THE STANDARD BANK OF SOUTH AFRICA LIMITED

(Incorporated with limited liability on 13 March 1962 under Registration Number 1962/000738/06 in the Republic of South Africa)

as **Issuer**

ISSUER DISCLOSURE SCHEDULE RELATING TO THE STANDARD BANK OF SOUTH AFRICA LIMITED

This is the Issuer Disclosure Schedule relating to the following:

- *The Standard Bank of South Africa Limited ZAR 110,000,000,000 Domestic Medium Term Note Programme (the "**DMTN Programme**") applicable to all Notes issued under the Programme pursuant to the Programme Memorandum, as amended, updated and replaced from time to time (the "**DMTN Programme Memorandum**"); and*
- *The Standard Bank of South Africa Limited ZAR 60,000,000,000 Structured Note Programme (the "**Structured Note Programme**") applicable to all Notes issued under the Programme pursuant to the Programme Memorandum, as amended, updated and replaced from time to time (the "**Structured Note 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, as required under the Debt Listings Requirements in respect of the DMTN Programme Memorandum; and*
- *the register of conflicts of interests or confirmation that no conflicts of interests exist, as required under the Debt Listings Requirements in respect of the DMTN Programme Memorandum.*

Capitalised terms used in this Issuer Disclosure Schedule are defined in the section of the DMTN Programme Memorandum and/or the Structured Note Programme Memorandum, as applicable, headed

"*Terms and Conditions of the Notes*", unless separately defined or clearly inappropriate from the context.

DESCRIPTION OF THE STANDARD BANK OF SOUTH AFRICA LIMITED

OVERVIEW

The Standard Bank of South Africa Limited ("**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).

HISTORY

SBSA 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 SBSA'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, SBSA was formed and registered as a South African company, operating as a subsidiary of Standard Bank in London (subsequently to become Standard Chartered Bank plc).

SBSA is a wholly-owned subsidiary of SBG, formerly known as Standard Bank Investment Corporation Limited, which was established in 1969 as the holding company for SBSA. SBG continued as a member of Standard Chartered until 1987 when Standard Chartered plc sold its 39 per cent. ownership of SBG to Liberty Group Limited, transferring complete ownership of the holding company to local South African ownership.

CORPORATE STRUCTURE

The Group and relationship with SBSA

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.

SBG is the ultimate holding company of the SBG, which is South Africa's largest banking group by assets. SBG is a leading African integrated financial services group offering a full range of banking, investment and insurance and related financial services. SBG's strategic focus is on Africa, and SBG currently operates in 20 countries in sub-Saharan Africa.

The Group's competitive positioning as an African banking group which operates in a number of African countries and a strong resources focus gives Corporate & Investment Banking SA access to revenue opportunities beyond the borders of South Africa. It also provides commercial opportunities, experience, expertise, and intellectual capital from other SBG entities to Corporate & Investment Banking SA which both enhances the offering to clients and enables SBSA to better manage risk.

Investors should note that SBG is not a guarantor of, and will not guarantee, any Notes issued by SBSA under the DMTN Programme or Structured Note Programme, as the case may be. Investors sole recourse in respect of any Notes issued by SBSA is to SBSA.

SBG has four business units: Personal & Business Banking, Corporate & Investment Banking, Wealth and Liberty. SBSA represents nearly all of SBG's South African operations in Personal & Business Banking, Wealth and Corporate & Investment Banking and is the largest operating subsidiary by total assets and income within the Group.

Personal & Business Banking provides banking and other financial services to individual customers and to small-to-medium sized enterprises in South Africa, African markets and the Channel Islands.

Corporate & Investment Banking provides banking services to clients including governments, parastatals, larger corporates, financial institutions and multinational corporates.

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

Liberty provides life insurance and investment management solutions to individual customers, mainly in South Africa.

The following table sets out selected ratios and financial information in relation to SBG as at the dates indicated.

	31 December	
	2019	**2018**
Total headline earnings (Rm)	28,207	27,865
Dividends paid (Rm)	18,471	17,576
Total assets (Rm)	2,275,589	2,126,962
Loans and advances (Rm)	1,181,067	1,119,547
Non-performing exposure ratio	3.9	3.8
Return on equity (ROE) (%)	16.8	18.0
Credit loss ratio (%)	0.68	0.56
**Cost-to-income ratio (%)	56.4	57
Total capital adequacy ratio (phased in)[2] (%)	16.7	16.0
Tier 1 capital adequacy ratio (phased in)[2] (%)	14.7	14.1
Total capital adequacy ratio (fully-loaded) (%)	16.6	15.8
Tier 1 capital adequacy ratio (fully-loaded) (%)	14.5	13.6

1 *Banking Activities*

2 *After taking into consideration the SARB's three-year phase-in provision for IFRS 9 impairment deductions*

Source: The financial information and ratios presented above have been extracted from SBG's consolidated audited financial statements and analysis of financial results booklet as at and for the years ended 31 December 2019 and 31 December 2018.

The following table sets out selected ratios and financial information in relation to each of SBG's principal business units as at the dates indicated.

	Personal & Business Banking[1]		**Corporate & Investment Banking**		**Wealth**		**Liberty**	
	31 December		**31 December**		**31 December**		**31 December**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Headline earnings[2] (Rm)	16,510	15,539	11,795	11,202	3,583	3,145	1,855	1,600
Return on equity (ROE) (%)	22.4	21.9	18.1	19.3	35.0	38.0	16.5	15.2
**Cost-to-income ratio (%)	59.2	60.4	53.7	54.4	NA	NA	NA	NA
Credit loss ratio (%)	0.89	0.81	0.32	0.16	NA	NA	NA	NA
Third party funds under management (Rbn)	NA	NA	NA	NA	NA	NA	738	718

1 *Wealth financials included in Personal & Business Banking*

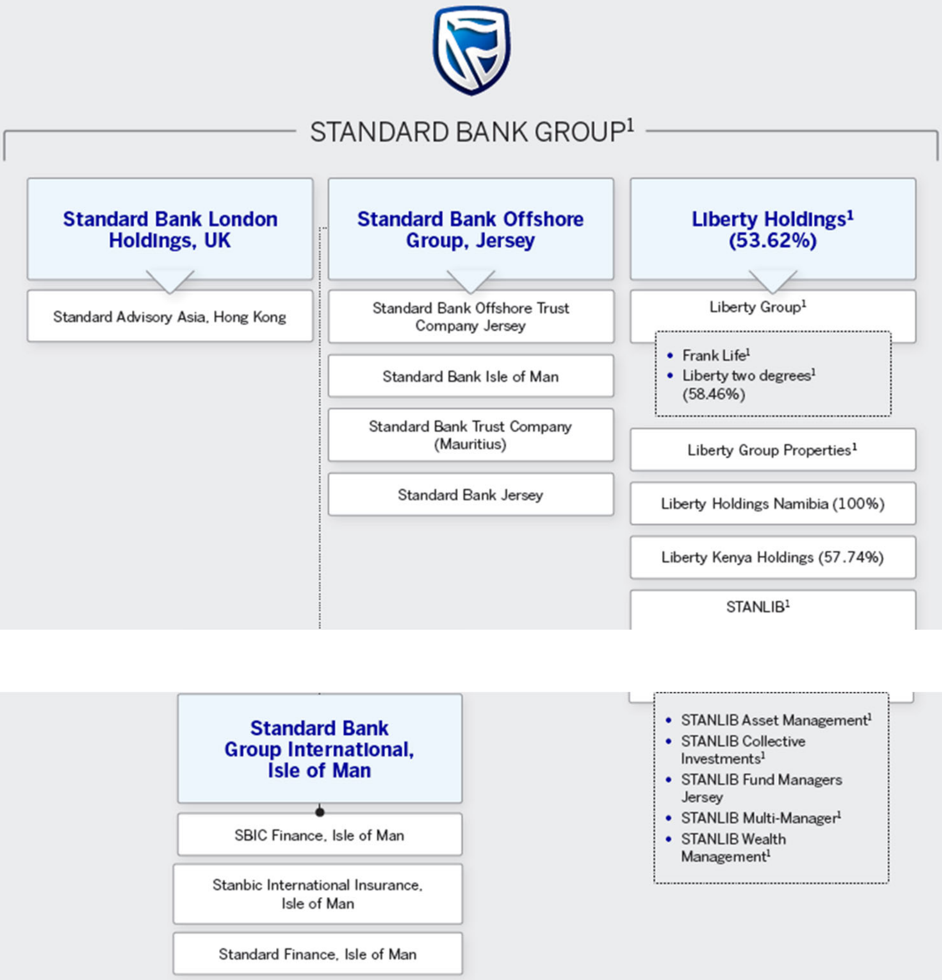
2 *For Liberty, the above represents headline earnings attributable to SBG*

Source: The financial information and ratios presented above have been extracted from SBG's consolidated audited financial statements and analysis of financial results booklet as at and for the years ended 31 December 2019 and 31 December 2018.

Share capital and ownership

SBSA's authorised share capital is 80,000,000 ordinary shares with a par value 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, SBSA had issued share capital of 59,997,133 ordinary shares of R1 each, all of which are owned by SBG. The chart below presents SBG's corporate structure as at 31 December 2019:

Standard Bank Group Limited



1 Incorporated in South Africa.
2 Following the listing of SBN Holdings Limited on the Namibian Stock Exchange in November 2019, SBG holds a legal shareholding of 74.9% but accounts for 84.47% of SBN Holdings Limited's attributable earnings as it retains control over the empowerment structure until 31 December 2019.
3 Stanbic Holdings Ghana was incorporated to take transfer of certain financial services operations in Ghana, including Stanlib Ghana, and it is the group's intention, subject to necessary regulatory approvals, for Stanbic Holdings Ghana to hold Stanbic Bank Ghana in due course. Standard Holdings Ghana completed the 100% acquisition of Stanlib Ghana from Liberty Holdings Limited in 2019.
4 Change in holding from 69.05% to 69.15%.
5 Change in holding from 65.35% to 65.70%.

The diagram above depicts principal subsidiaries only. A full list of the group's subsidiaries and consolidated structured entities is available at the company's registered office. The holding in subsidiaries is 100% unless otherwise indicated. The holding in subsidiaries is 100% unless otherwise indicated.

As at 31 December 2019, the ten largest shareholders in SBG beneficially held 43.1 per cent. of SBG's ordinary shares. The table sets out the ten largest shareholders of SBG as at 31 December 2019 and 31 December 2018.

	2019		2018	
	(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	12.3	199.7	12.3
Allan Gray Balanced Fund	26.2	1.8	29.7	1.8
Alexander Forbes Investments (prev. Investment	24.3	1.6	25.8	1.6
Old Mutual Life Assurance Company	20.6	1.5	23.8	1.5
Vanguard Emerging Markets Stock Index Fund	19.3	1.4	22.1	1.4
GIC Asset Management	31.3	1.3	21.0	1.3
Vanguard Total International Stock Index Fund	21.4	1.2	19.4	1.2
Abu Dhabi Investment Authority	13.2	1.0	7.5	0.5
Government of Norway	14.4	0.9	14.8	0.9
	710.7	**43.1**	**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 divides its business structure into three business pillars: (1) Personal & Business Banking, (2) Corporate & Investment Banking, and (3) Wealth, which provides insurance, investments, fiduciary, specialised banking and multi-generational wealth preservation solutions directly and in partnership with the SBG's subsidiary, Liberty Group. SBSA represents nearly all of SBG's South African operations in both Personal & Business Banking and Corporate & Investment Banking and is the largest operating subsidiary by total and assets and income within the SBG.

SBG's strategic focus is on Africa. SBG regards SBSA's business in South Africa as its core operation, from which SBG develops its strategic focus in Africa. As SBG's largest operating subsidiary by total assets and income, SBSA's balance sheet is an important resource for the SBG. Certain foreign currency transactions that are too large for the balance sheets of SBG's other operations are funded by SBSA. This increases capital utilisation in South Africa. SBSA therefore cannot be viewed as self-standing or directly comparable to some of its domestic competitors as it carries assets from entities outside South Africa on its balance sheet and bears costs on its income statement that are attributable to SBG as well as related revenues where applicable.

SBSA benefits from diverse revenue streams deriving from its universal bank model, which offers retail, commercial and investment banking activities and wealth solutions. SBSA serves the full value chain of customers in South Africa and covers the spectrum from basic to complex financial services, and from mass market to high net worth individuals, while maintaining high standards of customer service and ensuring that delivery channels are cost effective. SBSA's cost-to-income ratio was 60.2 per cent, from 60.3 per cent in 2018.

The key elements of SBSA's strategy by business unit are as follows:

Personal & Business Banking SA

Transition to a digital financial services business

In 2019, 99 per cent. of transactions by volume by SBSA customers were conducted digitally. As the digital revolution transforms the way people bank, SBSA is providing its clients with simpler, more efficient payment and banking products and services through integrated channels, including mobile banking. SBSA completed its core banking transformation programme in 2017. It has improved its mobile and web platforms to provide clients with faster, simpler responses and to create an integrated banking and investment experience. Two-thirds of clients on SBSA's mobile application use it on average four times a week.

As a result of the shift to digital solutions, fewer customers use physical branches. SBSA has digitised approximately 80 per cent. of personal and 50 per cent. of small business branch services. In 2019, SBSA closed 90 branches and, through an enhanced voluntary severance package, reduced related headcount by 1,001 people. Services offered at branches are increasingly oriented toward solving complex problems while continuing to offer everyday banking products.

SBSA's convenient digital banking options include, amongst others, Instant Money, a digital wallet and money transfer platform, which reflected increased transactional volumes in 2019 by 18 per cent. to 27 billion transactions, with a turnover of R20 billion. SnapScan and Shyft offer users greater convenience and cheaper transaction rates than branch or ATM options and are safe and secure. SnapScan is a mobile payments application, providing South Africans with a convenient way to securely pay with their phones. Shyft is a smartphone application and debit card. Shyft allows SBSA customers to buy, send and store foreign currency (USD, EUR, GBP or AUD), directly from their mobile phone. Cardless cash deposits allow customers to deposit cash at an ATM without using an ATM card. Targeted remittance products enable affordable transfers across national borders.

UCount, SBSA’s rewards programme, has provided redemptions and rewards of more than R2.8 billion since the programme's inception in November 2016, up until December 2019. Many clients earn rewards well in excess of the cost of their banking fees. As at 31 December 2019 there were 936,000 UCount clients compared with 863,000 clients as at 31 December 2018.

Use technology to improve efficiency, effectiveness and innovation

SBSA’s transition to a digital financial services business involved substantial updates to its IT architecture, systems and processes, and changes to front-end client services to encourage greater digital uptake. Many processes are being automated and artificial intelligence and machine learning are increasingly being used to deliver value to customers.

The core banking transformation allows teams to originate new accounts faster and simplify processes. It supports the integration of operations, providing real-time banking and a single view of clients. It also strengthens risk management, enabling SBSA to comply with new regulatory requirements. Other important benefits include a robust anti-money laundering system and improved systems availability and security. SBSA's new digital security capabilities include real-time fraud detection and enhanced behavioural analytics.

SBSA has a sourcing and scouting model to identify fintech companies with the potential to provide solutions to better serve customers and businesses, while an internal fintech working group is tasked with identifying suitable fintech partners. SBSA’s fintech investment portfolio includes utility providers, enhanced payment capabilities, lending businesses and technology providers.

SBSA prioritises the management of cyber risk and the security of client assets and it continues to invest in enhancing cyber resilience, including investing in improved capabilities to predict, prevent, detect and respond to cyber incidents. SBG's cybersecurity strategy and programme are aligned to security frameworks such as ISO27001, the US National Institute of Standards and Technology, the Information Security Forum's Standard of Good Practice for Information Security, and has been ratified by the Group Board. In 2019, the Group certified the Africa shared core banking platform against ISO27001. The Standard Bank Cyber Security Academy was launched in July 2019. The first cohort of 75 employees completed the programme at the end of 2019, gaining industry recognised accreditation from various security vendors.

Build excellence through engaged and committed people

SBSA remains focused on ensuring that its employees are committed to serving its clients, whether they deal with clients directly or support those who do. It provides best-practice people management and aims to create a workplace in which high performance is expected and recognised. SBSA supports continuous learning and development to ensure employees are equipped to meet the demands of a rapidly changing, increasingly digital business model. In 2019, 4,225 employees retrained as universal bankers to broaden their skills, in order to meet changing client needs. Approximately 1,500 employees enrolled in learnership programmes to build critical skills in areas including data analytics, IT, auditing and finance, and future skills such as data science, robotics, behavioural economics and cloud computing.

SBSA's management believe that engaged and committed people are crucial to delivering excellent client experiences. SBSA spent R645 million on staff training and development in 2019, compared to R710 million in 2018. This amounted to 2.7 per cent of staff costs. 30,980 SBSA employees participated in training programmes or courses in 2019 and 2,708 SBSA employees attended leadership development programmes.

SBG runs an annual group-wide employee survey. The "Employee Net Promoter Score" ("**eNPS**") for employees in South Africa fell from +23 to +14, largely in response to the uncertainty created by the restructuring of the PBB business in South Africa. Approximately 91 per cent. of employees in South Africa reported that they understood their contribution to the Group and 94 per cent. of employees said that they enjoyed good working relationships with their colleagues. 86 per cent. of employees in South Africa reported feeling proud of being associated with the company.

SBSA has made concerted efforts to transform its workforce to more closely reflect the demographics of the markets it serves: 89 per cent. of junior management, 73.2 per cent. of middle management, 49.1 per cent. of senior management and 44.2 per cent. of top management were black people (African, Indian or Coloured) as at 31 December 2019. Black females remain underrepresented in senior and top management roles and this remains a focus area. SBG has set a target to increase the representation of women in executive positions in SBSA from 35 per cent. in 2018 to 40 per cent. by 2021.

Corporate and Investment Banking SA

SBSA's South African Corporate and Investment Banking unit continues to maintain SBSA's current market-leading position and defend its franchise against intensifying competition through increased innovation and flexibility. SBSA aims to remain positioned and resourced to participate in banking, finance, trading, transactional, investment and meeting the advisory needs of a wide range of multinational companies and local and regional businesses, financial institutions, governments and state-owned enterprises.

Organic Growth through client focus and capturing deal flow

SBSA's client coverage model is the cornerstone of its strategy and defines how it offers value to clients. Under this model, each client is allocated a relationship manager who establishes a client service team with representatives across Corporate & Investment Banking SA and the other business units as necessary in order to develop a comprehensive understanding of its clients' needs and prospects and to provide them with integrated financial services solutions.

SBSA continues to support the expansion of many corporate clients into African markets beyond South Africa.

Prioritise the delivery of transformation and diversity

People are the critical success factor in SBSA's efforts to maintain excellent client service and SBSA continues to focus on attracting and retaining quality employees, who are appropriately resourced, developed and empowered to fulfil the commitments made to clients. SBSA has intensified its focus on transformation and diversity. Based on feedback received from employees about obstacles to creating an inclusive workplace environment in South Africa, SBSA has introduced numeric targets to hasten the transformation of Corporate and Investment Banking SA's culture and its demographic make-up.

Focus attention and resources on initiatives that will get the basics right

SBSA continues to refine its processes to ensure a seamless experience for its clients, whilst mitigating risk and increasing efficiency. In 2019, SBSA's client satisfaction index rose to 8.2 from 8.0 in 2018. The client satisfaction index is the measurement of SBSA's clients' levels of satisfaction with SBSA. Client interviews are conducted via an independent subcontractor and take the form of telephonic or email surveys that are based on a structured questionnaire.

Focus on growing market share in the Wealth segment

SBSA's view is that a substantial Wealth business comprising insurance, investments, fiduciary and specialised banking is an essential component of a customer-centric universal bank. Equally, in the current regulatory environment, the Wealth business makes an important contribution to enhancing SBSA's return on equity and diversifying SBSA's earnings. SBSA Wealth works in partnership with Personal & Business Banking SA, Corporate and Investment Banking SA and Liberty to market wealth products and services through their distribution channels to their customers; and shares the Group's support functions to achieve economies of scale. The strategy is executed through a client-focused operating model which was implemented in 2016 and is now fully embedded. The model uses data analysis and servicing and distribution capabilities to enable a deeper understanding of clients' behaviours and needs. Based on this knowledge, teams develop innovative products and channels and customised portfolios that are comprehensive, transparent and best suited to the individual needs of clients. There is a significant opportunity for SBSA to generate growth from its Wealth activities. During 2019, Wealth won numerous awards, including Best Private Bank for Customer Service in South Africa from The Banker, and Best Global Equity Fund in South Africa at the Morningstar Awards.

COMPETITIVE STRENGTHS

SBSA believes that it has the following competitive strengths:

Market position in key products

SBSA offers a wide range of retail, commercial and investment banking products and is one of the four major South African banks. According to the SARB BA 900 Filings as at 31 December 2019, in the 5 product categories tracked by the SARB, SBSA held a market share of 28.8 per cent. of mortgage lending at 31 December 2019 (compared to 29.1 per cent. as at 31 December 2018), 18.7 per cent. of vehicle and asset finance at 31 December 2019 (compared to 19.0 per cent. as at 31 December 2018), 25.1 per cent. of card debtors at 31 December 2019 (compared to 26.1 per cent. as at 31 December 2018), 20.6 per cent. of other loans and advances as at 31 December 2019 (compared to 21.8 per cent. as at 31 December 2018) and 22.6 per cent. of deposits at 31 December 2019 (compared to 22.3 per cent. as at 31 December 2018). According to the SARB BA 900 Filings as at 31 December 2019, SBSA's market share in mortgage loans and corporate priced deposits are the largest of the four major South African banks.

Diverse revenue sources

As a universal bank, SBSA is able to generate revenue from diverse sources including net interest income from its lending portfolio, fees and trading profits from corporate advisory services, foreign exchange and derivatives, stock and bond trading, brokerage reserve and transactional services.

Loan portfolio performance

SBSA Group's credit loss ratio increased slightly to 57 basis points in 2019 from 56 basis points in 2018. While SBSA's stage 3 loan coverage ratio decreased to 47 per cent. in 2019 from 53 per cent. in 2018, SBSA's non-performing loans as a percentage of total loans remained constant at 3.6 per cent. for both 2019 and 2018. Credit impairment charges increased by 3 per cent. to R5.7 billion (compared to R5.6 billion in 2018). Included in the credit impairment charge for the year ended 31 December 2019 is the release of interest in suspense for pre-legal and cured loan balances. Partially offsetting this, are net credit impairments releases of R238 million being recognised on financial investments and off-balance sheet exposures.

Experienced management team

SBSA's senior management has experience both at SBSA and at other institutions throughout the banking industry. SBSA'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.

Position within Standard Bank Group

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.

The Group's competitive positioning as an African bank which operates in a number of African countries and strong resources-focus gives Corporate & Investment Banking SA access to revenue opportunities beyond the borders of South Africa. It also provides commercial opportunities, experience, expertise, and intellectual capital from other Group entities to Corporate & Investment Banking SA which both enhances the offering to clients and enables SBSA to better manage risk.

BUSINESS OF SBSA

Introduction

SBSA is a universal bank providing retail, corporate, commercial and investment banking services to individuals and companies across South Africa. SBSA has a broad franchise and is active in almost all banking markets in South Africa.

SBSA's principal business units are Personal & Business Banking SA, Corporate & Investment Banking SA and Wealth. A central support area (Other services) provides support functions to the two principal divisions, as well as advisory services.

As at 31 December 2019, the SBSA Group's total assets amounted to R1,480,746 million (compared to R1,360,262 million as at 31 December 2018), an increase of 8.9 per cent. For the year ended 31 December 2019, SBSA Group's profit for the year attributable to the ordinary shareholder increased by 4.5 per cent. to R16,398 million from R15,695 million for the year ended 31 December 2018.

For the year ended 31 December 2019, SBSA Group's total income increased by 2 per cent. to R71,503 million, driven by a 4 per cent. increase in net interest income driven by strong balance sheet growth which was supported by an increase in personal lending disbursements, favourable change in products and higher average interest rates, partly offset by increased funding costs. Overall non-interest revenue remained relatively consistent at R29,922 million for the year ended 31 December 2019 (compared to R29,987 million for the year ended 31 December 2018). Net fee and commission revenue decreased marginally to R20,991 million for the year ended 31 December 2019 (compared to R21,185 million for the year ended 31 December 2018), driven by the decline in transactional volumes as customers continued to migrate to digital platforms, in particular the SBG mobile app. SBG mobile app active users increased 55 per cent. to 2.0 million and the value of transactions executed via SBSA's mobile banking platform increased 46 per cent. to R382 billion. Instant Money continued to gain traction with customers; transactional volumes increased 18 per cent. to 26.7 million. Trading revenue for the year ended 31 December 2019 decreased by 1 per cent. driven by decreased foreign exchange and interest rates revenue attributed to the lack of volatility relative to 2018 and divergence of long- and short-term bond rates as well as lower commodity trading revenue as a result of reduced gains from commodity price movements. Other revenue for the year ended 31 December 2019 increased by 8 per cent. compared to the previous financial year, supported by an increase in gross written premium income in insurance driven by annual price increases and a shift in the portfolio to higher cover products and increased rental revenue from growth in the vehicle and asset finance fleet (VAF) portfolio. Other gains and losses decreased by 14 per cent. as a result of mark-to-market fair value adjustments on loans measured at fair value, coupled with the reduction of this portfolio.

Credit impairment charges for the year ended 31 December 2019 increased to R5.7 billion, a 3 per cent. increase from the year ended 31 December 2018 of R5.5 billion. The growth in credit impairment charges was largely driven by the deterioration of risk grades of corporate clients in South Africa. The elevated credit impairments for PBB was on the back of strong balance sheet growth particularly within unsecured lending.

Disciplined cost management resulted in low operating expenses growth of 2 per cent. despite the incurrence of costs on account of branch reconfigurations.

The following table shows selected ratios for SBSA Group as at, and for the years ended, 31 December 2019 and 31 December 2018:

	31 December	
	2019	**2018**
Income statement		
Total income (Rm)	71,503	69,818
Headline earnings (Rm)	16,646	15,971
Profit for the year attributable to ordinary shareholders (Rm)	16,398	15,695
Statement of financial position		
Gross loans and advances	1,054,048	995,603
Total assets	1,480,746	1,360,262
Total liabilities	1,374,029	1,259,062
Financial performance		
Total gross carrying amount of default exposures	38,107	36,266
Total impairment charges for loans and advances[1] (Rm)	5,962	5,425
Total Stage 1 and 2 credit impairment charge (Rm)	306	(900)
Total Stage 3 credit impairment charge (Rm)	5,656	6,325
Credit loss ratio (%)	0.57	0.56
Stage 3 exposures ratio (%)	3.6	3.6
Return on equity (%)	16.9	16.7
Loans - to- deposit ratio (%)	86.6	87.2
**Cost -to - income ratio (%)	60.2	60.3

[1] *Includes post write-off recoveries and modification gains and losses.*

The following table shows the contribution of the different divisions within SBSA Group to its major financial indicators as at, and for the years ended, 31 December 2019 and 31 December 2018:

	Personal & Business Banking SA*		**Corporate & Investment Banking SA***		**Other Services***	
	31 December		**31 December**		**31 December**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	(Rm)		*(Rm)*		*(Rm)*	
Total assets	602,044	568,997	866,061	775,940	12,641	15,325
Profit for the year attributable to the ordinary shareholder	12,372	11,785	5,258	4,314	(1,232)	(404)

Personal & Business Banking SA

SBSA Group's Personal & Business Banking SA business unit offers individual customers and small and medium enterprises a wide range of banking, investment and other financial services in South Africa. Products offered include mortgage lending, vehicle and asset finance, lending products, card products to individuals and small and medium sized businesses, transactional products, as well as wealth and bancassurance products.

At 31 December 2019, it operated 528 branches and loan centres and 6,678 ATMs and ANAs (Automated Notes Acceptors) across South Africa. It also provides mobile phone and internet banking services which are an important part of providing convenient access to banking and related products.

For the year ended 31 December 2019, Personal & Business Banking SA recorded profit for the year attributable to ordinary shareholders of R12,372 million, an increase of 5.0 per cent. compared to the year ended 31 December 2018. Net interest income of R32,489 million for the year ended 31 December 2019 constituted 61.9 per cent. of the division’s total income (compared to R31,394 million and 61.8 per cent. for the year ended 31 December 2018), Non-interest revenue for the year ended 31 December 2019 amounted to R20,031 million, an increase of 3 per cent. compared to the year ended 31 December 2018, largely due to higher volumes of electronic banking transactions, particularly relating to ATM usage as well as "Instant Money and Business Online" transactions. Credit impairment charges for the year ended 31 December 2019 amounted to R5,039 million, an increase of 11.2 per cent. compared to the year ended 31 December 2018, attributed to strong asset growth and increased defaults as a consequence of the challenging economic climate in South Africa. Total operating expenses for the year ended 31 December 2019 amounted to R30,283 million, an increase of 1.6 per cent.

The following table presents a summary of Personal & Business Banking SA's main performance indicators for the years ended 31 December 2019 and 31 December 2018.

	31 December	
	2019	**2018**
	(Rm)	
Net interest income	32,489	31,394
**Non-interest revenue	20,031	19,446
Total income	**52,520**	**50,840**
Credit impairment charges	(5,039)	(4,532)
Net income before operating expenses	**47,481**	**46,308**
Operating expenses	**(30,283)**	**(29,804)**
Staff costs	(10,144)	(9,825)
**Other operating expenses	(20,139)	(19,979)
Net income before capital items and equity accounted earnings	**17,198**	**16,504**
Share of profits from associates and joint ventures	37	36
Non-trading and capital related items	(73)	(46)
Net income before indirect taxation	**17,162**	**16,494**
Indirect taxation	(345)	(391)
Profit before direct taxation	**16,817**	**16,103**
Direct taxation	(4,281)	(4,177)
Attributable to non-controlling interest	(4)	0
Attributable to other equity instrument holders	(160)	(141)
Profit for the year attributable to ordinary shareholders	**12,372**	**11,785**
Headline earnings	**12,427**	**11,819**
Gross loans and advances	**595,041**	**562,600**
Total assets	**602,044**	**568,997**
Total liabilities	**545,960**	**513,857**

The following table presents selected ratios for Personal & Business Banking SA's for the years ended 31 December 2019 and 31 December 2018.

	31 December	
	2019	2018
	(%)	
Credit loss ratio	0.88	0.83
Stage 3 Exposures	5.6	5.3

The following table presents the stage 3 exposures ratios for Personal & Business Banking SA's products for the years ended 31 December 2019 and 31 December 2018.

	31 December	
	2019	2018
	(%)	
Stage 3 Exposures ratios:		
Mortgage loans	5.5	4.9
Vehicle and asset finance	4.4	3.7
Card debtors	4.3	5.6
Other loans and advances	7.5	7.6

Mortgage loans

Mortgage lending provides residential accommodation loans to individual customers. Gross mortgage loans increased 4.3 per cent. for the year ended 31 December 2019 to R357,182 million (compared to R342,511 million for the year ended 31 December 2018), constituting 60.0 per cent. of loans and advances by the Personal & Business Banking SA business unit compared to 60.9 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 0.20 per cent. for the year ended 31 December 2019 (compared to 0.24 per cent. for the year ended 31 December 2018), whilst credit impairment charges amounted to R711 million for the year ended 31 December 2019 (compared to R784 million for the year ended 31 December 2018). For the financial year ended 31 December 2019, R19,477 million of gross mortgage loans (5.5 per cent. of gross mortgage loans) are categorised as Stage 3 (compared to R16,899 million and 4.9 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, finances vehicles and equipment to the business market and fleet solutions. As at 31 December 2019, gross loans and advances in vehicle and asset finance amounted to R84,948 million (compared to R79,343 million as at 31 December 2018), an increase of 7.0 per cent. The credit loss ratio for vehicle and asset finance increased to 0.99 per cent. for the year ended 31 December 2019 from 0.72 per cent. for the year ended 31 December 2018.

Card debtors

SBSA provides credit card facilities to individuals and businesses (credit card issuing) and merchant transaction acquiring services (card acquiring). The credit card product has been an important aspect of SBSA's strategic focus on the emerging middle-class consumer segment in South Africa. SBSA 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, SBSA's credit card debtors increased by 4.3 per cent. to R34,010 million (compared to R32,608 million for the year ended 31 December 2018). The credit loss ratio for gross card debtors decreased to 2.96 per cent. as at 31 December 2019, from 2.98 per cent. as at 31 December 2018 largely due to card issuing turnover as a result of higher customer utilisation following increases in credit limits.

Transactional products

Transactional products provides a comprehensive suite of transactional, savings, investment, trade, foreign exchange, payment and liquidity management solutions 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 and business markets. The business markets lending offerings constitute a comprehensive suite of lending products, structured working capital finance and commercial property finance solutions.

Wealth (including bancassurance) products

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

Corporate & Investment Banking SA

The Corporate & Investment Banking SA business unit comprises four main product groupings, namely: Global Markets, Transactional Products and Services, Investment Banking and Client Coverage.

Corporate & Investment Banking SA offers a wide range of corporate and investment banking services including global markets, banking and trade finance, investment banking and advisory services. This business unit's clients include governments, parastatals, larger corporates, financial institutions and multinational corporates in South Africa and sub-Saharan Africa.

Corporate & Investment Banking SA's profit for the year attributable to the ordinary shareholder increased by 21.9 per cent. from R4,314 million for the year ended 31 December 2018 to R5,258 million for the year ended 31 December 2019. Non interest revenue decreased by 3.57 per cent. during 2019 impacted by a highly competitive market combined with a low growth environment. Credit impairment charges decreased by 33.2 per cent. during 2019 as a result of impairments released on off balance sheet exposure. Operating expenses increased by 2.17 per cent. to R13,252 million for the year ended 31 December 2019.

The value of the total gross loans and advances amounted to R458,846 million as at 31 December 2019 (compared to R432,035 million as at 31 December 2018), which represents 43.5 per cent. of SBSA's total gross loans and advances as at 31 December 2019 (compared to 43.4 per cent. of SBSA's total gross loans and advances 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 SA division’s main performance indicators for the years ended 31 December 2019 and 31 December 2018.

	31 December	
	2019	**2018**
	(Rm)	
Net interest income	10,413	9,268
Non-interest revenue	10,024	10,395
Total income	**20,437**	**19,663**
Credit impairment charges	(685)	(1025)
Net income after credit impairment charges	**19,752**	**18,638**
Revenue sharing agreements[1]	(614)	(722)
Operating expenses	**(13,252)**	**(12,970)**
Staff costs	(4,507)	(4,357)
Other operating expenses	(8,745)	(8,613)
Net income before capital items and equity accounted earnings	**5,886**	**4,946**
Share of profits from associates and joint ventures	2	93
Non-trading and capital related items	(189)	(343)
Net income before indirect taxation	**5,699**	**4,696**
Indirect taxation	(141)	(148)
Profit before direct taxation	**5,558**	**4,548**
Direct taxation	(71)	(90)
Attributable to non-controlling interest	0	0
Attributable to other equity instrument holders	(229)	(144)
Profit for the year attributable to ordinary shareholders	**5,258**	**4,314**
Headline earnings	**5,403**	**4,561**

Gross loans and advances	**458,846**	**432,035**
Total assets	**866,061**	**775,940**
Total liabilities	**814,392**	**727,707**

[1] *Revenue sharing agreements are agreements that allow for the sharing of income with other SBG companies*

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

	31 December	
	2019	**2018**
	(%)	
Credit loss ratio	0.20	0.21
Stage 3 exposure ratio	1.0	1.6

The following table presents selected financial information for Corporate & Investment Banking SA's products for the years ended 31 December 2019 and 31 December 2018.

	31 December	
	2019	**2018**
Stage 3 Exposure ratios (%):		
Corporate and sovereign lending	1.2	2.1
Bank lending		
Credit loss ratios (%):		
Corporate and sovereign lending	0.25	0.28
Bank lending	0.010	
Gross loans and advances (Rm):		
Corporate and Sovereign Lending	372,103	337,851
Bank Lending	86,743	94,184

LOAN PORTFOLIO

Introduction

The SBSA Group extends advances to the personal, commercial and corporate sectors as well as to the public sector. Advances to individuals are mostly in the form of mortgages, vehicle and asset finance, card lending and overdrafts. A significant portion of SBSA's advances to commercial and corporate borrowers consist of advances made to companies engaged in manufacturing, finance and service industries.

As at 31 December 2019, SBSA Group’s total net loans and advances to customers amounted to R1,054,048 million (compared to R995,603 million as at 31 December 2018), an increase of 6 per cent.

Expected credit losses on loans and advances amounted to R27,806 million for the year ended 31 December 2019, a decrease of 5 per cent. from the year ended 31 December 2018.

Loan portfolio by category of loans and advances

The following table sets out the composition of SBSA's advances by category of loan or advance as at 31 December 2019 and 31 December 2018.

	31 December	
	2019	**2018[1]**
	(Rm)	
Loans and advances measured at fair value through profit or loss	**161**	**968**
Net loans and advances measured at amortised cost	**1,026,081**	**965,367**
Gross loans and advances measured at amortised cost	**1,053,887**	**994,635**
Mortgage loans	357,182	342,511
Vehicle and asset finance	84,948	79,343
Card debtors	34,010	32,608
Corporate and sovereign lending	372,103	337,851
Bank lending	86,743	94,184
Other loans and advances	118,901	108,138
Credit impairments for loans and advances	**(27,806)**	**(29,268)**
Net loans and advances	**1,026,242**	**966,335**
Comprising:	1,054,048	995,603
Less: credit impairments	(27,806)	(29,268)

1 *Restated. During the year, the SBSA Group and SBSA revised the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector.*

Loan portfolio by industry sector

The following table sets out the composition of SBSA's advances by industry sector as at 31 December 2019 and 31 December 2018.

	31 December	
	2019	**2018[1]**
	(Rm)	
Segmental analysis – industry		
Agriculture	26,106	22,216
Construction	8,574	9,228
Electricity	22,540	16,629
Finance, real estate and other business services	304,214	323,095
Individuals[2]	485,896	424,854
Manufacturing	55,897	54,307
Mining	29,539	25,367
Transport	37,359	30,089
Wholesale	57,474	46,664
Other services	26,449	43,154
Gross loans and advances	**1,054,048**	**995,603**

1 *Restated. During the year, the SBSA Group and SBSA revised the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector.*

2 *Includes mortgages.*

Geographical concentration of loans

The following table sets out the distribution of SBSA's loans and advances by geographic area where the loans are recorded as at 31 December 2019 and 31 December 2018.

	31 December	
	2019	**2018**
Segmental analysis by geographic area	*(Rm)*	
South Africa	891,100	826,350
Sub-Saharan Africa	81,544	69,693
Other countries	81,404	99,560
Gross loans and advances	**1,054,048**	**995,603**

[1] *Restated. During the year, the SBSA Group and SBSA revised the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector.*

Credit impairments for loan and advances

The tables below present a reconciliation of the credit impairments for loans and advances for the years ended 31 December 2019 and 31 December 2018.

	31 December	
	2019	**2018[1]**
	Rm	
Opening Expected Credit Losses ("ECL") - 1 January	29,268	28,171
Net ECL raised and released	6,898	6,058
Impaired accounts written off	(11,017)	(7,473)
Exchange and other movements	2,657	2,512
Closing ECL - 31 December	**27,806**	**29,268**
Comprising:		
Stage 1 ECL	3,931	4,671
Stage 2 ECL	5,908	5,133
Stage 3 ECL	17,967	19,464
	27,806	**29,268**

[1] *Restated. During the year, the SBSA Group and SBSA revised the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector.*

The table below sets out a segmental analysis of stage 3 loans and advances by industry as at 31 December 2019 and 31 December 2018.

	31 December	
	2019	**2018[1]**
	(Rm)	
Segmental analysis of specific impairments by industry		
Agriculture	858	671
Construction	833	716
Electricity	61	467
Finance, real estate and other business services	1,430	1448
Individuals	13,121	11,813
Manufacturing	697	1173
Mining	109	145

Transport	211	390
Wholesale	481	2515
Other services	166	126
	17,967	**19,464**

1 *Restated. During the year, the SBSA Group and SBSA revised the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector.*

Credit portfolio characteristics and metrics

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 SBSA's master rating scale. SBSA 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 SBSA's master rating scale. These ratings are mapped to probability of default **("PDs")** by means of calibration formulae that use historical default rates and other data from the applicable Person & Business Banking SA portfolios. SBSA 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

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

- where, in SBSA'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).

SBSA does 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 the 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; or

- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

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

GOVERNANCE OVERVIEW

SBSA's governance framework is derived from SBG's governance framework, which in turn is based on principles in the King Report on Corporate Governance for South Africa (King IV). This governance framework enables the board of directors of SBSA (the "**SBSA Board**") to balance its role of providing risk oversight and strategic counsel with ensuring adherence to regulatory requirements and risk tolerance. The SBSA Board is ultimately responsible for governance. The chairman is an independent non-executive and the roles of chairman and chief executive are separate. The board composition is both qualitatively and quantitatively balanced in terms of skills, demographics, gender, nationality, experience and tenure. There is a clear division of responsibilities ensuring that no one director has unfettered powers in the decision-making process.

The board has delegated certain functions to its committees in line with its governance framework. This enables the board to allocate sufficient time to all matters within its sphere, including execution of strategy and forward-looking agenda items. Each committee has a mandate, which the SBSA 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 SBSA Board's committees include the directors' affairs committee; audit committee; risk and capital management committee; and SBSA large exposure credit committee. The SBSA Board monitors oversight over compliance through its board committees. The board has delegated the management of the day-to-day business and affairs of SBSA to the Chief Executive. The executive committee assists the chief executive, subject to statutory parameters and matters reserved for the SBSA Board.

Board of Directors

As at 29 October 2020, SBSA is managed by one independent non-executive chairman, four non-executive directors, three executive directors and 10 independent non-executive directors.

The members of the SBSA Board as at the date of this Issuer Disclosure Schedule are listed below:

Name	**Title**	**Year Joined SBSA Board**
Thulani Gcabashe	Chairman, Independent, non-executive	2003
Jacko Maree	Non-executive	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	2006
John Vice	Independent, non-executive	2016
Lubin Wang	Non-executive director	2017
Lungisa Fuzile	Chief executive, SBSA	2018
Sim Tshabalala	Executive Director	2008
Arno Daehnke	Executive Director	2016
Xueqing Guan	Non-executive	2020

Changes to the SBSA's Board in 2020

Two new independent non-executive directors, Priscillah Mabelane and Nonkululeko Nyembezi were appointed to the SBSA Board on 1 January 2020. Dr Xueqing Guan was appointed non-executive director of SBSA with effect from 1 August 2020. Dr Hao Hu, a non-executive director, resigned from the SBSA 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 SBSA's Annual General Meeting on 27 May 2020.

The business address of the members of the SBSA Board is SBSA'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 SBSA Board are set out below.

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

EXECUTIVE DIRECTORS				
Sim Tshabalala / 52 *Group chief executive, SBG and executive director, SBSA*	> BA(Rhodes University) > LLB (Rhodes University)	**Appointments held within the group:** > Stanbic Africa Holdings Limited	GTIC GSEC GMAC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt**

Appointed: 7 March 2013	> LLM (University of Notre Dame, USA) > HDip Tax (University of Witwatersrand) > AMP (Harvard)	> Liberty Holdings > Liberty Group > Tutuwa Community Holdings **Other governing body and professional positions held:** > Institute of International Finance > International Monetary Conference > Palaeontological Scientific Trust	LEC	**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)	DAC GRCMC GSEC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None

		> Mapungubwe Institute for Strategic Reflection > Government Technical Advisory Centre Winter School Advisory Panel **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.		
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*	> BCom (University of Pretoria) > BCom (Hons) (University of Johannesburg)	**External directorships:** > Sasol	GAC (chairman) GRCMC REMCO (chairman)	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing**

Appointed: 21 November 2016		**Previous roles:** > chief financial officer of the South African Revenue Service > chief operating officer of ABSA corporate and business bank		**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	GRCMC GTIC	**Details of any events as contemplated in paragraph 4.10(b)(ii)-(xii) of the Debt Listing Requirements of the JSE:*** None

		> CEO of ArcelorMittal South Africa > chairman of Alexander Forbes Group Holdings > non-executive director of Old Mutual		
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	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

The board of SBSA has the same membership as that of SBG, except for Lungisa Fuzile, Chief executive, SBSA.

Lungisa Fuzile / 54 Chief executive, SBSA *Appointed:* 2018	MCom (Natal), AMP (Harvard)	**Appointments held within the Group:** > The Standard Bank Tutuwa Community Foundation Other governing body and professional positions held: > Business Leadership South Africa > The Banking Association of South Africa **Previous roles:** > Director general – National Treasury	LEC GMAC GSEC	**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

All of the directors of SBSA, with the exception of Lungisa Fuzile, are also directors or prescribed officers of SBG and they therefore also owe duties in that capacity to SBG as well as to SBSA. Since the directors of SBSA are also directors of SBG, it is unlikely but possible that decisions made by the directors which are in the best interests of SBG and/or the Group taken as a whole may not in every case be in the best interests of SBSA.

In addition, Myles Ruck, Arno Daehnke, Jacko Maree and Sim Tshabalala serve as directors of subsidiaries of SBG other than SBSA. These directors therefore also owe duties in that capacity to those companies as well as to SBSA. It is possible that the duties which these persons owe to those companies may potentially conflict with their duties to SBSA.

SBSA engages in transactions with some of entities in the Group, including transactions in the ordinary course of business.

SBSA's approach to managing compliance risk, including identifying and managing conflicts of interest, is proactive and premised on internationally-accepted principles of risk management. Its compliance risk management is a core risk management function and is overseen by the Group chief compliance officer. SBSA's compliance framework is based on the principles of effective compliance risk management as outlined in the Banks Act and recommendations from international policy-making bodies. SBSA is also subject to, and complies with, the applicable requirements of the South African Companies Act, 2008 (the "**Companies Act**") relating to potential conflicts of interest. These requirements include, amongst other things, an obligation on directors to file with the Group company secretary a list of all of their directorships and to declare the nature of any conflict of interest before the relevant matter is considered by the SBSA Board.

In addition, any director with a personal financial interest in any matter presented for consideration by the SBSA Board has to comply with section 75 of the Companies Act which provides, among others, that if a director of a company has a personal financial interest in respect of a matter to be considered at a meeting of the SBSA Board or knows that a related person has a financial interest in the matter, the director must disclose the interest and its general nature before the matter is considered and must not take part in the consideration of the matter. Such director is recused from the meeting.

Directors disclose their outside business interests as a standing agenda item at each meeting. Directors do not participate in the meeting when the board considers any matters in which they may be conflicted and are excused from the meeting. In compliance with the provisions of the Companies Act, the group 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.

EMPLOYEES

For the year ended 31 December 2019, the SBSA Group had 29,578 employees (compared to 31,662 employees for the year ended 31 December 2018). For the year ended 31 December 2019, approximately 57.2 per cent. of SBSA's employees worked in the Personal & Business Banking SA segment of SBSA (compared to 57.3 per cent. for the year ended on 31 December 2018) whereas 8.6 per cent. worked in the Corporate & Investment Banking SA segment during the same period (compared to 8.4 per cent. for the year ended on 31 December 2018); the remaining 34.2 per cent. of employees worked in the central and other services segment within SBSA (compared to 34.3 per cent. for the year ended on 31 December 2018).

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

SBSA 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. SBSA has a statement of business standards with which it expects its employees to comply, it encourages involvement of employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment.

COMPETITION

Competitors

As at 31 December 2019, there were 13 locally controlled banks, 5 foreign controlled banks, 4 mutual banks, 17 local branches of foreign banks and 30 foreign banks with approved representative offices in South Africa. According to the SARB BA 900 report for 31 December 2019, the banking sector in South Africa had total assets of R5.9 trillion as at 31 December 2019. SBSA's principal competitors are ABSA Bank Limited, FirstRand Bank Limited, and Nedbank Limited. Apart from SBSA, these represent the largest banks in South Africa. The following table sets out total assets and capital and reserve for each as at 31 December 2019.

	Total assets	Capital & reserves
	(Rm)	
ABSA Bank Limited	1,150,154	121,840
FirstRand Bank Limited	1,253,669	99,428
Nedbank Limited	1,048,122	98,449
The Standard Bank of South Africa Limited	1,410,421	106,717

Source: BA 900 filings – SARB, 31 December 2019

SBSA operates in a highly competitive environment. The economic pressures experienced in developed economies have caused banks based in those jurisdictions to seek out growth opportunities within South Africa. As banks in developed economies are often able to benefit from lower costs of funding, this has resulted in greater competition for SBSA within South Africa and other emerging markets.

CAPITAL ADEQUACY

SBSA's capital management function is designed to ensure that regulatory requirements are met at all times and that SBSA is capitalised in line with its risk appetite and target ranges, both of which are approved by the SBSA 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 SBSA'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.

SBSA adopted IFRS 9 - Financial Instruments ("**IFRS 9**") from 1 January 2018. SBSA elected to adopt a three-year transition period, amortised on a straight-line basis, as provided by the SARB Directive 5/2017. IFRS 9 had a small impact on the SBSA'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 arose 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 SBSA is, through relevant industry bodies, engaging the Prudential Authority (PA) on the South African implementation of the proposals.

SBSA 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 and related 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 basis:

- 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. SBSA's leverage ratio inclusive of unappropriated profit was 5.9 per cent. as at 31 December 2019 (compared to 5.9 per cent. as at 31 December 2018), in excess of the SARB minimum requirement of 4 per cent.

The following table sets out SBSA'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 shareholders' equity	45,248	44,448
Retained earnings	55,086	52,321
Other reserves	841	881
Less: regulatory adjustments	(12,588)	(12,420)
Goodwill	(42)	(42)
Other intangible assets	(13,561)	(14,337)
Deferred tax assets	(1)	(11)
Other adjustments including IFRS 9 phase-in	1,016	1,970
Less: regulatory exclusions (unappropriated profits)	(9,912)	(11,966)
CET I capital	78,675	73,264
Qualifying other equity instruments	5,475	3,504
Tier I capital	84,150	76,768
Qualifying Tier II subordinated debt	20,431	18,580
General allowance for credit impairments	852	781
Less: regulatory adjustments - investment in Tier II instruments in other banks	(2,557)	(3,187)
Tier II capital	18,726	16,174
Total regulatory capital	**102,876**	**92,942**

Basel III risk-weighted assets and associated capital requirements

	RWA		Minimum capital requirements1
	2019	2018	2019
	(Rm)		(Rm)
Credit risk (excluding counterparty credit risk (CCR))	**482,537**	**481,951**	**55,596**
Of which: standardised approach[2]	45,673	39,602	5,262
Of which: internal rating-based (IRB) approach	436,864	442,349	50,334
CCR	**25,430**	**24,370**	**2,930**
Of which: standardised approach for CCR	11,370	1,902	1,310
Of which: IRB approach	14,060	22,468	1,620
Equity positions in banking book under market-based approach	**2,327**	**1,125**	**268**
Securitisation exposures in banking book	**463**	**658**	**53**
Of which: IRB approach	463	465	53
Of which: IRB supervisory formula approach		193	
Market risk	**46,770**	**50,720**	**5,389**
Of which: standardised approach	32,182	36,886	3,708
Of which: internal model approach (IMA)	14,588	13,834	1,681
Operational risk	**99,434**	**97,563**	**11,457**
Of which: standardised approach	22,705	26,610	2,616
Of which: advanced measurement approach (AMA)	76,729	70,953	8,841
Amounts below the thresholds for deduction (subject to 250% risk weight)	12,610	12,999	1,453
Total	**669,571**	**669,386**	**77,146**

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 0.0216 per cent.).*

2 *Portfolios on the standardised approach relate to 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 SBSA'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]

	2019 SARB minimum regulatory requirement[2] %	Internal target ratios[3] %	Including unappropriated profits 2019 %	Including unappropriated profits 2018 %	Excluding unappropriated profits 2019 %	Excluding unappropriated profits 2018 %
Total capital adequacy ratio	11.5	>15.0	16.8	15.7	15.4	13.9
Tier I capital adequacy ratio	9.3	>12.0	14.0	13.3	12.6	11.5
CET I capital adequacy ratio	7.5	11.0 - 12.5	13.2	12.7	11.7	10.9

Capital Adequacy Ratios (Fully Loaded)[4]

	2019 SARB minimum	Internal target	Including 2019 %	Including 2018 %	Excluding 2019 %	Excluding 2018 %
Total capital adequacy ratio	11.5	>15.0	16.8	15.7	15.4	13.9
Tier I capital adequacy ratio	9.3	>12.0	13.8	12.9	12.4	11.2
CET I capital adequacy ratio	7.5	11.0 - 12.5	13.0	12.4	11.5	10.6

	2019 SARB minimum regulatory requirement[2]	Internal target ratios[3] %	Including unappropriated profits 2019 %	Including unappropriated profits 2018 %	Excluding unappropriated profits 2019 %	Excluding unappropriated profits 2018 %
Total capital adequacy ratio	11.5	>15.0	16.8	15.7	15.4	13.9
Tier I capital adequacy ratio	9.3	>12.0	13.8	12.9	12.4	11.2
CET I capital adequacy ratio	7.5	11.0 - 12.5	13.0	12.4	11.5	10.6

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

2 *Excludes confidential bank-specific add-ons.*

3 *Including unappropriated profits.*

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

Source: This information has been extracted from Annexure G of the SBG 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 also 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 Regulations Relating to Banks, and Banks in South Africa have thus adopted the Basel III accord. The 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, the SBG utilises AIRB measures and principles wherever possible. Further, the 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. Furthermore, the SBG also has approval from the PA 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 are 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 SBSA'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, whatever the source, 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 LCR (being phased-in from 1 January 2015) and the Net Stable Funding Ratio ("**NSFR**") (effective 1 January 2018). The LCR's objective is to measure SBSA'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 the SBSA Group's 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 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. 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 rating based ("IRB") approach for credit risk

The revised IRB framework constrains the use of the AIRB 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 mid-sized corporates, banks and other financial institutions, securities firms and public-sector entities. The relevant SBG legal entities will now have to use the foundation IRB ("**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 that 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 and 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; and 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 which are a basic approach (full version including CVA hedges, or reduced version) and a standardised approach based on the fundamental review of the trading book market risk standardised approach with minimum requirements 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 AMAs 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 comprising a measure of a bank's income and a measure of 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 standardised 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 risk-weighted assets 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 the 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 "**revised Standards**"). The revised 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 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 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 SBSA a period of time before full compliance is required, SBSA 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 economic profit and return on equity, embedding risk-adjusted performance measurement into the performance measurement and reporting processes of the SBG; and ensuring that the SBG is adequately positioned to respond to changing regulatory rules under Basel III.

LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings (nor are there any such proceedings which are pending or threatened of which SBSA is aware) which may have, or have during the 12 months prior to the date of this Issuer Disclosure Schedule had, a significant effect on the financial position or profitability of SBSA and/or the SBSA Group. SBSA 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, SBSA does not expect that the outcome of any such proceeding, either individually or in aggregate, will have a material adverse effect upon the SBSA Group's consolidated financial position or results.

PROPERTY

As at 31 December 2019, SBSA Group held freehold title (net book value) to land and property of R2,994 million (compared to R3,020 million as at 31 December 2018).

INSURANCE

SBSA has a comprehensive insurance programme with cover for bankers' bond, computer crime, professional indemnity, directors' and officers' liability, assets and liabilities. An annual benchmarking review of policy wording, covers and limits ensures that the level of risk mitigation is adequate in relation to SBSA's risk profile.

All insurance cover is placed at SBG level to maximize on economies of scale and to ensure all business units are included.

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 SBSA's ability to adapt to a changing world and create sustainable long-term value for SBSA's stakeholders. SBSA regards technology as a strategic asset which supports, sustains and enables growth and operational excellence.

SBSA's technology strategy is aligned to, and a key enabler of SBSA and the Group's strategic vision. The key elements of SBSA's technology strategy are focused on embedding a client-centric culture which is aimed at ensuring that SBSA'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 SBSA, driving the simplification of SBSA's systems, and in having the right, engaged employees to deliver on the strategy.

Management believes that SBSA's overall technology stability is currently acceptable with significant volumes noted across SBSA's digital offerings. This includes an 11 per cent. increase in volumes and a 10 per cent. increase in values (processing approximately 145 million transactions per month to a total value of R96 billion) and a 28 per cent. year on year decrease in material system stability incidents in South Africa.

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 SBSA's technology strategy, budget, operations, policies and controls, SBSA'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 SBSA 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

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

SBSA holds a full banking licence granted by the SARB. It is an authorised dealer in foreign exchange in terms of the Exchange Control Regulations of the SARB.

Please see "*Risk Factors – The impact of any future change in law or regulation on the Issuer's business is uncertain*" on pages 19 to 20 of the Risk Factors and Other Disclosure Schedule relating to the DMTN Programme Memorandum, and page 20 of the Risk Factors and Other Disclosure Schedule relating to the Structured Note Programme Memorandum.

Anti-money laundering regulatory requirements

SBSA is committed to and supports global efforts to combat money laundering ("**ML**") and terrorist financing ("**TF**"). Consequently, SBSA has implemented the Group Money Laundering Control Policy, and approved standards and procedures to ensure compliance with its legislative obligations in respect of anti-money laundering ("**AML**") and combating the financing of terrorism ("**CFT**") requirements. 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. Minimum standards are implemented throughout SBSA, 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. SBSA continues to enhance and automate its ML and TF detection measures, and has a dedicated AML surveillance team that is responsible for receiving, evaluating and reporting suspicious or unusual transactions and activities to the appropriate authorities. This team has taken the approach of full co-operation with law enforcement agencies from an information sharing perspective, while still ensuring that it operates within the parameters defined by legislation.

Anti-bribery and corruption requirements

Anti-bribery and corruption (ABC) policies are implemented across SBSA. SBSA is committed to the highest level of ethical behaviour, and has a zero-tolerance approach towards bribery and corruption. SBSA has designed and implemented an anti-bribery management system to ensure compliance with ABC laws. 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.

SBSA 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 providing inputs to the Group ABC risk assessment process and implementing updates to the ABC policy.

Furthermore, all SBSA 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

SBSA'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 SBG strategy.

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

The risk universe is managed through the lifecycle from identification to reporting. SBSA'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 SBG strategy.

Risk information is subject to strong data and reporting controls. It is integrated into all business reporting and governance structures. SBSA'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 SBG and SBSA risk governance and management standards and policies.

SBSA'S RISK MANAGEMENT SYSTEM

SBSA operates under the SBG enterprise risk management ("**ERM**") governance framework and SBSA-specific policies to address SBSA-specific business and regulatory requirements. SBSA's chief risk officer is accountable to the SBSA Board and SBSA's regulators. SBSA's chief risk officer is also the chief risk officer for SBG and is therefore also accountable to the SBG Board and SBG regulators.

SBSA's approach to risk management is based on the SBG ERM governance framework under which it operates.

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 SBG 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 chief risk office 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;
- Asset and Liability Committee (the "**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 SBG 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 SBSA.

Business line and legal entity policies are aligned to the governance documents and are applied within their governance structures.

The three lines of defence

SBSA 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. They manage day-to-day transaction- and portfolio-level risk decisions within the risk appetite and implement mitigation controls to reduce the adverse impact of taking risks in pursuit of strategic objectives. 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 SBSA 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 SBG Internal Audit ("**IA**"). IA provide independent and objective assurance to the board and senior management on the adequacy and effectiveness of the control environment and the risk management programme. IA 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 SBSA Board, either directly or through the RCMC and AC. The SBSA Board discharges its oversight responsibilities for risk management through independent assurance activities performed by second and third line. The SBSA 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 SBSA Group's:

- risk, compliance, treasury and capital management, and IA processes;
- risk appetite; and
- capital adequacy to support strategy execution.

Risk culture

SBSA leverages the three lines of defence model to build and maintain a strong risk culture. SBG values and ethics are embedded in SBSA's policies, and through compliance training and whistle-blowing programmes.

SBSA promotes and rewards responsible risk taking that results in sustainable growth. Each business is responsible for monitoring behaviour that is contrary to the SBG ethos and taking disciplinary action in line with the SBG conduct risk management standards. Inappropriate risk decisions are monitored as part of performance management and escalated to 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 BCBS239.

Group insurance programme

The SBG insurance programme is designed to protect against loss resulting from SBSA'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, SBSA 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 business travel policy provides cover for staff when travelling on behalf of SBSA.

Risk appetite and stress testing

The key to SBSA's long-term sustainable growth and profitability lies in ensuring that there is a strong link between its risk appetite and its strategy.

Risk appetite is set, and stress testing activities are undertaken, at a SBG 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 SBG 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 level one risk appetite statements are:

- Capital position: SBSA aims to have a strong capital adequacy position measured by regulatory and economic capital adequacy ratios. SBSA manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance.

- Funding and liquidity management: SBSA maintains a prudent approach to liquidity management in accordance with the applicable laws and regulations. The competitive environment in which each banking subsidiary operates is also taken into account. Each banking subsidiary must manage liquidity on a self-sufficient basis.

- Earnings volatility: SBSA aims to have sustainable and well diversified earning streams in order to minimise earnings volatility through business cycles.

- Reputation: SBSA has no appetite for compromising its legitimacy or for knowingly engaging in any business, activity or relationship which could result in foreseeable damage to SBSA's reputation or its sustainability.

- Conduct: SBSA 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. SBSA 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 is subject to SBSA's stress testing governance framework which sets out the responsibilities for and approaches to stress testing activities. Stress testing is a key management tool within SBSA. SBSA tests risk scenarios 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 perform stress testing for different purposes.

STRATEGIC RISKS

Business Risk

Business risk is the risk 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 SBSA's future business plans and strategies may be inadequate to prevent financial loss or protect SBSA'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.

SBSA mitigates business risk in a number of ways, including:

- reviewing the 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 analysis 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 SBSA's control;
- monitoring the profitability of product lines and client segments;
- maintaining tight control over SBSA's cost base, including the management of the SBSA'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 SBSA's image 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 SBSA.

SBSA's reputation can be harmed by an actual or perceived failure to fulfil the expectations of stakeholders due to a specific incident or from repeated breaches of trust.

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

SBSA 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 level. SBSA addresses potential reputation risk by trying to ensure that SBSA's perspective is fairly represented in the media. In addition, more attention is given to leveraging opportunities to proactively improve SBSA'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 SBG code of ethics is an important reference point for all of its employees. The SBG ethics officer and SBG 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.

SBSA manages non-financial risk under the umbrella of operational risk. SBSA'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.

SBSA'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 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.

SBSA'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 customers 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 SBSA'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.

SBSA's credit governance process relies on both individual responsibility and collective oversight, supported by comprehensive and independent reporting. This approach balances strong corporate oversight with participation by the senior executives of SBSA and its business units in all significant risk matters.

Credit risk is governed in accordance with the SBG comprehensive ERM framework as defined and detailed in the SBG credit risk governance standard and the model risk governance framework.

Credit risk is managed through the CIB and PBB credit governance committees, the SBG Equity Risk Committee 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 concentration risk decision-making and delegation thereof within defined parameters, to credit officers and subcommittees embedded in SBSA.

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 group 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), as illustrated in the table below. These ratings are mapped to 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; or
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

Please refer to the tables set out on pages 150 to 153 of SBSA's 2019 annual report with regard to SBSA'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 155 to 156 of SBSA's 2019 annual report for details of the financial effect that collateral has on SBSA's maximum exposure to credit risk as at 31 December 2019.

Collateral includes:

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

Netting agreements, which do not qualify for offset under IFRS but which are nevertheless enforceable, are included as part of the Group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. In 2018 and 2019 in the retail portfolio, 61 per cent. of exposures were fully collateralised.

The R384 million (compared to R404 million 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 95 per cent. (compared to 95 per cent. in 2018).

Of SBSA's total exposure, 50 per cent. (compared to 54 per cent. in 2018) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

SBSA 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 including the obligations of bank branches and subsidiaries in a country) will be able to fulfil its obligations to SBSA given political or economic conditions in the host country.

All countries to which the SBSA 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, extensive use is made of SBSA's network of operations, country visits and external information sources. These ratings are also a key input into SBSA'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.

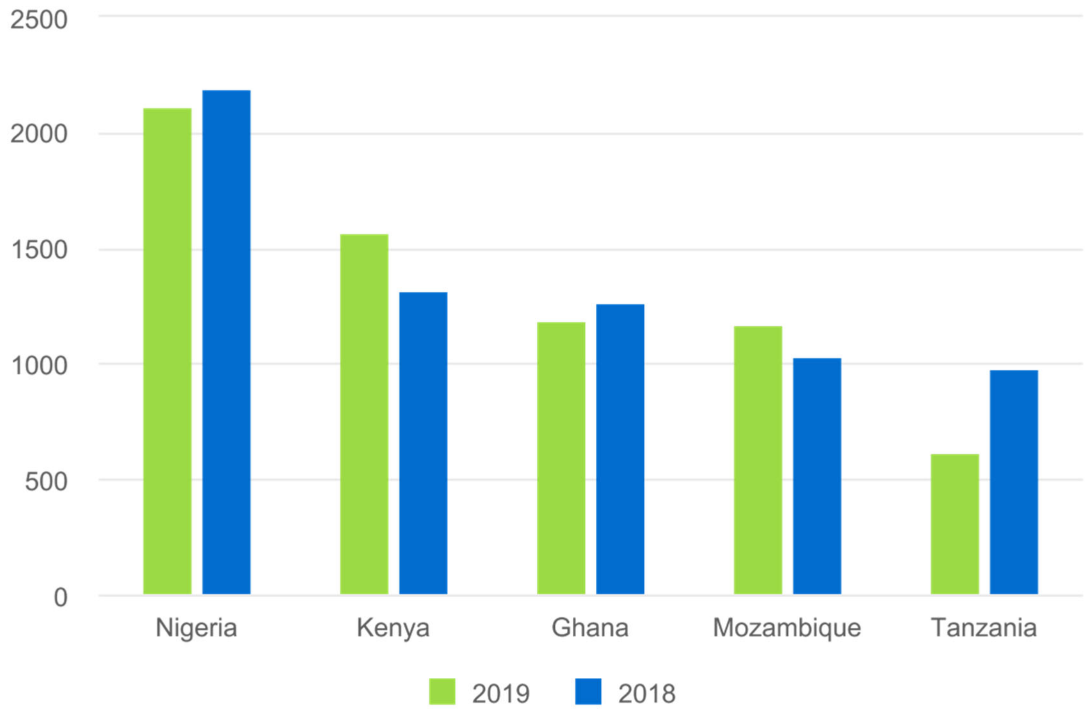
Country risk is mitigated through a number of methods, including:

- 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 SBSA Group's 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 SBSA's exposure to the top five medium- and high-risk countries for the 2019 and 2018. These exposures are in line with SBG's growth strategy, which focused on Africa.



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 banking and trading gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide SBSA with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

SBSA manages liquidity in accordance with applicable regulations and within the SBG risk appetite framework. The liquidity risk governance standard supports the measurement and management of liquidity across both the corporate and retail sectors to ensure that payment obligations can be met 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 SBSA's balance sheet is structurally sound and supportive of our strategy. Liquidity risk is managed on a consistent basis across SBSA. Managing liquidity risk ensures that SBSA 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 SBSA'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 SBSA's ability to maintain sufficient liquidity under adverse conditions.

Internal stress testing metrics are supplemented with the regulatory Basel III LCR to monitor SBSA'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 SBSA's liquid and marketable securities as at 31 December 2019 and 31 December 2018. Eligible Basel III HQLA are defined according to the BCBS January 2013 LCR and liquidity risk monitoring tools framework. Managed liquidity represents unencumbered marketable securities other than eligible Basel III LCR HQLA (excluding trading assets) which would be able to provide significant sources of liquidity in a stress scenario.

TOTAL CONTINGENT LIQUIDITY

	2019 Rbn	2018 Rbn
Eligible LCR HQLA[1] comprising:	**210.7**	208.6
Notes and coins	**9.5**	10.4
Balances with central banks	**23.5**	24.1
Government bonds and bills	**133.9**	130.1
Other eligible assets	**43.8**	44.0
Managed liquidity	**63.7**	43.9
Total contingent liquidity	**274.4**	252.5
Total contingent liquidity as a % of funding-related liabilities (%)	**22.8**	22.4

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

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 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 Required amount of Stable Funding ("**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 SBSA 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	65,710	6	182	165	308	66,371
Instruments settled on a net basis	39,150	6	70	109	264	39,599
Instruments settled on a gross basis	26,560		112	56	44	26,772
Trading liabilities	77,647					77,647
Deposits from customers and banks	676,638	312,682	5,864	10,483	219,122	1,224,789
Subordinated debt		785	1,665	5,268	17,310	25,028
Other[1]		9,325		6,213	17,616	33,154
Total	819,995	322,798	7,711	22,129	254,356	1,426,989
Off-balance sheet exposures						
Letters of credit and bankers' acceptances	9,067					9,067
Guarantees	40,341					40,341
Irrevocable unutilised facilities	86,870					86,870
Total	136,278					136,278
2018						
Financial liabilities						
Derivative financial instruments	49,546	1	191	137	198	50,073
Instruments settled on a net basis	30,923	1	104	40	114	31,182
Instruments settled on a gross basis	18,623		87	97	84	18,891
Trading liabilities	29,704					29,704

Deposits from customers and banks	624,856	46,748	126,007	70,878	177,598	1,046,087
Subordinated debt		58	411	5,439	10,030	15,938
Other		4,277				4,277
Total	704,106	51,084	126,609	76,454	187,826	1,146,079
Off-balance sheet exposures						
Letters of credit and bankers' acceptances	13,884					13,884
Guarantees	47,384					47,384
Irrevocable unutilised facilities	91,800					91,800
Total	153,068					153,068

1 *The group and company have, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 29 of the SBG Annual Financial Statements for more detail on the adoption of IFRS 16.*

Funding activities

Funding markets are evaluated on an ongoing basis to ensure appropriate SBSA's funding strategies are executed depending on the market, competitive and regulatory environment. SBSA employs a diversified funding strategy, sourcing liquidity in both the domestic and offshore markets, and incorporates a coordinated approach to accessing loan and debt capital markets across 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. Total funding-related liabilities increased from R1 126 billion as at 31 December 2018 to R1 206 billion as at 31 December 2019.

The following table sets out SBSA's funding-related liabilities composition as at 31 December 2019 and 31 December 2018.

FUNDING-RELATED LIABILITIES COMPOSITION[1]

	2019	2018
	Rbn	Rbn
Corporate funding	**275**	258
Retail deposits[2]	**254**	252
Institutional funding	**317**	299
Interbank funding	**137**	145
Government and parastatals	**89**	72
Senior debt	**62**	55
Term loan funding	**34**	26

Subordinated debt issued	**21**	19
Other liabilities to the public	**7**	
Total funding-related liabilities	**1206**	1126

[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

When group is mentioned within market risk it refers to The Standard Bank of South Africa Limited and its subsidiaries.

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 bank's trading operations and are overseen by the market risk committee which is accountable to the relevant legal entity ALCOs. ALCOs have a reporting line into group ALCO, a subcommittee of GROC.

All VaR and 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. Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

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 SBSA 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 market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group’s own account. In general, SBSA's trading desks have run increased levels of market risk throughout the year for all asset classes 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
2019	Rm	Rm	Rm	Rm
Commodities risk	**3**	**0.3**	**1**	**1**
Foreign exchange risk	**23**	**7**	**12**	**14**
Equity position risk	**18**	**4**	**8**	**11**
Debt securities	**23**	**11**	**17**	**18**
Diversification benefits[2]			**(8)**	**(20)**
Aggregate	**51**	**17**	**30**	**24**
2018				
Commodities risk	3	0.20	1.0	2.0
Foreign exchange risk	17	6	10	10
Equity position risk	12	2	6	8
Debt securities	26	9	14	15
Diversification benefits[2]			(9)	(14)
Aggregate	35	14	22	21

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 SBSA'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. Excluding local currency government debt held by each legal entity, the largest issuer exposure was R13.5bn (2018: R16.4bn).

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 SBSA's stress scenario limits.

Backtesting

SBSA backtests its VaR models to verify the predictive ability of the VaR calculations and to 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 SBSA's approved models were assigned green status by the SARB for the year ended 31 December 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.

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

Measurement

The analytical techniques used to quantify interest rate risk in the banking book include both earnings- and valuation-based measures. The analysis takes account of 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.

Equity risk relates to all transactions and investments subject to approval by the SBSA 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 SBSA's subsidiaries, associates and joint ventures deployed in delivering SBSA's business and service offerings unless the group financial director and SBSA CRO deem such investments to be subject to the consideration and approval by the group ERC.

MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value Rm	Fair value Rm	10% increase in fair value Rm
2019			
Equity securities listed and unlisted	**2,794**	**3,104**	**3,414**
Listed		**70**	
Unlisted		**3,034**	
Impact on profit and loss	**(310)**		**310**
Impact on equity	—		—
2018			
Equity securities listed and unlisted	2,176	2,418	2,660
Listed		34	
Unlisted		2,384	
Impact on profit and loss	(242)		242
Impact on equity	—		—

Foreign currency risk

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

The SBSA 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.

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

Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in rand equivalent, resulting from a 10 per cent. shock to foreign currency risk exposures, against ZAR. The sensitivity analysis is based on net open foreign currency exposures arising from foreign-denominated financial assets and liabilities inclusive of derivative financial instruments, cash balances, and accruals, but excluding net assets in foreign operations. The sensitivity analysis reflects the sensitivity of profit or loss on SBSA'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[1]

		USD	Euro	GBP	NGN	Other	Total
2019							
Total net long/(short) position	Rm	197	96	49	1	(1)	342
Sensitivity (ZAR depreciation)	%	10	10	10	10	10	
Impact on profit or loss	Rm	20	10	5	0	0	35
2018							
Total net long/(short) position	Rm	383	293	89	9	(2)	772
Sensitivity (ZAR depreciation)	%	10	10	10	10	10	
Impact on profit or loss	Rm	38	29	9	1	0	77

PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to SBSA set out in this Issuer Disclosure Schedule is consolidated financial information in respect of SBSA and its subsidiaries (the "**SBSA 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 "**SBSA 2019 Audited Financial Statements**") and 31 December 2018 (the "**SBSA 2018 Audited Financial Statements**"), in each case prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

The information relating to SBSA'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 Schedule relating to the DMTN Programme Memorandum has been extracted from the SBSA 2019 Risk and Capital Management and is unaudited.

The information relating to the credit loss ratio of SBSA in relation to mortgage loans, vehicle and asset finance and card products set out in the section headed "*Description of The Standard Bank of South Africa Limited - Business of SBSA - Personal & Business Banking SA*" has been extracted from the management accounts of SBSA as at 31 December 2019 and is unaudited.

The information contained in the SBSA 2018 Risk and Capital Management Report is unaudited unless stated as audited.

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

Unless otherwise indicated, the financial information relating to SBSA for the year ended and as at 31 December 2018 contained in this Issuer Disclosure Schedule has been extracted from the SBSA 2019 Audited Financial Statements and is therefore 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 of South Africa	**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			
Foreign currency deposit rating	NP	Ba2	Negative
Local currency deposit rating	NP	Ba2	Negative
National rating	P-1.za	Aa1.za	

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, appointed by the Issuer in respect of the DMTN Programme, 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 31 and 32 above*

CONFLICT OF INTERESTS REGISTER

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

CORPORATE INFORMATION IN RESPECT OF THE DMTN PROGRAMME

ISSUER
The Standard Bank of South Africa Limited
(Registration Number 1962/000738/06)
1st Floor, East Wing
30 Baker Street
Rosebank, 2196
South Africa
Contact: Mrs A Hunter
Email: Ann.hunter@standardbank.co.za
Tel: (011) 415-4194

ARRANGER, DEALER AND JSE DEBT SPONSOR
The Standard Bank of South Africa Limited
(acting through its Corporate and Investment Banking division)
(Registration Number 1962/000738/06)
3rd Floor, East Wing
30 Baker Street
Rosebank, 2196
South Africa
Contact: Ms Z Sisulu
Email: Zoya.sisulu@standardbank.co.za
Tel: (011) 721-6032

LEGAL ADVISERS TO THE ISSUER, ARRANGERS AND DEALERS
Allen & Overy (South Africa) LLP
6th Floor, 90 Grayston
90 Grayston Drive
Sandton, 2146
South Africa
Contact: Debt Capital Markets Practice - Johannesburg
Tel: (010) 597-9850

AUDITORS TO THE ISSUER

KPMG Incorporated
(Registration Number 1999/021543/21)
KPMG Crescent
85 Empire Road
Parktown, 2193
South Africa
Contact: Ms H Berrange
Email: heather.berrange@kpmg.co.za
Tel: (011) 647-7058

PricewaterhouseCoopers Incorporated
(Registration Number 1998/012055/21)
4 Lisbon Lane
Waterfall City
Jukskei View 2090
Contact: Mr G Fraser
Email: gino.fraser@za.pwc.com
Tel: (011) 797- 5018

COMPANY SECRETARY
The Standard Bank of South Africa Limited
(Registration Number 1962/000738/06)
9th Floor, Standard Bank Centre
5 Simmonds Street
Johannesburg, 2001
South Africa
Contact: Ms Z Stephen
Email: zola.stephen@standardbank.co.za
Tel: (011) 631-9106

DEBT OFFICER
The Standard Bank of South Africa Limited
Arno Daehnke
CFO Standard Bank Group Limited
9th Floor, Standard Bank Centre
5 Simmonds Street
Johannesburg,2001
Email: arno.daehnke@standardbank.co.za
Tel: +27 11 636 3756

CORPORATE INFORMATION IN RESPECT OF THE STRUCTURED NOTE PROGRAMME

ISSUER, ARRANGER, DEALER AND DEBT SPONSOR
The Standard Bank of South Africa Limited
(Registration Number 1962/000738/06)
9th Floor
Standard Bank Centre
5 Simmonds Street
Johannesburg, 2001
South Africa
Contact: Mr J Costa
Tel: 011 415 7823

AUDITORS TO THE ISSUER

KPMG Incorporated
(Registration Number 1999/021543/21
85 Empire Road
Parktown, 2193
South Africa
Contact: Ms H Berrange
Email: heather.berrange@kpmg.co.za
Tel: (011) 647-7058

PricewaterhouseCoopers Incorporated
(Registration Number 1998/012055/21)
4 Lisbon Lane
Waterfall City
Jukskei View 2090
Contact: Mr G Fraser
Email: gino.fraser@za.pwc.com
Tel: (011) 797-4000

COMPANY SECRETARY
The Standard Bank of South Africa Limited
(Registration Number 1962/000738/06)
9th Floor, Standard Bank Centre
5 Simmonds Street
Johannesburg, 2001
South Africa
Contact: Ms Z Stephen
Tel: (011) 631-9106

LEGAL ADVISERS
As to English Law in respect of the Additional Terms and Conditions for Credit Linked Notes, Equity Linked Notes and FX Linked Notes
Allen & Overy LLP
One Bishops Square
London E1 6AD
England

As to South African Law
Allen & Overy LLP
6th Floor, 90 Grayston
90 Grayston Drive, Sandton
South Africa