finance increased to 106 basis point for the year ended 31 December 2019 from 94 basis point for the year ended 31 December 2018 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 2019, credit card debtors increased by 4 per cent. to R34,612 million compared to R33,216 million for the year ended 31 December 2018. The credit loss ratio for gross card debtors increased to 297 basis point as at 31 December 2019 from 293 basis point as at 31 December 2018.

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.

Corporate & Investment Banking 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 2019, CIB generated R39 billion in total income, R11,795 million in headline earnings and achieved an ROE of 18.1 per cent. Its cost to income ratio was 53.7 per cent., and credit loss ratio of 32 basis points. It reported 6 per cent. NII growth and 3 per cent. increase in NIR supported by strong balance sheet growth and higher client activities respectively in South Africa and Africa Regions.

CIB's profit for the year attributable to ordinary shareholders increased by 6.3 per cent. from R10,925 million for the year ended 31 December 2018 to R11,613 million for the year ended 31 December 2019. Sustained client revenue growth in 2019 was driven by strong growth in both average assets and liabilities in Africa Regions and South Africa. Gains from increased market volatility, accelerated growth in prime brokerage business and credit-linked note issuances further assisted revenue. Credit impairment charges increased to R1,590 million, a 52 per cent. increase from R1,049 million for the year ended 31 December 2018. The increase in credit impairment charges was largely due to a decrease in risk quality of the corporate portfolio in South Africa and impairment pressures in the Africa Region. Credit loss ratio increased to 32 basis points in 2019 from 16 basis points in 2018. A focus on cost management resulted in cost growth to 3.3 per cent. which led to an improved cost-to-income ratio of 53.7 per cent. and positive jaws of 128 basis points in 2019, compared to 54.4 per cent. and negative jaws of 489 basis points in 2018 respectively.

The value of CIB's total gross loans and advances amounted to R533,348 million as at 31 December 2019 compared to R510,683 million as at 31 December 2018, which represents 43.8 per cent. of SBG's total gross loans and advances as at 31 December 2019 compared to 44.2 per cent. as at 31 December 2018.

Global Markets

Global Markets comprises 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 comprise a comprehensive suite of cash management, international trade finance, working capital and investor services solutions.

Investment Banking

Investment banking comprises 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 2019 and 31 December 2018:

	31 December	
	2019	**2018**
	(Rm)	
Net interest income	20,329	19,191
Non-interest revenue	18,736	18,162
Income from banking activities	**39,065**	**37,353**
Credit impairment charges	(1,590)	(1,049)
Net income before operating expenses	**37,475**	**36,304**
Operating expenses in banking activities	**(20,985)**	**(20,315)**
Staff costs	(7,001)	(6,981)
Other operating expenses	(13,984)	(13,334)
Net income before capital items and equity accounted earnings	**16,490**	**15,989**
Share of profits from associates and joint ventures	2	102
Non-trading and capital related items	(189)	(385)
Net income before indirect taxation	**16,303**	**15,706**
Indirect taxation	(318)	(284)
Profit before direct taxation	**15,985**	**15,422**
Direct taxation	(2,285)	(2,249)
Attributable to non-controlling interest	(1,858)	(2,104)
Attributable to other equity instrument holders	(229)	(144)
Profit for the year attributable to ordinary shareholders	**11,613**	**10,925**
Headline earnings	**11,795**	**11,202**
Gross loans and advances	**533,348**	**510,683**
Total assets	**1,066,107**	**971,269**
Total liabilities	**991,954**	**903,066**

The following table presents selected ratios for CIB for the years ended 31 December 2019 and 31 December 2018:

	31 December	
	2019	**2018**
	(%)	
Credit loss ratio	0.32	0.16
Non-performing exposures ratio	1.5	1.9

The following table presents selected financial information for CIB's products for the years ended 31 December 2019 and 31 December 2018:

	31 December	
	2019	2018
Stage 3 exposures ratios (%):		
Corporate and sovereign lending	1.9	2.4
Bank lending	0	0
Credit loss ratios (%):		
Corporate and sovereign lending	0.40	0.21
Bank lending	0.05	-0.02
Gross loans and advances (Rm):		
Corporate and sovereign lending	425,427	398,691
Bank lending	107,921	111,992

Central and other

This segment includes costs associated with corporate functions, as well as the Group's treasury and capital requirements, and central hedging activities. In 2019, the segment recorded negative headline earnings of R1,089 million, 22 per cent. more than the prior year's negative headline earnings of R894 million.

Principal sources of SBG revenue

The table below presents the Group's sources of income for the years ended 31 December 2019 and 31 December 2018:

	31 December	
	2019	2018
	(Rm)	
Net interest income	62,919	59,505
Non-interest revenue	47,542	45,826
**Net fee and commission revenue	30,622	30,375
Trading revenue	12,075	10,799
Other revenue	4,089	3,863
Other gains and losses on financial instruments[1]	756	789
Total income from banking activities	**110,461**	**105,331**

[1] For further information on Other gains and losses on financial instruments, refer to page 70 of the SBG Annual Report.

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. SBSA is the largest bank in South Africa (measured by assets) as at 31 December 2019. SBSA is a wholly-owned subsidiary of SBG. SBSA is a universal bank providing retail, corporate, commercial and investment banking services to individuals and companies across South Africa. SBSA considers itself to be both a strong domestic bank, and a cross-border bank, integrated within SBG's operations and business. SBSA plays a fundamental role in positioning the Standard Bank Group to capitalise on the pace of growth in African markets. SBSA is the head office for SBG's African focus and provides the springboard for SBG's strategy: the capacities developed by SBSA's South African operations provide the foundation of knowledge and experience required in markets in sub-Saharan Africa. As SBG's largest operating entity, SBSA provides balance sheet capacity on which to book deals executed in support of SBG's African strategy. All references herein to "**SBSA Group**" are to SBSA and its subsidiaries.

As at 31 December 2019, SBSA Group had total assets of R1,480,746 million (compared to R1,360,262 million as at 31 December 2018) and had loans and advances of R1,026,242 million for the year ended 31 December 2019 (compared to R966,335 million for the year ended 31 December 2018). As at 31 December 2019, SBSA Group had headline earnings of R16,646 million (compared to R15,971 million as at 31 December 2018) and had profit for the year attributable to the ordinary shareholder of R16,398 million (compared to R15,695 million for the year ended 31 December 2018).

Originally founded in 1862, SBSA was a member of Standard Chartered Bank group ("**Standard Chartered**") until 1987. Since that time, SBSA has focused on consolidating its position as the premier universal bank in South Africa, while its parent company, SBG, has an operational footprint in 20 African countries. SBG is a leading African integrated financial services group offering a full range of banking, investment, insurance and related services. SBG's vision is to be the leading financial services organisation in, for and across Africa by delivering exceptional client experiences and superior value.

SBG was listed on the Johannesburg Stock Exchange ("**JSE**"), operated by JSE Limited in 1970 and owns a controlling stake in the South African-listed, wealth management group, Liberty Holdings Limited. SBG operates as four business units: (1) Personal & Business Banking, (2) Corporate & Investment Banking, (3) Wealth and (4) Liberty. SBSA is the largest operating subsidiary by total assets and income within the SBG and represents nearly all of SBG's South African operations in Personal & Business Banking, Wealth and Corporate & Investment Banking.

SBSA operates through three principal business lines:

(1) Personal & Business Banking SA;

(2) Corporate & Investment Banking SA; and

(3) Wealth.

Personal & Business Banking SA provides banking and other financial services to individual customers and small-to-medium sized enterprises, in particular, mortgage lending, vehicle and asset finance, card products, transactional products, lending products and wealth products. SBSA also provides mobile phone and internet banking services. For the year ended 31 December 2019, Personal & Business Banking SA recorded profits attributable to the ordinary shareholder of R12,372 million, constituting 75 per cent. of SBSA Group’s total profit for the year attributable to the ordinary shareholder (compared to R11,785 million and 75 per cent., respectively, for the year ended 31 December 2018). As at 31 December 2019, assets attributable to Personal & Business Banking SA constituted 40.7 per cent. of SBSA Group’s total assets (41.8 per cent. as at 31 December 2018).

Corporate & Investment Banking SA provides corporate and investment banking services to governments, parastatals, large corporates, financial institutions and multinational corporates and includes global markets, transactional products and services, client coverage and investment banking. Corporate & Investment Banking SA contributed 32 per cent. of SBSA Group’s profit for the year attributable to the ordinary shareholder for the year ended 31 December 2019 (compared to 27 per cent. for the year ended 31 December 2018) and constituted 58 per cent. of its total assets as at 31 December 2019 (compared to 57 per cent. as at 31 December 2018).

Wealth offers insurance, investment, and advisory capabilities to high net worth, retail, business and commercial and corporate clients.

SBSA is incorporated in South Africa as a limited liability company and operates under South African law. SBSA'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).

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. The Group manages its subsidiaries, across all geographies, on a legal entity basis in compliance with host country regulatory requirements. The businesses are structured along the Group's business unit basis (being PBB, CIB and Liberty) and as such SAHL acts merely as an investment holding company. 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 (listed on Namibia stock exchange on 15 November 2019) and Stanbic Bank Uganda. In 2019 SAHL increased its shareholding in Stanbic Holdings Plc (Kenya) to 69.15 per cent. from 69.05 per cent., while its shareholding in Stanbic IBTC Holdings PLC increased from 65.35 per cent. to 65.70 per cent. In November 2019, Standard Bank Namibia Holdings Limited's listing on the Namibia Stock Exchange resulted in SBG's shareholding decreasing from 100 per cent. to 84.5 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 2019, Africa Regions contributed 31 per cent. of SBG's headline earnings from banking activities compared to 31 per cent. in 2018 and 17 per cent. of SBG's total loans and advances compared to 17 per cent. in 2018.

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 2019 and 31 December 2018:

	31 December	
	2019	**2018**
	(Rm)	
Net interest income	19,277	18,028
Non-interest revenue	15,792	14,028
Total income	**35,069**	**32,056**
Credit impairment charges	(2,187)	(891)

Net income after credit impairment charges	**32,882**	**31,165**
Operating expenses	**(18,179)**	**(16,879)**
Staff costs	(8,824)	(8,428)
Other operating expenses	(9,355)	(8,451)
Net income before capital items and equity accounted earnings	**14,703**	**14,286**
Share of profits from associates and joint ventures	4	3
Non-trading and capital related items	190	5
Net income before indirect taxation	**14,897**	**14,294**
Indirect taxation	(607)	(570)
Profit before direct taxation	**14,290**	**13,724**
Direct taxation	(3,267)	(3,059)
Attributable to non-controlling interest	(2,524)	(2,639)
Profit for the year attributable to ordinary shareholders	**8,499**	**8,026**
Headline earnings	**8,420**	**8,025**
Net loans and advances	**197,484**	**189,507**
Total assets	**349,473**	**348,179**
Total liabilities	**297,824**	**301,483**

The following table presents select performance indicators of the Africa Regions, on a geographical basis, for the years ended 31 December 2019 and 31 December 2018:

	East Africa		**South & Central Africa**		**West Africa**		**Africa Regions legal entities**	
	31 December		**31 December**		**31 December**		**31 December**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	(Rm)		*(Rm)*		*(Rm)*		*(Rm)*	
Profit for the year attributable to ordinary shareholders	1,562	1,228	3,657	3,864	3,280	2,934	8,499	8,026
Headline earnings	1,561	1,228	3,579	3,858	3,280	2,939	8,420	8,025
ROE – invested equity (%)	17.0	17.2	20.7	24.7	23.1	27.5	20.7	24.0
ROE – equity calculated on SARB rules (%)	17.0	17.3	18.9	21.1	26.3	29.8	20.8	22.8

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

Recent Developments in the Africa Regions

A number of regulatory developments and changes have recently occurred in the Africa Regions, including:

- Increased regulatory capital requirements were introduced by central banks in the DRC, Mozambique, Zambia and Zimbabwe. In the DRC, Minimum Tier 1 requirements were planned to increase from USD 30m to USD 50m in December 2020. Due to the COVID-19 pandemic, implementation of the increases has been postponed to January 2022.

- Draft Regulations were issued in Nigeria introducing capital requirements for CET 1 and Tier 1 of 7 per cent. and 7.5 per cent. respectively, including a minimum leverage ratio of 4 per cent. and capital conservation buffer of 1 per cent..

- In Mozambique, minimum CAR is set to increase to 12 per cent. in June 2020. The central bank also increased mandatory reserves in foreign currency from 21 per cent. to 36 per cent. impacting funding.

- The central bank in Nigeria further decided to increase the minimum loan to deposit (LDR) to 60 per cent. in 2019 and to 65 per cent. in January 2020. An incentive which assigns a weight of 150 per cent. in respect of lending to SMEs, Retail, Mortgage and Consumer Lending was also introduced while failure to achieve the target attracts a levy of additional Cash Reserve Requirement (CRR) of 50 per cent. of the lending shortfall of the target LDR.

- The minimum Tier 1 capital requirements for the banking sector were revised to USD 30m effective December 2020 in Zimbabwe.

- Approximately 15 per cent. of regulatory updates in Africa Regions related to financial markets and predominantly originated in Nigeria. This may have been driven by the incidents and breaches noted in the prior year resulting in a surge of amendments to existing regulations. The Securities and Exchange Commission in furtherance of its investor protection and market development mandate to forestall, reduce and eventually eliminate the incidence of unclaimed dividends and to ensure that investors timeously receive the benefits accruing to their investments, introduced further information to be captured in respect of new clients. Information provided should be validated against the Nigerian Interbank Settlement Systems Limited BVN validation portal. No trade/transaction may be affected on any client/investor account without updated and validated KYC information.

- Further to the implementation of the Finance Act 2019, Dealing Members in Nigeria were required to note that as of January 2020, Value Added Tax (VAT) charged on commissions applicable to capital market transactions would increase from 5 per cent. to 7.5 per cent. Dealing Members is defined in the Nigerian Stock Exchange Rules as a member company of the Nigerian Stock Exchange that has been granted a licence by the Nigerian Stock Exchange to deal in stocks, shares and other securities listed on the Nigerian Stock Exchange. As a result of the implementation of the Finance Act 2019, Dealing Members are required to engage their software vendors for the amendment of their systems to reflect the increase in the VAT rate, and communicate to their clients. The Finance Act 2019 also seeks to promote fiscal equity by mitigating regressive taxation, reform domestic tax laws, introduce tax incentives for investment in infrastructure and support small businesses.

- In Botswana, banks have been required to obtain separate licensing for non-banking activities in terms of the Securities Act 2014. Banks without the requisite license have had to suspend all activities that relate to the non-banking activities until guided further by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA). Extensions to submit applications for licencing were made to NBFIRA, with industry discussions currently ongoing.

- Mozambique placed restrictions on foreign exchange trade and swaps. Further to Article 3 of Mozambique Notice 5/GBM/2019, (A) in connction with the purchase and sale of foreign currency, (i) the use of forward foreign exchange rates, and (ii) provisioning of accounts in foreign currency by conversion of funds arising from accounts denominated in the national currency, are each prohibited, and (B) the purchase and sale of foreign currency may only occur by applying the spot foreign exchange rate that is applicable at the moment of conversion.

- Consumer protection also continued to receive renewed regulatory attention, with the interrogation of banking fees structures. Angola introduced a 40 per cent. reduction in foreign currency withdrawal fees, card-based fees and commissions which impacted trading revenues commissions and revenue lines. Further fee reductions or moratoriums were noted in Eswatini

(18 months moratorium on bank charges, commissions and other non-interest fee increases); with regulatory approval required in Zambia to review product pricing.

- Several foreign exchange and exchange control updates were noted towards the end of the year, particularly in Angola, solidifying the intent to participate in cross-border trade and investments. The regulations primarily focus on (1) the rules and procedures applicable to the foreign exchange operations of the import and export of goods, and (2) the process for the formation of the primary markets and foreign exchange rates, that must be carried out by banking financial institutions, and the reporting thereof.

Other Banking Interests

Other Banking Interests recorded headline losses of R864 million. ICBCS recorded a loss of US$248 million for the year mainly due a single client loss of $198 million, coupled with restructuring costs and operating losses related to business operations of $50 million. The Group's 40 per cent. share thereof equated to R1,447 million. ICBC and the Group, as shareholders, have had robust discussions and made meaningful progress with ICBCS management, with regards to how best to put the business on a path to sustainable profitability.

ICBC Argentina delivered a strong performance, the headline earnings contribution from the group's 20 per cent. stake in ICBC Argentina increased 18 per cent. to R583 million. In September 2019, ICBC Argentina was reclassified as a non-current asset held for sale and therefore no longer equity accounted.

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, 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

As part of a strategy refresh exercise conducted during 2018, various cash-generating units were identified as either sub-scale or no longer applicable to Liberty's revised strategy. These cash-generating units were classified as disposal groups held for sale in 2018. The majority of these have now either been sold or are under agreements of sale subject to various conditions precedent being completed. One disposal group, namely the Group's health solutions operations is not under an agreement of sale, however, negotiations with prospective purchasers are ongoing. Management, supported by the board, continue to classify the health solutions disposal group as held for sale. Based on the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the assets and liabilities have been disclosed as disposal groups and are separately disclosed on the statement of financial position. The disposal groups are measured at the lower of carrying amount and fair value less costs to sell, which lead to various impairments. More detail on these disposal groups classified as held for sale is provided in Note 25 of the Liberty Holdings Limited 2019 Annual Financial Statements.

As at 31 December 2019, the ten largest shareholders in Liberty beneficially held 75.35 per cent. of LHL's ordinary shares. The following table sets out the ten largest shareholders as at 31 December 2019 and 31 December 2018:

	2019	2018
	% holding	**% holding**
Standard Bank Group Limited	53.62 %	53.62 %
Government Employees Pension Fund (PIC)	5.38 %	4.84 %
Citiclient Nominees NO 8 NY GW	3.78 %	
Liberty Group Limited #2	3.41 %	
BNYM AS AGT/CLTS BTG NON	1.90 %	
Lexshell Investments Pty Ltd	1.80 %	4.70 %
State Street Bank And Trust	1.63 %	
Liberty Group Restricted Share Trust	1.48 %	
JPMC-Vanguard BBH Lending Account	1.31 %	
SSBTC Clietn Omni Non Lux OM01	1.04 %	
Visio Capital Management		3.01 %
Dimensional Fund Advisors		2.38 %
Coronation Asset Management		1.99 %
BlackRock Inc		1.90 %
Arcadian Asset Management		1.84 %
The Vanguard Group Inc		1.63 %
Liberty Holdings		1.52 %
	75.35 %	**77.43 %**

Key financial information and ratios

The financial results reported are the consolidated results of the Group's 56 per cent. investment 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 earnings for the year ended 31 December 2019 increased by 10 per cent. compared to the prior year, driven by strong performances in STANLIB (South African Asset Management) and Africa Regions. The SIP earnings benefited from improved investment market returns, particularly in respect of foreign and local equities. SBG continues to support Liberty as it executes its remedial and recovery plan and by continuing to deepen the collaboration between its businesses. Liberty's IFRS headline earnings, after the adjustments for the impact of the Black Economic Empowerment entities' preference share income (profit or losses made on shares held within the Group which relate to Group entities, must be excluded per IAS 32) and the Liberty Two Degrees ("**L2D**") listed Real Estate Investment Trust accounting mismatch (an accounting mismatch arises on the consolidation of L2D in the group annual financial statements, resulting from the different measurement bases applied to L2D's assets (fair value)) versus Liberty Group Limited's policyholder liabilities (measured at the listed price of L2D shares)), increased to R3.3 billion from R2.6 billion in the prior year.

Headline earnings attributable to SBG, adjusted by R8 million for the impact of deemed treasury shares, were R1,855 million, 16 per cent. higher than in the prior year.

The tables below present a summary of the Liberty main performance indicators for the years ended 31 December 2019 and 31 December 2018:

Headline earnings per key business areas:

	31 December	
	2019	**2018**
	(Rm)	
South African Insurance operations	**1,986**	**1,954**
SA Retail (previously Individual Arrangements)	1,505	1,544
Liberty Corporate	85	34
LibFin Markets	396	376
South Africa Asset Management - STANLIB	**460**	**355**
Africa regions	**54**	**8**
Operations under ownership review	**(147)**	**(166)**
Central cost and sundry income	**(152)**	**(145)**
Normalised operating earnings	**2,201**	**2,006**
Shareholder Investment Portfolio (SIP)	1004	250
Normalised headline earnings	**3,205**	**2,256**
BEE preference shares income	(6)	(8)
Accounting profit and loss mismatch arising on consolidation of Liberty Two Degrees	55	397
IFRS headline earnings	**3,254**	**2,645**

Assets under management:

	31 December	
	2019	**2018**
	(Rm)	
Managed by group business units	**709**	**682**
STANLIB South Africa	568	529
STANLIB Africa	28	51
Remaining operations	18	19
Operations under ownership review	10	32
LibFin Markets	70	65
Other internal managers	43	37
Externally managed	**29**	**36**
Total assets under management	**738**	**718**
Continuing operations	728	686
Operations under ownership review	10	32

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 2019, Liberty was compliant in all material respects with the requirements of the Companies Act No. 71 of 2008, 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 2019, no material breaches were identified that require separate disclosure.

Capital adequacy risk

The new Insurance Act No. 18 of 2017 was effective from the 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	
	2019	**2018**
	(Rm)	
SBSA Group as consolidated into SBG	**16,706**	**16,021**
Africa Regions legal entities	**8,420**	**8,025**
Standard Bank Wealth International	**1,254**	**1005**
Other group entities	**836**	**796**
Standard Insurance Limited	467	494
SBG Securities	199	76
Standard Advisory London	48	75
Other[1]	122	151
Banking activities	**27,216**	**25,847**
Other banking interests	**-864**	**418**
ICBC Standard Bank Plc (40 per cent. shareholding)	(1447)	-74
ICBC Argentina (20 per cent. shareholding)[2]	583	492
Liberty	**1,855**	**1,600**
Standard Bank Group	**28,207**	**27,865**

[1] Included is the elimination of gains and losses on deemed IFRS treasury shares relating to client trading activities in SBG Securities of R18m (2018: R15m).

[2] In September 2019, ICBC Argentina was reclassified as a non-current asset held for sale and is no longer equity accounted.

Net asset value

	31 December	
	2019	**2018**
	(Rm)	
SBSA Group	**101,177**	**97,650**
Africa Regions legal entities	**41,864**	**38,690**
Standard Bank Wealth International	**6,924**	**5,553**
Other group entities	**5,699**	**4,467**
Standard Insurance Limited	1,885	1,618
SBG Securities	1,631	1,431
Standard Advisory London	621	613
Other[1]	1562	805
Banking activities	**155,664**	**146,360**
Other banking interests	**3,841**	**7,852**
ICBC Standard Bank Plc (40 per cent. shareholding)	2,645	6,463
ICBC Argentina (20 per cent. shareholding)	1,196	1,389
Liberty	**11,724**	**10,849**
Standard Bank Group	**171,229**	**165,061**

Employees

For the year ended 31 December 2019, the Group had 50,691 employees (compared to 53,178 employees for the year ended 31 December 2018). For the year ended 31 December 2019, 51 per cent. of the Group's employees worked in PBB (compared to 52 per cent. for the year ended on 31 December 2018) whereas 7 per cent. worked in CIB during the same period (compared to 7 per cent. for the year ended on 31 December 2018). For the year ended 31 December 2019, 11 per cent. of the Group's employees worked in Liberty (compared to11 per cent. for the year ended on 31 December 2018). The remaining 31 per cent. of employees worked in the Central and Other Services segment within the Group (compared to 30 per cent. for the year ended on 31 December 2018). The Group's eNPS (employee net promoter score) for the year 2019 was +18 compared to +23 in 2018.

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 executive committee 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 Code has formed the cornerstone of our approach to governance. The Group supports the overarching goals of King IV, namely ethical culture, good performance, effective control and legitimacy. The SBG Board is satisfied with the Group’s application of the principles of King IV. A statement on the Group’s application of the King IV 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 29 October 2020, the SBG Board comprised 17 directors, 11 of whom are independent non-executive directors, four 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
Thulani Gcabashe	Chairman, Independent, non-executive	2003
Jacko Maree	Deputy chairman, non-	2016
Maureen Erasmus	Independent, non-executive	2019
Geraldine Fraser-Moleketi	Independent, non-executive	2016
Trix Kennealy	Independent, non-executive	2016
Nomgando Matyumza	Independent, non-executive	2016
Kgomotso Moroka	Non-executive	2003
Nonkululeko Nyembezi	Independent, non-executive	2020
Martin Oduor – Otieno	Independent, non-executive	2016
André Parker	Independent, non-executive	2014
Atedo Peterside	Independent, non-executive	2014
Myles Ruck	Independent, non-executive	2002
John Vice	Independent, non-executive	2016
Lubin Wang	Non-executive director	2017
Sim Tshabalala	Executive director - Chief	2013
Arno Daehnke	Executive director – Group	2016
Xueqing Guan	Deputy chairman, non-executive	2020

Changes to the SBG's Board in 2020

Two new independent non-executive directors, Priscillah Mabelane and Nonkululeko Nyembezi were appointed to the SBG Board on 1 January 2020. Dr Xueqing Guan was appointed deputy chairman and non-executive director of SBG with effect from 1 August 2020. Dr Hao Hu, a non-executive director and deputy chairman, resigned from the SBG Board on 24 February 2020, Priscillah Mabelane resigned from the board on 31 July 2020 and Peter Sullivan retired from the board at the close of the group's Annual General Meeting on 26 June 2020.

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 curricula vitae of the members of the SBG Board are set out below.

CHAIRMAN AND DEPUTY CHAIRMAN				
Thulani Gcabashe / 62 *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	> BA (Botswana and Swaziland) > Master's degree in urban and regional planning (Ball State University, USA)	**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	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
Jacko Maree / 65 *Deputy chairman, SBG and non-executive director, SBG and SBSA* *Appointed:* 21 November 2016	> BCom (University of Stellenbosch) > BA and MA (politics and economics) (Oxford) > PMD (Harvard)	**Appointments held within the group**: > Liberty Holdings (chairman) > Liberty Group (chairman) **Other governing body and professional positions held**: > China Investment Corporation – International advisory council > Special Envoy on Investments to RSA **External directorships**: > Nelson Mandela Children's Hospital > Phembani Group **Previous roles**: > chief executive of the group for more than 13 years > senior banker focusing on key client relationships	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	> 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	GAC (chairman) GRCMC REMCO (chairman)	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE**:* None
EXECUTIVE DIRECTORS				
Sim Tshabalala / 52 *Group chief executive, SBG and executive director, SBSA* *Appointed:* 7 March 2013	> BA (Rhodes University) > LLB (Rhodes University) > LLM (University of Notre Dame, USA) > HDip Tax (University of Witwatersrand) > AMP (Harvard)	**Appointments held within the group**: > Stanbic Africa Holdings Limited > Liberty Holdings > Liberty Group > Tutuwa Community Holdings **Other governing body and professional positions held**: > Institute of International Finance > International Monetary Conference > Palaeontological Scientific Trust	GTIC GSEC GMAC LEC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE**:* None
Arno Daehnke / 53 *Group financial director, SBG and executive director, SBSA* *Appointed:* 1 May 2016	> 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

NON-EXECUTIVE DIRECTORS				
Maureen Erasmus / 60 *Independent non-executive director, SBG and SBSA* *Appointed:* 12 July 2019	> BCom (University of Cape Town)	**Other governing body and professional positions held**: > African Leadership Institute **External directorships**: > Credit Suisse (UK) > PSI Global Healthcare > Mizuho International Plc **Previous roles**: > UK partner, Bain & Company	REMCO GAC GRCMC	**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	> Master's degree in public administration (University of Pretoria) > Doctorate in Philosophy (Honoris Causa) (Nelson Mandela University) > Fellow of the Institute of Politics (Harvard)	**Other governing body and professional positions held**: > UN economic and social council, committee of experts of public administration (chairman) > Nelson Mandela University (chancellor) > Mapungubwe Institute for Strategic Reflection > Government Technical Advisory Centre Winter School Advisory Panel **External directorships**: > Exxaro Resources **Previous roles**: > special envoy on gender at African Development Bank Cote 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	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

Nomgando Matyumza / 57 *Independent non-executive director, SBG and SBSA* *Appointed:* 21 November 2016	> BCompt (Hons) (University of Transkei > LLB (University of Natal) > CA (SA)	**External directorships**: > Sasol > VW of South Africa (Pty) Ltd **Previous roles**: > deputy chief executive at Transnet Pipelines > non-executive director on the boards of Cadiz Limited, Transnet SOC Limited, Ithala Development Finance Corporation and WBHO and Hulamin	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	> BProc (University of the North) > LLB (University of the Witwatersrand)	**Other governing body and professional positions held**: > member of the Johannesburg Society of Advocates **External directorships**: > Kalagadi Manganese > Royal Bafokeng Platinum (chairman) > Temetayo (chairman) > Multichoice Group Limited > Multichoice South Africa Holdings > Netcare **Previous roles**: > non-executive director of South African Breweries	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 / 60 *Independent non-executive director, SBG and SBSA* *Appointed:* 1 January 2020	> BSc (Hons) (University of Manchester) > MSc (electrical engineering) (California Institute of Technology) > MBA (Open University Business School, UK)	**External directorships**: > JSE Limited > Anglo American Plc > Macsteel Service Centres South Africa (Pty) Limited **Previous roles**: > CEO and executive director of Ichor Coal N.V > CEO of ArcelorMittal South Africa > chairman of Alexander Forbes Group Holdings > non-executive director of Old Mutual	GRCMC GTIC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE**:* None
Martin Oduor-Otieno / 64 *Independent non-executive director, SBG and SBSA* *Appointed:* 1 January 2016	> 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)	**Other governing body and professional positions held**: > SOS Children's Villages International > fellow of the Institute of Certified Public Accountants (Kenya) **External directorships**: > GA Life Insurance Company > British American Tobacco Kenya > East African Breweries > Kenya Airways **Previous roles**: > CEO of the Kenya Commercial Bank Group > partner at Deloitte East Africa	GAC GSEC	**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	> Bachelor's degree in corporate finance (Fudan University) > Master's degree in accounting and finance (London School of Economics and Political Science)	**Other governing body and professional positions held**: > chief representative officer of ICBC African representative office **Appointments held within the group**: > ICBC Standard Bank Plc. **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	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
André Parker / 69 *Independent non-executive director, SBG and SBSA* *Appointed:* 14 March 2014	> BEcon (Hons) > MCom (University of Stellenbosch)	**External directorships**: > Distell > Empresas Carozzi (Chile) > Spur Corporation Limited **Previous roles**: > managing director, SAB Miller, Africa and Asia regions > chairman of Tiger Brands	DAC GTIC REMCO LEC	**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	> BSc (economics) (The City University, London) > MSc (economics) (London School of Economics and Political Science) > Owner/President Management Programme (Harvard)	**Other governing body and professional positions held**: > Endeavor High Impact Entrepreneurship (chairman) **External directorships**: > ANAP Holdings Ltd (chairman) > ANAP Business Jets Ltd (chairman) **Previous roles**: > founder and chief executive of the then IBTC > chairman of Stanbic IBTC Bank Plc	GAC GTIC REMCO DAC	**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:* 18 January 2002	> BBusSc (University of Cape Town) > PMD (Harvard)	**External directorships**: > The Bidvest Group Ltd **Previous roles**: > deputy chief executive of SBG > chief executive of the Liberty Group	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
John Vice / 68 *Independent non-executive director, SBG and SBSA* *Appointed:* 21 November 2016	> BCom > CTA (University of Natal) > CA (SA)	**External directorships**: >Anglo American Platinum **Previous roles**: > senior partner at KPMG Inc. where he headed the firm's audit practice, IT audit and IT consulting departments. member of the board of Zurich Insurance South Africa Limited	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
Dr Xueqing Guan 56 *Deputy chairman, SBG and non-executive director, SBG and SBSA*	Doctorate degree in economics (Southwestern University of Finance and Economics, China) Bachelor's degree (Sichuan Academy of Finance and Economics)	**Current role**: Board secretary of ICBC **Previous roles**: >Head of Suining Branch in Sichuan >Representative of Frankfurt Representative Office and Deputy General Manager of Frankfurt Branch > Deputy Head of Sichuan Branch > Deputy Head of Sichuan Branch and General Manager of Banking Department of Sichuan Branch > Head of Hubei Branch and Sichuan Branch > General Manager of Corporate Strategy and Investor Relations Department of ICBC	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

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 No. 71 of 2008 ("**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 South African Reserve Bank ("**SARB**") 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.

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 was originally set for 1 January 2022. The SARB has since revised the implementation date to 1 January 2023 with transitional arrangements for the phasing-in of the aggregate output floor from 1 January 2022 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, engaging the Prudential Authority (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. 71 of 2008 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 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 8.2 per cent. as at 31 December 2019 (compared to 8.1 per cent. as at 31 December 2018), 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 2019 and 31 December 2018, on a Basel III basis.

Basel III qualifying capital excluding unappropriated profits

	31 December	
	2019	2018
	(Rm)	
IFRS ordinary shareholder's equity	171,229	165,061
Qualifying non-controlling interest	5,611	5,451
Less: regulatory adjustments	(22,459)	(24,628)
Goodwill	(2,186)	(2,208)
Other intangible assets	(16,518)	(17,703)
Investments in financial entities	(5,833)	(8,616)
Other adjustments including IFRS 9 phase-in	2,078	3,899
Less: regulatory exclusions (unappropriated profits)	(14,159)	(11,643)
CET I capital	140,222	134,241
Qualifying other equity instruments	7,123	5,702
Qualifying non-controlling interest	636	385
Tier I capital	147,981	140,328
Qualifying Tier II subordinated debt	19,317	17,545
General allowance for credit impairments	2,685	2,776
Tier II capital	22,002	20,321
Total regulatory capital	**169,983**	**160,649**

Basel III risk-weighted assets and associated capital requirements

	RWA		Minimum capital[1]
	2019	2018	2019
	(Rm)		(Rm)
Credit risk (excluding counterparty credit risk (CCR))	**768,308**	**759,117**	**88,608**
Of which: standardised approach[2]	333,306	323,810	38,440
Of which: internal rating-based (IRB) approach	435,002	435,307	50,168
CCR	**31,912**	**27,338**	**3,680**
Of which: standardised approach for CCR	17,945	4,526	2,069
Of which: IRB approach	13,967	22,812	1,611
Equity positions in banking book under market-based approach	**5,700**	**3,282**	**657**
Securitisation exposures in banking book	**463**	**659**	**53**
Of which: IRB approach	268	466	31
Of which: IRB supervisory formula approach	195	193	22
Market risk	**75,383**	**70,479**	**8,694**
Of which: standardised approach	60,795	56,645	7,012
Of which: internal model approach (IMA)	14,588	13,834	1,682
Operational risk	**165,819**	**168,380**	**19,124**
Of which: standardised approach	89,090	97,427	10,275
Of which: advanced measurement approach (AMA)	76,729	70,953	8,849
Amounts below the thresholds for deduction (subject to 250% risk weight)	51,943	50,387	5,991
Total	**1,099,528**	**1,079,642**	**126,807**

[1] Measured at 11.5 per cent. (2018: 11.1 per cent.) and excludes any bank-specific capital requirements. There is currently no requirement for the countercyclical buffer add-on in SA. The impact on the group's countercyclical buffer requirement from other jurisdictions in which the group operates is insignificant (buffer requirement of 0.0329 per cent.).

[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 2019 and 31 December 2018 on a Basel III basis including phased-in and fully loaded post IFRS 9 implementation.

Capital Adequacy Ratios (Phased-in)[1,2]

	2019 SARB minimum regulatory requirement[3] %	Internal target ranges[4] %	Including unappropriated profits		Excluding unappropriated profits	
			2019	2018	2019	2018
			%	%	%	%
Total capital adequacy ratio	11.5	>15.0	16.7	16.0	15.5	14.9
Tier I capital adequacy ratio	9.3	>12.0	14.7	14.1	13.5	13.0
CET I capital adequacy ratio	7.5	11.0 - 12.5	14.0	13.5	12.8	12.4

Capital Adequacy Ratios (Fully Loaded)[5]

	2019 SARB minimum regulatory requirement[3] %	Internal target ranges[4] %	Including unappropriated profits		Excluding unappropriated profits	
			2019	2018	2019	2018
			%	%	%	%
Total capital adequacy ratio	11.5	>15.0	16.6	15.8	15.4	14.7
Tier I capital adequacy ratio	9.3	>12.0	14.5	13.6	13.2	12.6
CET I capital adequacy ratio	7.5	11.0 - 12.5	13.8	13.1	12.5	12.0

[1] Capital adequacy ratios based on the SARB IFRS 9 phased-in approach.

[2] Group including Liberty.

[3] Excludes confidential bank-specific add-ons.

[4] Including unappropriated profits.

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

Source: This information has been extracted from SBG's 2019 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 Prudential Authority ("**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. The PA is still to align 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**"). From 1 October 2020, the proposed PA implementation date, 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, to be implemented by 1 January 2021, the proposed PA implementation date, 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 is 1 January 2021. 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-GSIBs exposures.

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 credit valuation adjustment (CVA) risk;

(ii) risk-weighted assets (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.

In addition, the updated framework sets out new disclosure requirements (to be implemented 31 December 2020) on asset encumbrance and, when required by national supervisors at the jurisdictional level, on capital distribution constraints.

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.

Management believes that Group's overall technology stability is currently acceptable with significant volumes noted across the Group's digital offerings, with more than 145 million transactions per month with an approximate value of R96 billion processed across digital channels. SBG continues to invest in its technology security strategy and enhance its current capabilities. SBG sets security, recovery and business resumption as a key focus area, and regularly tests contingency procedures so that interruptions are minimised. This yielded a 28 per cent. decrease in material system stability incidents in South Africa, from 7 incidents in 2018 to 5 incidents in 2019. Material stability incidents in Africa Regions remained constant year on year with 14 incidents in 2018 and 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, budget, 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 21.

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 surveillance 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 financial services 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.

Executive management oversight for all risk types has been delegated by the Group executive committee to the Risk Oversight Committee (the "**ROC**") which, in turn, assists the RCMC to fulfil its mandate. As is the case with the RCMC, the ROC calls for and evaluates in-depth investigations and reports based on its assessment of the risk profile and external factors. The ROC is chaired by the Group Chief Risk Officer and delegates authority to various sub-committees which deal with specific risk types or oversight activities. Matters are escalated to the ROC, based on materiality, through reports or feedback from the sub-committee chairman. These sub-committees are the:

- Corporate and Investment Banking and Personal and Business Banking Credit Governance Committees (both subcommittees of the model approval committee);
- Asset and Liability Committee ("**ALCO**") (which also covers market risk);
- Compliance Committee;
- Country Risk Management Committee;

- Equity Risk Committee;
- Internal Financial Control Governance Committee;
- Operational Risk Committee;
- Sanctions and Client Risk Review Committee;
- Stress Testing and Risk Appetite Committee; and
- Recovery and Resolution Plan Committee.

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 implement 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 and stress testing

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.

Risk appetite is set, and stress testing activities are undertaken, at a Group level, in business units, in risk types and at a legal entity level.

The primary management level governance committee overseeing risk appetite and stress testing is the Group stress testing and risk appetite committee.

The principal governance documents are the risk appetite governance framework and the stress testing governance framework.

Risk appetite

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.

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.

Stress testing programme

The 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.

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.

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

STRATEGIC RISKS

Business Risk

Business risk is the risk of an unexpected variation in earnings, as a result of strategic choices and failed strategy execution, as well as unexpected external factors. This excludes the effects of market risk, credit risk, structural interest rate risk and operational risk.

Business risk is categorised as a strategic risk. Strategic risk is the risk that the Group's future business plans and strategies may be inadequate to prevent financial loss or protect the Group's competitive position and shareholder value.

Business risk is usually caused by:

- a poor choice of strategy in the form of products offered, market segments targeted, channels being operated and cost structures adopted;

- external factors such as pressures from unexpected economic and/or technological changes, decreased demand, increased competition or increases in costs; and/or

- group-specific causes, such as the decision to absorb costs or losses to preserve reputation and operational efficiency.

The Group mitigates business risk in a number of ways, including:

- reviewing its strategy, and business unit and legal entity plans;

- performing extensive due diligence during the investment appraisal process, in particular for new acquisitions and joint ventures;

- conducting detailed analyses of the business case for, and financial, operational and reputational risks associated with, disposals;

- applying new product processes per business line through which the risks and mitigating controls for new and amended business products and services are evaluated;
- stakeholder management to ensure favourable outcomes from external factors beyond the Group's control;
- monitoring the profitability of product lines and client segments;
- maintaining tight control over the Group's cost base, including the management of the Group's cost-to-income ratio, which allows for early intervention and management action to reduce costs;
- being alert and responsive to changes in market forces;
- maintaining a strong focus in the budgeting process on achieving headline earnings growth while containing cost growth; and building contingency plans into the budget that allow for costs to be significantly reduced in the event that expected revenues do not materialise;
- increasing the ratio of variable costs to fixed costs which creates flexibility to reduce costs during an economic downturn; and
- applying stress testing techniques to assess the resilience of planned earnings under macroeconomic downturn conditions.

The primary management level governance committee overseeing business risk is ALCO.

Reputation Risk

Reputation risk is the risk of potential or actual damage to the Group's reputation which may impair the profitability and sustainability of its business.

Reputation is understood as how stakeholders, including employees, clients, investors, counterparties, regulators, policymakers, and society at large, perceive the Group.

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 incidents.

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

The Group manages reputation risk from tactical and reactive, as well as strategic and proactive perspectives. Crisis management processes are designed to minimise the reputational impact of such events or developments. Crisis management teams are in place both at executive and business line levels. The Group addresses potential reputation risk by trying to ensure that the Group's perspective is fairly represented in the media. In addition, more 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.

The primary management level governance committee overseeing reputation risk is ROC.

The Group's code of ethics is an important reference point for all of its employees. The Group ethics officer and Group chief executive are the formal custodians of the code of ethics.

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 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 and social risk;
- technology risk;
- information risk;
- third-party risk;
- people risk;
- business disruption risk;
- compliance 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 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 will not rebut IFRS 9's 90 days past due rebuttable presumption.

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
- 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.

Exposures which are overdue for more than 90 days are also considered to be in default.

Please refer to the tables set out on pages 144 to 147 of the Group's 2019 annual financial statements with regard to the Group's maximum exposure to credit risk by credit quality as at 31 December 2019 and 31 December 2018.

Collateral

Please refer to the tables set out on pages 149 to 150 of the Group's 2019 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 2019 and 31 December 2018.

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* 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, 55 per cent. (compared to 56 per cent. in 2018) of exposures are fully collateralised. The R5.3 billion (compared to R4.5 billion in 2018) of retail accounts that lie within the 0 per cent. to 50 per cent. 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 per cent. to 100 per cent. collateral coverage category is 77 per cent. (compared to 79 per cent. in 2018).

Of the Group’s total exposure, 52 per cent. (compared to 57 per cent. in 2018) 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 the 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:

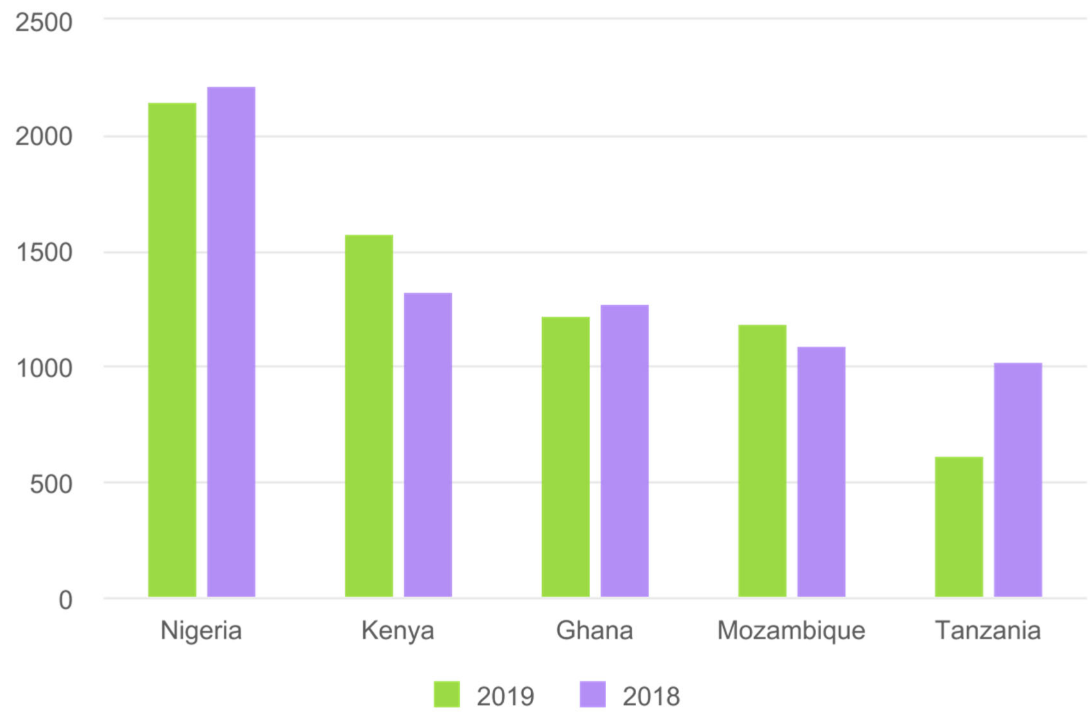
- political and commercial risk insurance;
- co-financing with multilateral institutions; and
- structures to mitigate transferability and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

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 2019 and 2018. 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 2019 and 31 December 2018. 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

	2019 Rbn	2017 Rbn
Eligible LCR HQLA[1] comprising:	**304.7**	301.3
Notes and coins	**16.5**	20.3
Balances with central banks	**37.1**	42.6
Government bonds and bills	**207.3**	194.4
Other eligible assets	**43.8**	44.0
Managed liquidity	**122.6**	83.8
Total contingent liquidity	**427.3**	385.1
Total contingent liquidity as a % of funding-related liabilities (%)	**29.1**	27.6

[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
2019						
Financial liabilities						
Derivative financial instruments	**64,724**	**6**	**612**	**254**	**2,500**	**68,096**
Instruments settled on a net basis	**40,298**	**6**	**500**	**197**	**2,454**	**43,455**
Instruments settled on a gross basis	**24,426**		**112**	**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**		**6,146**	**16,878**	**42,516**
Total	**1,004,616**	**335,846**	**38,134**	**35,336**	**274,451**	**1,688,383**
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**
2018						
Financial liabilities						
Derivative financial instruments[1]	49,586	(1)	(198)	(152)	(232)	50,169
Instruments settled on a net basis[1]	31,016	(1)	(111)	(53)	(146)	31,327
Instruments settled on a gross basis	18,570		(87)	(99)	(86)	18,842
Trading liabilities	61,267					61,267
Deposits and debt funding	912,296	63,412	154,403	80,128	195,352	1,405,591
Subordinated debt		58	411	6,594	15,901	22,964
Other		18,196				18,196
Total	1,023,149	81,665	154,616	86,570	211,021	1,558,187
Unrecognised financial liabilities						
Letters of credit and bankers' acceptances	17,802					17,802
Guarantees	85,576					85,576
Irrevocable unutilised facilities	77,253					77,253
Total	180,631					180,631

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 R1,393 billion in 2018 to R1,469 billion in 2019. The following table sets out the Group's funding-related liabilities composition as at 31 December 2019 and 31 December 2018.

FUNDING-RELATED LIABILITIES COMPOSITION[1]

	2019 Rbn	2018 Rbn
Corporate funding	**437**	418
Retail deposits[2]	**395**	378
Institutional funding	**324**	305
Interbank funding	**84**	88
Government and parastatals	**97**	86
Senior debt	**65**	59
Term loan funding	**37**	29
Subordinated debt issued	**23**	21
Other liabilities to the public	**7**	9
Total funding-related liabilities	**1469**	1393

[1] Composition aligned to Basel III liquidity classifications.

[2] Comprises individual and small business customers.

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 maintained increased levels of market risk throughout 2019 when compared to 2018 aggregate normal VaR and aggregate SVaR.

TRADING BOOK NORMAL VAR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum[1]	Minimum[1]	Average	Closing
	Rm	Rm	Rm	Rm
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**
2018				
Commodities risk	3	0	1	2
Foreign exchange risk	20	8	12	12
Equity position risk	12	2	6	8
Debt securities	33	12	17	20
Diversification benefits[2]			(10)	(16)
Aggregate	37	17	25	25

[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 2019 was R13.5billion (compared to R16.4 billion in 2018).

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 2019 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 in 2018 and 2019. Two exceptions occurred in 2019 (2018: two) for 95 per cent. VaR and zero exceptions (2018: zero) for 99 per cent. 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 CRO deem such investments to be subject to the consideration and approval by the Group ERC.

The table below illustrates sensitivity for all non-trading equity investments assuming a 10 per cent. shift in the fair value. The analysis is shown before tax.

MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value Rm	Fair value Rm	10% increase in fair value Rm
2019			
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**
2018			
Equity securities listed and unlisted	3,262	3,624	3,986
Listed		103	
Unlisted		3,521	
Impact on profit and loss	(356)		356
Impact on OCI	(7)		7

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 other comprehensive income ("**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	NGN	Other	Total
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	**30**	**9**	**3**	**0**	**4**	**46**
2018							
Total net long/(short) position	Rm	613	225	89	9	13	949
Sensitivity (ZAR depreciation)[1]	%	10	10	10	10	10	
Impact on profit or loss[2]	Rm	61	22	9	1	1	94

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

[2] SBG expanded the disclosure of its non-trading foreign currency sensitivity to include foreign operations. This resulted in a restatement of expected profit of R82m and an increase in net long foreign exchange positions by R852 million in 2018.

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 Limited ("**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 approximately 68 per cent. of the total gross written premium. The homeowners insurance product offering indemnifies, subject to any limits or excesses, the policyholder against loss or damage to their own property and business interruption arising from this damage. 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 years ended 31 December 2019 (the "**SBG 2019 Audited Financial Statements**") and 31 December 2018 (the "**SBG 2018 Audited Financial Statements**"), prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

The information relating to SBG's largest single depositor and top 10 depositors set out in the section headed "*Risk Factors – Volatility in capital or credit markets may impact the Group's ability to access liquidity and funding* " of the Risk Factors and Other Disclosure relating to The Standard Bank Group Limited ZAR 50,000,000,000 Domestic Medium Term Note Programme has been extracted from the SBG 2019 Risk and Capital Management Report and is unaudited. The information contained in the SBG 2019 Risk and Capital Management Report is unaudited unless stated as audited.

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 2019 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 years ended and as at 31 December 2019 and 31 December 2018 contained in this Issuer Disclosure Schedule have been extracted, respectively, from the audited financial statements (including the auditors' report thereon, notes and annexures thereto) of SBG in respect of the year ended 31 December 2019 (set out on pages 11 to 229 of the SBG 2019 Audited Financial Statements), and the audited financial statements of SBG in respect of the year ended 31 December 2018 (set out on pages 11 to 229 of the audited consolidated financial statements as at and for the year ended 31 December 2018 of SBG (the SBG 2018 Audited Financial Statements)). Financial information relating to SBG for the year ended 31 December 2018, as extracted from the SBG 2019 Audited Financial Statements, is provided on a restated basis.

In this Issuer Disclosure Schedule, financial information denoted by "*" indicates that where reporting responsibility for individual cost centres and divisions within business units changed, the segmental analysis comparative figures from 31 December 2018 have been reclassified accordingly.

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)	Negative
Moody's Investor Services			
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 39-40 above*

CONFLICT OF INTERESTS REGISTER

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

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