

Pillar of value creation

Risk management

As a financial services group, effective risk management and control are essential for sustainable and profitable growth.

 Pillar 3 risk management report for the period ended 31 December 2018

Risks exist when a decision or action has an uncertain outcome that could impact our performance. They arise for a variety of reasons, including external events (economic shifts and regulatory change) and internal events (system failure or poor sales practices). We take select risks, such as lending money to a customer after appropriate consideration. We use a risk management framework to set a balanced risk appetite that takes into account the operating environment and our strategy. The framework sets out activities, tools, techniques and practices to (i) comply with regulatory frameworks and (ii) identify and manage material risks. It also ensures appropriate responses that protect Absa and our stakeholders. It is essential that business plans are supported by an effective risk management framework to allow us to grow sustainably and responsibly.

Risk strategy and appetite

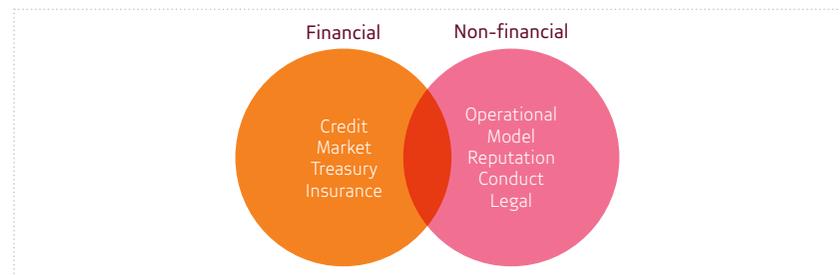
The Group's strategy is set within the parameters of an agreed risk appetite with our risk strategy being developed alongside the Group's strategy. Our risk appetite defines the nature and extent of risk the Group is willing to take to achieve strategic objectives.

Risk management framework

Our approach to managing risk is outlined in the Enterprise Risk Management Framework which is underpinned by the following foundations:

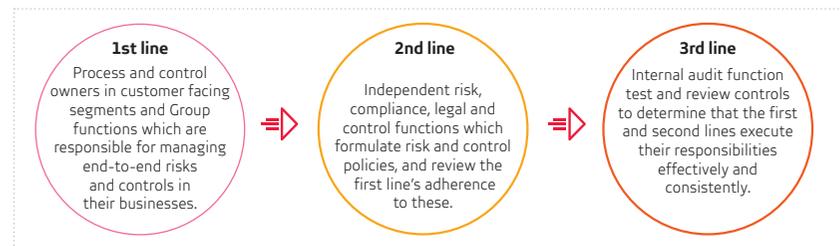
- 1 A robust and consistent governance structure at Group, country and business level.
- 2 Well defined material risk categories known as principal risks.
- 3 A three lines of defence model with clear accountability for managing and overseeing.
- 4 A comprehensive process to evaluate, respond and monitor risks.
- 5 A robust risk operating model which provides clear roles and responsibilities.

Nine principal risks



Risk operating model

We apply a three lines of defence model to govern risk across all businesses and functions.



Evaluate, respond, monitor

This is a structured and practical risk management approach to identify and assess the risk, determine the appropriate response, and then monitor the effectiveness of the response and the changes to the risk profile.

